FOR IMMEDIATE RELEASE

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Mountain Commerce Bancorp, Inc. Announces Fourth Quarter 2023 Results And Quarterly Cash Dividend

Knoxville, Tennessee, January 22, 2024 – Mountain Commerce Bancorp, Inc. (the "Company") (OTCQX: MCBI), the holding company for Mountain Commerce Bank (the "Bank"), today announced results and related data as of and for the three and twelve months ended December 31, 2023.

The Company also announced today that its Board of Directors declared a quarterly cash dividend of $0.08 per common share, its thirteenth consecutive quarterly dividend. The dividend is payable on March 1, 2024 to shareholders of record as of the close of business on February 5, 2024.

Management Commentary

William E. "Bill" Edwards, III, President and Chief Executive Officer of the Company, commented as follows:

"We took several steps during the fourth quarter of 2023 that we believe will improve our future earnings including executing a $10.0 million securities and a $50.0 million borrowings restructuring, as discussed in further detail below. These restructurings are expected to improve earnings beginning in the first quarter of 2024. In addition, we continue to consolidate several of our leased locations into buildings that we own which should result in lease expense savings throughout 2024. We are pleased that our average yield on taxable loans increased 76 bp from 4.75% in the fourth quarter of 2022 to 5.51% in the fourth quarter of 2023. However, the average rate paid on interest bearing liabilities increased 215 bp from 2.14% to 4.29% over the same period. We continue to experience very low levels of loan charge-offs and our allowance coverage of nonperforming loans was approximately 8 to 1 at December 31, 2023. From an asset quality perspective, our non-performing assets to total assets remained low at 0.09% at December 31, 2023, with no properties in real estate owned. We continue to remain disciplined on loan quality and pricing, and intend to prioritize the value of maintaining and growing our retail deposit base, with retail certificates of deposit growing $213.0 million since December 31, 2022. Our December 31, 2023 liquidity remains strong with available funding sources in excess of our level of uninsured and uncollateralized deposits.

I'm pleased that we have continued a common stock dividend this quarter despite the near-term negative impact of the securities restructuring. While returning capital to shareholders through dividends and other methods is something we've done over the last several years, I've always believed that growing tangible book value and accreting capital to support our planned growth should be a key element of our effort to increase shareholder value. Our board has always evaluated, and will continue to evaluate, our dividend paying capacity with these key goals in mind as we seek to strike an appropriate balance between returning capital to shareholders and growing tangible book value and capital over the long-term.

We continue to work diligently on several projects located across our markets, including the following:

- The construction of our Johnson City financial center continues with an expected completion date of mid-2024. This location, which has significant I-26 visibility, will be a major upgrade from our single existing branch in this market, and we believe the opening of this location will aid in our efforts to substantially grow our Johnson City and TriCities deposit market share. We expect to consolidate approximately 8,300 sf of leased space with an annual cost of $170 thousand into this building.
- We finalized repairs and improvements on our newest financial center in West Knoxville which opened for business on October 30, 2023. In addition to providing a more visible and strategic geographic location, we also consolidated approximately 8,900 sf of space that we formerly leased with an annual cost of $210 thousand into this building."

Highlights

The following tables highlight the trends that the Company believes are most relevant to understanding the performance of the Company as of and for the three and twelve months ended December 31, 2023. As further detailed in Appendix A and Appendix C to this press release, adjusted results (which are non-GAAP financial measures), reflect adjustments for realized and unrealized investment gains and losses, PPP fee accretion (net of the amortization of PPP deferred loan costs and one-time PPP bonuses), gains and losses from the sale of fixed assets, the provision for credit losses, the provision for unfunded loan commitments, and the impact of a fraudulent wire loss incurred in the second quarter of 2022 and a recovery associated with that loss in the first quarter of 2023. See Appendix B to this press release for more information on the Company's tax equivalent net interest margin. All financial information in this press release is unaudited.

		For the Three Months Ended December 31, (Dollars in thousands, except per share data)				
		2023			2022	
		GAAP	Adjusted (1)		GAAP	Adjusted (1)
Net income (loss)	$	(376)	1,244	$	3,788	4,309
Diluted earnings (loss) per share	$	(0.06)	0.20	$	0.61	0.69
Return on average assets (ROAA)		-0.09%	0.29%		0.96%	1.09%
Return on average equity		-1.25%	4.13%		13.15%	14.96%
Noninterest expense to average assets		1.48%	1.48%		1.69%	1.68%
Net interest margin (tax equivalent)		1.98%	1.98%		3.15%	3.15%
Pre-tax, pre-provision earnings (1)	$		1,182	$		5,145
Pre-tax, pre-provision ROAA (1)			0.27%			1.30%

(1) Represents a non-GAAP financial measure. See Appendix A to this press release for more information.

		For the Twelve Months Ended December 31, (Dollars in thousands, except per share data)				
		2023			2022	
		GAAP	Adjusted (1)		GAAP	Adjusted (1)
Net income	$	6,914	8,908	$	18,440	21,795
Diluted earnings per share	$	1.11	1.43	$	2.96	3.50
Return on average assets (ROAA)		0.41%	0.53%		1.25%	1.48%
Return on average equity		5.74%	7.40%		15.78%	18.65%
Noninterest expense to average assets		1.44%	1.45%		1.61%	1.55%
Net interest margin (tax equivalent)		2.17%	2.17%		3.57%	3.54%
Pre-tax, pre-provision earnings (1)	$		9,719	$		26,036
Pre-tax, pre-provision ROAA (1)			0.58%			1.77%

(1) Represents a non-GAAP financial measure. See Appendix A to this press release for more information.

	As of and for the 3 Months Ended December 31, 2023	As of and for the 3 Months Ended September 30, 2023	As of and for the 12 Months Ended December 31, 2022
	(Dollars in thousands, except share data)		
Asset Quality			
Non-performing loans	$ 1,607	$ 607	$ 1,277
Real estate owned	$ -	$ -	$ -
Non-performing assets	$ 1,607	$ 607	$ 1,277
Non-performing loans to total loans	0.11%	0.04%	0.10%
Non-performing assets to total assets	0.09%	0.03%	0.08%
Year-to-date net charge-offs	$ 459	$ 66	$ 89
Allowance for credit losses to non-performing loans	811.08%	2147.28%	990.21%
Allowance for credit losses to total loans	0.90%	0.90%	0.96%
Other Data			
Cash dividends declared	$ 0.080	$ 0.160	$ 0.160
Shares outstanding	6,352,725	6,364,666	6,361,494
Book and tangible book value per share (2)	$ 19.33	$ 19.29	$ 18.43
Accumulated other comprehensive income (loss) (AOCI) per share	(2.56)	(3.28)	(2.83)
Book and tangible book value per share, excluding AOCI (1) (2)	21.89	$ 22.57	$ 21.26
Closing market price per common share	$ 18.50	$ 16.50	$ 27.75
Closing price to book value ratio	95.71%	85.53%	150.53%
Tangible common equity to tangible assets ratio	7.07%	7.07%	7.33%
Bank regulatory leverage ratio	9.45%	9.61%	9.45%

(1) As further detailed in Appendix A and Appendix C to this press release, this is a non-GAAP financial measure

(2) The Company does not have any intangible assets

Five Quarter Trends

	For the Three Months Ended (Dollars in thousands, except per share data)				
	2023				2022
	December 31 GAAP	September 30 GAAP	June 30 GAAP	March 31 GAAP	December 31 GAAP
Net income	$ (376)	$ 2,473	$ 2,459	$ 2,358	$ 3,788
Diluted earnings per share	$ (0.06)	$ 0.40	$ 0.39	$ 0.38	$ 0.61
Return on average assets (ROAA)	-0.09%	0.58%	0.59%	0.57%	0.96%
Return on average equity	-1.25%	8.19%	8.13%	7.89%	13.15%
Noninterest expense to average assets	1.48%	1.34%	1.47%	1.47%	1.69%
Net interest margin (tax equivalent)	1.98%	2.08%	2.09%	2.55%	3.22%
	2023				2022
	December 31 Adjusted (1)	September 30 Adjusted (2)	June 30 Adjusted (2)	March 31 Adjusted (2)	December 31 Adjusted (1)
Net income	$ 1,244	$ 2,405	$ 2,202	$ 3,055	$ 4,309
Diluted earnings per share	$ 0.20	$ 0.39	$ 0.35	$ 0.49	$ 0.69
Return on average assets (ROAA)	0.29%	0.56%	0.53%	0.74%	1.09%
Return on average equity	4.13%	7.97%	7.28%	10.22%	14.96%
Noninterest expense to average assets	1.48%	1.34%	1.47%	1.47%	1.68%
Net interest margin (tax equivalent)	1.98%	2.08%	2.09%	2.55%	3.22%
Pre-tax, pre-provision earnings	$ 1,182	$ 2,684	$ 2,315	$ 3,537	$ 5,145
Pre-tax, pre-provision ROAA	0.27%	0.63%	0.55%	0.86%	1.30%

(1) Represents a non-GAAP financial measure. See Appendix A to this press release for more information.
(2) Represents a non-GAAP financial measure. See Appendix C to this press release for more information.

Net Interest Income

Net interest income decreased $4.0 million, or 34.5%, from $11.5 million for the three months ended December 31, 2022 to $7.6 million for the same period in 2023. The decrease between the periods was primarily the net result of the following factors:

- Average interest-earning assets grew $114.1 million, or 7.6%, from $1.508 billion to $1.622 billion, driven primarily by increases in loans.
- Average net interest-earning assets declined $97.9 million, or 25.5%, from $384.4 million to $286.4 million, due primarily to a $77.1 million decrease in noninterest bearing deposits and a $25.3 million increase in noninterest earning assets – primarily higher levels of fixed assets discussed below.
- The average rate paid on interest-bearing liabilities increased 215 bp from 2.14% to 4.29%, while the average rate earned on interest-earning assets increased 76 bp from 4.75% to 5.51%, resulting in a decrease in tax-equivalent net interest margin from 3.15% to 1.98%. The increase in the

average rate paid on interest-bearing liabilities was due to the rising rate environment and competitive funding pressures in our markets, which resulted in customers seeking higher rates on certificates of deposit and other interest-bearing accounts and the Company's cost of wholesale funding rising significantly.

Net interest income decreased $15.7 million, or 32.3%, from $48.5 million for the twelve months ended December 31, 2022 to $32.8 million for the same period in 2023. The decrease between the periods was primarily the net result of the following factors:

- Average interest-earning assets grew $192.2 million, or 13.6%, from $1.409 billion to $1.601 billion, driven primarily by increases in loans.
- Average net interest-earning assets declined $78.3 million, or 19.7%, from $397.8 million to $319.5 million, due primarily to a $55.8 million decrease in noninterest bearing deposits and a $26.2 million increase in noninterest earning assets - primarily higher levels of fixed assets discussed below.
- The average rate paid on interest-bearing liabilities increased 281 bp from 1.05% to 3.86%, while the average rate earned on interest-earning assets increased 94 bp from 4.32% to 5.26%, resulting in a decrease in tax-equivalent net interest margin from 3.57% to 2.17%. The increase in the average rate paid on interest-bearing liabilities was due to the rising rate environment and competitive funding pressures in our markets, which resulted in customers seeking higher rates on certificates of deposit and other interest-bearing accounts and the Company's cost of wholesale funding rising significantly.

Rate Sensitivity

The Company has the following loans and funding subject to repricing of short-term (90 days or less) interest rates:

		Prime	SOFR	Federal Funds	FHLB	Total
Loans	$	188,200	93,500	-	-	281,700
Funding	$	-	-	107,362	50,000	157,362

The Federal Reserve has increased the Federal Funds interest rate by 525 bp since December 31, 2021. Since that time, the Company has experienced the following cumulative impacts on its loan yields and deposit costs:

	Cumulative Beta	
	Loan Yields	Deposit Costs
Mar 31, 2022	128.0%	0.0%
Jun 30, 2022	32.0%	5.3%
Sep 30, 2022	24.7%	14.3%
Dec 31, 2022	25.4%	30.6%
Mar 31, 2023	26.1%	43.8%
Jun 30, 2023	27.8%	55.0%
Sep 30, 2023	30.7%	57.5%
Dec 31, 2023	33.5%	62.3%

Effective October 1, 2023, the Company entered into a $150 million notional amount pay-fixed swap with a term of 3 years whereby the Company pays a fixed rate of 4.69% and receives the SOFR Compound rate. This swap has been accounted for as a fair value hedge of fixed-rate loans and should improve the Company's exposure to interest rates in a rising rate environment.

Provision For Credit Losses

A provision for credit losses of $1.4 million and $0.2 million was recognized for the three months ended December 31, 2023 and 2022, respectively. The provision for credit losses recognized in the fourth quarter of 2023 was impacted by the following:

- $0.4 million complete charge-off of an unsecured loan subject to a repayment plan
- $0.3 million reserve established for a loan collateralized by lake lots and originated in 2007.
- $0.7 million reserve established for a loan collateralized by business assets and guaranteed by borrowers with ability to repay.

A provision for credit losses on loans of $1.0 million and $2.2 million was recognized for the twelve months ended December 31, 2023 and 2022, respectively. Though negatively impacted by the charge-off and reserves noted above, the 2023 provision was favorably impacted by an improvement in projected economic factors (GDP, unemployment and housing prices) and a reduction in the reserve for unfunded commitments, offset by additional provision expense related to loan growth.

The Company continues to experience historically low levels of problem assets and charge-offs.

The Company adopted the provisions of Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* as of January 1, 2023. The following summarizes the impact of the adoption of ASU 2016-13:

		Impact at Jan 1, 2023
(in millions)		
Decrease to allowance for credit losses on loans	$	(0.70)
Increase to reserve for unfunded commitments		0.70
Net impact to shareholder's equity	$	-

Noninterest Income

The following summarizes changes in the Company's noninterest income for the periods indicated:

		Three Months Ended December 31		
(In thousands)		2023	2022	Change
Service charges and fees	$	400	393	7
Bank owned life insurance		52	45	7
Realized loss on sale of investment securities available for sale		(666)	(399)	(267)
Realized and unrealized gain (loss) on equity securities		(90)	68	(158)
Gain on sale of loans		12	2	10
Loss on sale of fixed assets		(55)	-	(55)
Wealth management		185	154	31
Swap fees		162	-	162
Limited partnership distributions		-	-	-
Other		10	16	(6)
Total noninterest income	$	10	279	(269)

		Twelve Months Ended December 31		
(In thousands)		2023	2022	Change
Service charges and fees	$	1,536	1,472	64
Bank owned life insurance		192	176	16
Realized loss on sale of investment securities available for sale		(675)	(611)	(64)
Realized and unrealized loss on equity securities		(872)	(1,119)	247
Gain on sale of loans		32	31	1
Loss on sale of fixed assets		(254)	-	(254)
Wealth management		664	698	(34)
Swap fees		528	-	528
Limited partnership distributions		-	469	(469)
Other		47	58	(11)
Total noninterest income	$	1,198	1,174	24

Noninterest income declined to $0.0 million in the fourth quarter of 2023 from $0.3 million in the same quarter of 2022. The following factors had an impact on noninterest income during these periods:

- An increase of $0.3 million in realized losses on the sale of investment securities available for sale. During the fourth quarter of 2023, the Company executed a securities restructuring whereby approximately $7.0 million of securities available for sale with a then current book yield of 2.8% and a duration of 5.0 years were sold at a loss of $0.7 million and replaced with floating-rate government agency securities with a then current book yield of 6.5% and a duration of zero. This transaction resulted in a projected earn back period 2.5 years.
- Realized and unrealized gains on equity securities declined by $0.2 million from the fourth quarter of 2022 as a result of a decline in market conditions.

- The Company recognized a $0.2 million increase in swap fees during the fourth quarter of 2023 due to increased demand by customers for fixed rate loans. The Bank receives a fee for delivering the swap to a third party, but does not maintain a contractual obligation for the swap other than in the event of a default.

Noninterest income remained consistent at $1.2 million for the twelve months ended December 31, 2023 and 2022. The following factors had an impact on noninterest income during these periods:

- Realized and unrealized losses on equity securities improved by $0.2 million from the year ended December 31, 2022 as a result of an improvement in market conditions.
- The Company incurred a $0.3 increase in loss on sale of fixed assets from the sale of the Company's former legacy bank headquarters building in Erwin, TN during the third quarter of 2023.
- The Company recognized a $0.5 million increase in swap fees during 2023 due to increased demand by customers for fixed rate loans. The Bank receives a fee for delivering the swap to a third party, but does not maintain a contractual obligation for the swap other than in the event of a default.
- The Company recognized a $0.5 million decrease in distributions from limited partnerships, which tend to have an unpredictable level of distributions.

Noninterest Expense

The following summarizes changes in the Company's noninterest expense for the periods indicated:

		Three Months Ended December 31		
(In thousands)		2023	2022	Change
Compensation and employee benefits	$	3,461	3,937	(476)
Occupancy		580	549	31
Furniture and equipment		266	209	57
Data processing		623	524	99
FDIC insurance		314	186	128
Office		180	199	(19)
Advertising		131	167	(36)
Professional fees		477	336	141
Other noninterest expense		361	576	(215)
Total noninterest expense	$	6,393	6,683	(290)

		Twelve Months Ended December 31		
(In thousands)		2023	2022	Change
Compensation and employee benefits	$	13,269	13,354	(85)
Occupancy		2,321	1,758	563
Furniture and equipment		809	608	201
Data processing		2,220	2,020	200
FDIC insurance		1,186	677	509
Office		783	722	61
Advertising		525	431	94
Professional fees		1,801	1,408	393
Other noninterest expense		1,383	2,649	(1,266)
Total noninterest expense	$	24,297	23,627	670

Noninterest expense declined $0.3 million, or 4.3%, from $6.7 million in the fourth quarter of 2022 to $6.4 million in the same period of 2023. The following factors had an impact on changes in noninterest expense during these periods:

- Compensation and employee benefits decreased $0.5 million, or 12.1%, due primarily to a decrease in incentive accruals and a decline in FTE employees from 116 to 113, offset by merit increases and an increase in benefit costs.
- FDIC insurance increased $0.1 million due to a scheduled 2 bp increase in the assessment rate and an increase in the Company's deposit balances.
- Professional fees increased $0.1 million due to increased CECL and AML/BSA compliance costs.
- Other noninterest expense declined $0.2 million due to a reclass of the provision for unfunded commitments from noninterest expense to the provision for credit losses.

Noninterest expense increased $0.7 million, or 2.8%, from $23.6 million in the year ended December 31, 2022 to $24.3 million in the same period of 2023. The following factors had an impact on changes in noninterest expense during these periods:

- Compensation and employee benefits decreased $0.1 million, or 1.2%, due primarily to a decrease in incentive accruals and a decline in FTE employees from 116 to 113, offset by merit increases and an increase in benefit costs.
- Occupancy and furniture and equipment expense increased $0.8 million due to lease and furniture expense associated with the Company's new Brentwood financial center, as well as additional depreciation and furniture expense associated with the Company's new operations center and West Knoxville financial center. The Company should benefit from lower lease expense in future quarters due to the staggered closure schedule of certain leased office space that is being replaced by the new facilities.
- Data processing increased $0.2 million due to an 8.5% increase in the size of the Company's balance sheet.
- FDIC insurance increased $0.5 million due to a scheduled 2 bp increase in the assessment rate and an increase in the Company's deposit balances.
- Professional fees increased $0.4 million due to increased CECL and AML/BSA compliance costs.
- Other noninterest expense declined $1.3 million as 2022 included a $0.8 million loss associated with a fraudulent wire, offset by a $0.1 million recovery during 2023, and the reclassification of the provision for unfunded commitments from noninterest expense to the provision for credit losses.

Income Taxes

The effective tax rates of the Company were as follows for the periods indicated

Three Months Ended December 31			Twelve Months Ended December 31	
2023	2022		2023	2022
-88.00%	23.24%		20.72%	22.61%

The Company's negative effective tax rate during the three months ended December 31, 2023 reflects the impact of a true up of the Company's state tax provision due to lower reported earnings. The decrease in the Company's effective tax rate for the full year 2023 compared to 2022 is due to a decline in the Company's effective state tax rate resulting from tax credits on certain loans. The Company's marginal tax rate of 26.14% is favorably impacted by certain sources of non-taxable income including bank-owned life insurance (BOLI), tax-free loans, and investments in tax-free municipal securities.

Balance Sheet

Total assets increased $137.7 million, or 8.6%, from $1.600 billion at December 31, 2022 to $1.738 billion at December 31, 2023. The change was primarily driven by the following factors:

- Available for sale investment security balances decreased $7.2 million, or 5.2%, primarily due to principal paydowns.

  The following summarizes the composition of the Company's available for sale investment securities portfolio (at fair value) as of December 31, 2023 and December 31, 2022:

		December 31, 2023			December 31, 2022	
		Estimated Fair Value	Net Unrealized Gain (Loss)		Estimated Fair Value	Net Unrealized Gain (Loss)
(in thousands)						
Agency MBS / CMO	$	12,870	(1,853)		17,086	(2,232)
Agency multifamily (non-guaranteed)		8,944	(897)		10,110	(1,316)
Agency floating rate		16,919	(41)		9,862	(56)
Business Development Companies		3,420	(345)		3,795	(626)
Corporate		23,801	(2,673)		24,531	(2,487)
Municipal		26,465	(6,790)		26,464	(8,264)
Non-agency MBS / CMO		37,805	(9,489)		45,577	(9,514)
	$	130,224	(22,088)		137,425	(24,495)

Non-agency MBS/CMO have an average credit-enhancement of approximately 37% as of December 31, 2023. Municipal securities are generally rated AA or higher.

- The Company does not have any securities classified as held-to-maturity.

- Loans receivable increased $136.0 million, or 10.3%, from $1.317 billion at December 31, 2022 to $1.453 billion at December 31, 2023. Increases over that period in other construction, home equity, residential, multi-family, and owner and non-owner occupied commercial loans, offset a reduction in residential construction, farmland, commercial & industrial, PPP and consumer loans.

  The following summarizes changes in loan balances over the last five quarters:

		December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
(in thousands)						
Residential construction	$	33,881	39,824	40,309	47,170	35,774
Other construction		89,388	82,288	73,183	64,009	56,090
Farmland		8,614	8,699	9,381	10,174	11,657
Home equity		48,118	45,839	43,992	40,609	38,108
Residential		452,957	446,215	434,780	437,143	423,646
Multi-family		109,859	112,786	111,988	102,761	92,933
Owner-occupied commercial		234,289	229,879	217,778	205,512	206,873
Non-owner occupied commercial		329,204	317,651	324,883	299,093	297,811
Commercial & industrial		137,076	142,685	134,188	140,022	140,151
PPP Program		154	191	884	1,589	2,659
Consumer		9,331	9,572	12,732	13,128	11,181
	$	1,452,871	1,435,629	1,404,098	1,361,210	1,316,883

The following summarizes the industry components of the Company's non-owner occupied commercial real estate loans as of December 31, 2023:

		Loan Balance	% of Total Loans
Hotels		75,063	5.2%
Retail		68,932	4.7%
Office	$	32,869	2.3%
Campground		30,544	2.1%
Medical		24,523	1.7%
Warehouse		21,731	1.5%
Marina		21,494	1.5%
Mini-storage		19,210	1.3%
Vacation Rentals		15,582	1.1%
Car Wash		10,543	0.7%
Restaurant		5,025	0.3%
Other		3,689	0.3%
	$	329,204	22.7%

- Premises and equipment increased $19.5 million, or 59.1%, during the year ended December 31, 2023 primarily due to costs incurred for the construction of the new 23,000 sf Johnson City combined financial/corporate center as well as improvement costs on the financial center in West Knoxville which approximated the following:

		2023	
		Costs	Remaining
		Incurred	Expenditures
West Knoxville	$	4.5	-
Johnson City		12.9	3.7
Total	$	17.4	3.7

- Total deposits increased $125.5 million, or 9.3%, from $1.346 billion at December 31, 2022 to $1.472 billion at December 31, 2023. An increase in retail and wholesale time deposits offset decreases in non-interest bearing transaction, NOW and money market and savings accounts. The Company believes that the shift in product mix out of non-interest bearing transaction, money market and savings accounts and into retail time deposits is primarily a result of the higher interest rates that the Company has offered on retail time deposits. During the fourth quarter of 2023, the Company replaced $52 million of FHLB short-term borrowings at a rate of 5.4% with $49 million of 3 year wholesale time deposits at 4.50%.

  The following summarizes changes in deposit balances over the last five quarters:

		December 31, 2023	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**	**December 31, 2022**
(in thousands)						
Non-interest bearing transaction	$	243,750	270,299	322,003	293,502	305,210
NOW and money market		271,208	250,920	266,777	314,636	321,028
Savings		248,576	258,110	260,741	293,254	359,613
Retail time deposits		392,638	382,708	355,367	277,408	179,626
		1,156,172	1,162,037	1,204,888	1,178,800	1,165,477
Wholesale time deposits		315,862	246,716	212,988	202,608	181,022
Total deposits	$	1,472,034	1,408,753	1,417,876	1,381,408	1,346,499

  The following summarizes the composition of wholesale time deposits as of December 31, 2023:

Type		Principal	Rate	Maturity	Original Term
Brokered CD	$	25,000	5.25%	Feb 5, 2024	1 Yr
Brokered CD		75,000	4.75%	Feb 16, 2024	1 Yr
Brokered CD		38,569	5.10%	Mar 15, 2024	1 Yr
Brokered CD		11,431	5.25%	Mar 15, 2024	1 Yr
Brokered CD		70,000	4.90%	Apr 16, 2024	1 Yr
Brokered CD		555	4.75%	Dec 22, 2025	2 Yr
Brokered CD		48,551	4.50%	Dec 21, 2026	3 Yr
Qwickrate		46,756	5.40%	Through June 15, 2026	2.5 Yrs or Less
	$	315,862	4.94%		

- FHLB borrowings decreased $5.0 million from December 31, 2022 and consisted of the following at September 30, 2023:

	Amounts (000's)	Original Term	Current Rate	Maturity Date
$	50,000	3 months	5.50%	02/28/24
	50,000	12 months	5.27%	03/15/24
$	100,000		5.39%	

- Total equity increased $5.5 million, or 4.7%, from $117.3 million at December 31, 2022 to $122.8 million at December 31, 2023. The following summarizes the components of the change in total shareholders' equity and tangible book value per share for the year ended December 31, 2023:

		Total Shareholders' Equity	Tangible Book Value Per Share	
(In thousands)				
December 31, 2022	$	117,271	18.43	
Net income		6,914	1.11	
Dividends paid		(4,071)	(0.64)	
Stock compensation		1,160	0.18	
Share repurchases		(218)	(0.03)	
Change in fair value of investments available for sale		1,731	0.27	
December 31, 2023	$	122,787	19.33	*
* Sum of the individual components may not equal the total				

The Company's tangible equity to tangible assets ratio declined to 7.07% at December 31, 2023 from 7.33% at December 31, 2022, primarily as the result of a decline in net income combined with continued asset growth and dividends. The Company continues to manage its equity levels through a combination of controlled growth, share repurchases and dividends. The Company and Bank both remain well capitalized at December 31, 2023, with the Bank maintaining a regulatory leverage ratio of 9.45% at December 31, 2023.

Share Repurchases

The Company has an active authorization to repurchase up to $5 million of shares through March 31, 2024. The following summarizes share repurchase activity during 2023:

Settlement Date	Shares Repurchased		Total Cost		Cost Per Share		Remaining Authorization
	(dollars in thousands, except share data)						
						$	5,000
10/31/23	10,000		166		16.60		4,834
	10,000	$	166	$	16.60		

Asset Quality

Non-performing loans to total loans increased slightly from 0.10% at December 31, 2022 to 0.11% at December 31, 2023. Non-performing assets to total assets increased slightly from 0.08% at December 31, 2022 to 0.09% at December 31, 2023. Other real estate owned balances remained at $0 at both December 31, 2022 and December 31, 2023. Net charge-offs of $0.5 million were recognized during the year ended December 31, 2023, compared to $89 thousand during the year ended December 31, 2022. The allowance for credit losses to total loans declined to 0.90% at December 31, 2023 compared to 0.96% at December 31, 2022, primarily as a result of an improvement in projected economic factors. Coverage of non-performing loans by the allowance for credit losses was greater than 8 to 1 at December 31, 2023.

Non-GAAP Financial Measures

Statements included in this press release include non-GAAP financial measures and should be read along with the accompanying tables in Appendix A and Appendix C, which provide a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures. This press release and the accompanying tables discuss financial measures such as adjusted net income, adjusted diluted earnings per share, adjusted return on average assets, adjusted return on average equity, adjusted net interest margin (tax equivalent), and adjusted noninterest expense to average assets ratio, which are all non-GAAP financial measures. We also present in this press release and the accompanying tables pre-tax, pre-provision earnings, pre-tax, pre-provision return on average assets, and book and tangible book value per share excluding AOCI, which are also non-GAAP financial measures. We believe that such non-GAAP financial measures are useful because they enhance the ability of investors and management to evaluate and compare the Company's operating results from period to period in a meaningful manner. Non-GAAP financial measures should not be considered as an alternative to any measure of performance calculated pursuant to GAAP, nor are they necessarily comparable to non-GAAP financial measures that may be presented by other companies. Investors should consider the Company's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the Company. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the Company's results or financial condition as reported under GAAP.

Forward-Looking Statements

This press release contains forward-looking statements. The words "expect," "intend," "should," "may," "could," "believe," "suspect," "anticipate," "seek," "plan," "estimate" and similar expressions are intended to identify such forward-looking statements, but other statements not based on historical fact may also be considered forward-looking. Such forward-looking statements involve known and unknown risks and uncertainties that include, without limitation, (i) deterioration in the financial condition of our borrowers, including as a result of persistent inflationary pressures and challenging economic conditions, resulting in significant increases in credit losses and provisions for those losses; (ii) fluctuations or differences in interest rates on loans or deposits from those that we are modeling or anticipating, including as a result of our inability to better match deposit rates with the changes in the short-term rate environment, or that affect the yield curve; (iii) deterioration in the real estate market conditions in our market areas; (iv) the impact of increased competition with other financial institutions, including pricing pressures, and the resulting impact on our results, including as a result of compression to our net interest margin; (v) the deterioration of the economy in our market areas, including the negative impact of inflationary pressures and other challenging economic conditions on our customers and their businesses; (vi) the ability to grow and retain lower-cost core deposits, including during times when uncertainty exists in the financial services sector; (vii) our ability to meet our liquidity needs without having to liquidate investment securities that we own while those securities are in a unrealized loss position as a result of the rising rate environment, or increase the rates we pay on deposits to levels that cause our net interest margin to further decline; (viii) significant downturns in the business of one or more large customers; (ix) effectiveness of our asset management activities in improving, resolving or liquidating lower quality assets; (x) our inability to maintain the historical, long-term growth rate of our loan portfolio; (xi) risks of expansion into new geographic or product markets; (xii) the possibility of increased compliance and operational costs as a result of increased regulatory oversight; (xiii) our inability to comply with regulatory capital requirements, including those resulting from changes to capital calculation methodologies and required capital maintenance levels; (xiv) the ineffectiveness of our hedging strategies, or the unexpected counterparty failure or failure of the underlying hedges; (xv) changes in state or Federal regulations, policies, or legislation applicable to banks and other financial service providers, including regulatory or legislative developments arising out of current unsettled conditions in the economy; (xvi) changes in capital levels and loan underwriting, credit review or loss reserve policies associated with economic conditions, examination conclusions, or regulatory developments; (xvii) inadequate allowance for credit losses; (xviii) results of regulatory examinations; (xix) the vulnerability of our network and online banking portals, and the systems of parties with whom we contract, to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches; (xx) the possibility of increased corporate or personal tax rates and the resulting reduction in our and our customers' businesses as a result of any such increases; (xxi) approval of the declaration of any dividend by our Board of Directors; (xxii) loss of key personnel; and (xxiii) adverse results (including costs, fines, reputational harm and/or other negative effects) from current or future obligatory litigation, examinations or other legal and/or regulatory actions. These risks and uncertainties may cause our actual results or performance to be materially different from any future results or performance expressed or implied by such forward-looking statements. Our future operating results depend on a number of factors which were derived utilizing numerous assumptions that could cause actual results to differ materially from those projected in forward-looking statements.

About Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Mountain Commerce Bancorp, Inc. is the holding company for Mountain Commerce Bank. The Company's shares of common stock trade on the OTCQX under the symbol "MCBI".

Mountain Commerce Bank is a state-chartered financial institution headquartered in Knoxville, TN. The Bank traces its history back over a century and serves Middle and East Tennessee through 6 branches located in Brentwood, Erwin, Johnson City, Bearden / Knoxville, West Knoxville and Unicoi. The Bank focuses on responsive relationship banking of small and medium-sized businesses, professionals, affluent individuals, and those who value the personal service and attention that only a community bank can offer. For further information, please visit us at www.mcb.com.

Mountain Commerce Bancorp, Inc. and Subsidiaries

Condensed Consolidated Statements of Income

(Amounts in thousands, except share data)

		Three Months Ended December 31,			Twelve Months Ended December 31,	
		2023	**2022**		**2023**	**2022**
Interest income						
Loans	$	19,734	15,569	$	72,671	52,876
Investment securities - taxable		1,342	1,134		5,229	4,293
Investment securities - tax exempt		37	92		152	386
Dividends and other		891	826		4,290	1,593
		22,004	17,621		82,342	59,148
Interest expense						
Savings		1,876	1,219		6,779	2,222
Interest bearing transaction accounts		2,559	1,748		10,070	3,022
Time certificates of deposit of $250,000 or more		4,689	1,306		15,513	1,988
Other time deposits		3,072	566		8,690	818
Total deposits		12,196	4,839		41,052	8,050
Senior debt		409	91		1,451	436
Subordinated debt		164	164		658	657
FHLB & FRB advances		1,669	978		6,363	1,516
		14,438	6,072		49,524	10,659
Net interest income		7,565	11,549		32,818	48,489
Provision for credit losses		1,382	210		998	2,210
Net interest income after provision for credit losses		6,183	11,339		31,820	46,279
Noninterest income						
Service charges and fees		400	393		1,536	1,472
Bank owned life insurance		52	45		192	176
Realized loss on sale of investment securities available for sale		(666)	(399)		(675)	(611)
Unrealized gain (loss) on equity securities		(90)	68		(872)	(1,119)
Gain on sale of loans		12	2		32	31
Loss on sale of fixed assets		(55)	-		(254)	-
Wealth management		185	154		664	698
Swap fees		162	-		528	-
Limited partnership distributions		-	-		-	469
Other		10	16		47	58
		10	279		1,198	1,174
Noninterest expense						
Compensation and employee benefits		3,461	3,937		13,269	13,354
Occupancy		580	549		2,321	1,758
Furniture and equipment		266	209		809	608
Data processing		623	524		2,220	2,020
FDIC insurance		314	186		1,186	677
Office		180	199		783	722
Advertising		131	167		525	431
Professional fees		477	336		1,801	1,408
Other noninterest expense		361	576		1,383	2,649
		6,393	6,683		24,297	23,627
Income (loss) before income taxes		(200)	4,935		8,721	23,826
Income taxes		176	1,147		1,807	5,386
Net income (loss)	$	(376)	3,788	$	6,914	18,440
Earnings (loss) per common share:						
Basic	$	(0.06)	0.61	$	1.11	2.97
Diluted	$	(0.06)	0.61	$	1.11	2.96
Weighted average common shares outstanding:						
Basic		6,250,262	6,219,176		6,235,949	6,205,493
Diluted		6,255,789	6,238,530		6,243,642	6,232,063

Mountain Commerce Bancorp, Inc. and Subsidiaries						
Condensed Consolidated Balance Sheets						
(Amounts in thousands)						
		December 31, 2023		September 30, 2023		December 31, 2022
Assets						
Cash and due from banks	$	21,193	$	18,586	$	13,824
Interest-earning deposits in other banks		47,688		59,928		64,816
Cash and cash equivalents		68,881		78,514		78,640
Investments available for sale		130,224		127,711		137,425
Equity securities		1,882		1,742		5,750
Premises and equipment held for sale		3,762		3,812		4,260
Loans receivable		1,452,871		1,435,629		1,316,883
Allowance for credit losses		(13,034)		(11,858)		(12,645)
Net loans receivable		1,439,837		1,423,771		1,304,238
Premises and equipment, net		52,397		46,323		32,932
Accrued interest receivable		5,479		5,318		4,514
Bank owned life insurance		9,968		9,915		9,776
Restricted stock		8,145		8,170		7,143
Deferred tax assets, net		9,101		10,835		10,271
Other assets		8,094		5,001		5,111
Total assets	$	1,737,770	$	1,721,112	$	1,600,060
Liabilities and Shareholders' Equity						
Noninterest-bearing	$	243,750	$	270,299	$	305,210
Interest-bearing		912,422		891,738		860,267
Wholesale		315,862		246,716		181,022
Total deposits		1,472,034		1,408,753		1,346,499
FHLB borrowings		100,000		152,000		105,000
Senior debt, net		20,000		20,000		9,998
Subordinated debt, net		9,917		9,903		9,866
Accrued interest payable		2,258		1,699		885
Post-employment liabilities		3,414		3,442		3,519
Other liabilities		7,360		5,793		7,022
Total liabilities		1,614,983		1,601,590		1,482,789
Total shareholders' equity		122,787		119,522		117,271
Total liabilities and shareholders' equity	$	1,737,770	$	1,721,112	$	1,600,060

Appendix A - Reconciliation of Non-GAAP Financial Measures						
		Three Months Ended			Twelve Months Ended	
		December 31			December 31	
		ollars in thousands, except per share dat			; in thousands, except per shai	
		2023	2022		2023	2022
Adjusted Net Income (Loss)						
Net income (loss) (GAAP)	$	(376)	3,788	$	6,914	18,440
Realized loss on sale of investment securities		666	399		675	611
Unrealized (gain) loss on equity securities		90	(68)		872	1,119
Accretion of PPP fees, net		-	(13)		-	(298)
Loss on sale of fixed assets		55	-		254	-
Provision for credit losses		1,382	210		998	2,210
Provision for unfunded commitments		-	177		-	325
Fraudulent wire loss (recovery)		-	-		(100)	575
Tax effect of adjustments		(573)	(184)		(705)	(1,187)
Adjusted net income (Non-GAAP)	$	1,244	4,309	$	8,908	21,795
Adjusted Diluted Earnings (Loss) Per Share						
Diluted earnings (loss) per share (GAAP)	$	(0.06)	0.61	$	1.11	2.96
Realized loss on sale of investment securities		0.11	0.06		0.11	0.10
Unrealized (gain) loss on equity securities		0.01	(0.01)		0.14	0.18
Accretion of PPP fees, net		-	(0.00)		-	(0.05)
Loss on sale of fixed assets		0.01	-		0.04	-
Provision for credit losses		0.22	0.03		0.16	0.35
Provision for unfunded commitments		-	0.03		-	0.05
Fraudulent wire loss (recovery)		-	-		(0.02)	0.09
Tax effect of adjustments		(0.09)	(0.03)		(0.11)	(0.19)
Adjusted diluted earnings per share (Non-GAAP)	$	0.20	0.69	$	1.43	3.50
Adjusted Return on Average Assets						
Return on average assets (GAAP)		-0.09%	0.96%		0.41%	1.25%
Realized loss on sale of investment securities		0.15%	0.10%		0.04%	0.04%
Unrealized (gain) loss on equity securities		0.02%	-0.02%		0.05%	0.08%
Accretion of PPP fees, net		0.00%	0.00%		0.00%	-0.02%
Loss on sale of fixed assets		0.01%	0.00%		0.02%	0.00%
Provision for credit losses		0.32%	0.05%		0.06%	0.15%
Provision for unfunded commitments		0.00%	0.04%		0.00%	0.02%
Fraudulent wire loss (recovery)		0.00%	0.00%		-0.01%	0.04%
Tax effect of adjustments		-0.13%	-0.05%		-0.04%	-0.08%
Adjusted return on average assets (Non-GAAP)		0.29%	1.09%		0.53%	1.48%
Adjusted Return on Average Equity						
Return on average equity (GAAP)		-1.25%	13.15%		5.74%	15.78%
Realized loss on sale of investment securities		2.21%	1.39%		0.56%	0.52%
Unrealized (gain) loss on equity securities		0.30%	-0.24%		0.72%	0.96%
Accretion of PPP fees, net		0.00%	-0.05%		0.00%	-0.25%
Loss on sale of fixed assets		0.18%	0.00%		0.21%	0.00%
Provision for credit losses		4.59%	0.73%		0.83%	1.89%
Provision for unfunded commitments		0.00%	0.61%		0.00%	0.28%
Fraudulent wire loss (recovery)		0.00%	0.00%		-0.08%	0.49%
Tax effect of adjustments		-1.90%	-0.64%		-0.59%	-1.02%
Adjusted return on average equity (Non-GAAP)		4.13%	14.96%		7.40%	18.65%

Appendix A - Reconciliation of Non-GAAP Financial Measures, Continued						
		Three Months Ended December 31			Twelve Months Ended December 31	
		ollars in thousands, except per share dat			; in thousands, except per shar	
		2023	2022		2023	2022
Adjusted Noninterest Expense to Average Assets						
Noninterest expense to average assets (GAAP)		1.48%	1.69%		1.44%	1.61%
Provision for unfunded commitments		0.00%	-0.01%		0.00%	-0.02%
Fraudulent wire loss (recovery)		0.00%	0.00%		0.01%	-0.04%
Adjusted noninterest expense to average assets (Non-GAAP)		1.48%	1.68%		1.45%	1.55%
Adjusted Net Interest Margin (tax-equivalent) (1)						
Net interest margin (tax-equivalent) (GAAP)		1.98%	3.15%		2.17%	3.57%
Accretion of PPP fees, net		0.00%	0.00%		0.00%	-0.02%
Adjusted net interest margin (tax-equivalent) (Non-GAAP)		1.98%	3.15%		2.17%	3.54%
Pre-tax, Pre-Provision Earnings						
Net income (loss) (GAAP)	$	(376)	3,788	$	6,914	18,440
Income taxes		176	1,147		1,807	5,386
Provision for credit losses		1,382	210		998	2,210
Pre-tax, pre-provision earnings (non-GAAP)	$	1,182	5,145	$	9,719	26,036
Pre-tax, Pre-Provision Return on Average Assets (ROAA)						
Return on average assets (GAAP)		-0.09%	0.96%	$	0.41%	1.25%
Income taxes		0.04%	0.29%		0.11%	0.37%
Provision for credit losses		0.32%	0.05%		0.06%	0.15%
Pre-tax, pre-provision return on average assets (non-GAAP)		0.27%	1.30%	$	0.58%	1.77%
Book and Tangible Book Value Per Share, excluding AOCI						
Book and tangible book value per share (GAAP)	$	19.33	18.43			
Impact of AOCI per share		2.56	2.83			
Book and tangible book value per share, excluding AOCI (non-GAAP)	$	21.89	21.26			

(1) See Appendix B to this press release for more information on tax equivalent net interest margin

Appendix B - Tax Equivalent Net Interest Margin Analysis

		For the Three Months Ended December 31,						
		2023				2022		
		Average Outstanding Balance	Interest	Yield / Rate		Average Outstanding Balance	Interest	Yield / Rate
		(Dollars in thousands)						
Interest-earning Assets:								
Loans - taxable, including loans held for sale	$	1,399,953	19,734	5.59%	$	1,259,232	15,569	4.91%
Loans - tax exempt (2)		29,601	504	6.75%		24,187	412	6.75%
Investments - taxable		124,219	1,342	4.29%		127,339	1,134	3.53%
Investments - tax exempt (1)		4,802	47	3.87%		11,535	116	4.01%
Interest earning deposits		55,261	688	4.94%		78,272	660	3.35%
Other investments, at cost		8,651	203	9.31%		7,847	166	8.39%
Total interest-earning assets		1,622,487	22,517	5.51%		1,508,412	18,057	4.75%
Noninterest earning assets		100,036				74,773		
Total assets	$	1,722,523			$	1,583,185		`
Interest-bearing liabilities:								
Interest-bearing transaction accounts	$	67,483	531	3.12%	$	102,318	632	2.45%
Savings accounts		252,943	1,876	2.94%		375,017	1,219	1.29%
Money market accounts		190,938	2,028	4.21%		205,938	1,116	2.15%
Retail time deposits		389,574	4,477	4.56%		142,974	841	2.33%
Wholesale time deposits		259,972	3,285	5.01%		152,721	1,031	2.68%
Total interest bearing deposits		1,160,910	12,197	4.17%		978,968	4,839	1.96%
Senior debt		20,000	409	8.11%		10,000	91	3.61%
Subordinated debt		9,911	164	6.56%		9,857	164	6.60%
Federal Home Loan Bank & FRB advances		145,217	1,669	4.56%		125,217	978	3.10%
Total interest-bearing liabilities		1,336,038	14,439	4.29%		1,124,042	6,072	2.14%
Noninterest-bearing deposits		254,795				331,885		
Other noninterest-bearing liabilities		11,328				12,044		
Total liabilities		1,602,161				1,467,971		
Total shareholders' equity		120,362				115,214		
Total liabilities and shareholders' equity	$	1,722,523			$	1,583,185		
Tax-equivalent net interest income			8,078				11,985	
Net interest-earning assets (3)	$	286,449			$	384,370		
Average interest-earning assets to interest-bearing liabilities		121%				134%		
Tax-equivalent net interest rate spread (4)		1.22%				2.61%		
Tax equivalent net interest margin (5)		1.98%				3.15%		

(1) Tax exempt investments are calculated assuming a 21% federal tax rate

(2) Tax exempt loans reflect the tax equivalent yield of a 5% state tax credit assuming a 26% federal and state tax rate

(3) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities

(4) Tax-equivalent net interest rate spread represents the difference between the tax equivalent yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(5) Tax equivalent net interest margin represents tax equivalent net interest income divided by average total interest-earning assets

Appendix B - Tax Equivalent Net Interest Margin Analysis

		For the Twelve Months Ended December 31,						
		2023				2022		
		Average Outstanding Balance	Interest	Yield / Rate		Average Outstanding Balance	Interest	Yield / Rate
		(Dollars in thousands)						
Interest-earning Assets:								
Loans, including loans held for sale	$	1,355,226	72,671	5.36%	$	1,159,870	52,876	4.56%
Loans - tax exempt (2)		27,969	1,889	6.75%		24,371	1,645	6.75%
Investments - taxable		132,768	5,229	3.94%		135,482	4,293	3.17%
Investments - tax exempt (1)		5,234	192	3.68%		13,593	489	3.59%
Interest earning deposits		69,474	3,338	4.80%		68,429	1,065	1.56%
Other investments, at cost		10,465	952	9.10%		7,239	528	7.29%
Total interest-earning assets		1,601,136	84,271	5.26%		1,408,984	60,896	4.32%
Noninterest earning assets		86,945				60,775		
Total assets	$	1,688,081			$	1,469,759		
Interest-bearing liabilities:								
Interest-bearing transaction accounts	$	82,963	2,882	3.47%	$	80,163	950	1.19%
Savings accounts		279,940	6,779	2.42%		373,432	2,222	0.60%
Money market accounts		192,732	7,188	3.73%		190,205	2,072	1.09%
Retail time deposits		325,301	13,459	4.14%		94,818	1,168	1.23%
Wholesale time deposits		224,414	10,744	4.79%		149,718	1,638	1.09%
Total interest bearing deposits		1,105,350	41,052	3.71%		888,336	8,050	0.91%
Senior debt		17,692	1,451	8.20%		10,769	436	4.05%
Subordinated debt		9,891	658	6.65%		9,846	657	6.67%
Federal Home Loan Bank & FRB advances		148,726	6,363	4.28%		102,219	1,516	1.48%
Total interest-bearing liabilities		1,281,659	49,524	3.86%		1,011,170	10,659	1.05%
Noninterest-bearing deposits		274,980				330,828		
Other noninterest-bearing liabilities		11,046				10,878		
Total liabilities		1,567,685				1,352,876		
Total shareholders' equity		120,396				116,883		
Total liabilities and shareholders' equity	$	1,688,081			$	1,469,759		
Tax-equivalent net interest income			34,747				50,237	
Net interest-earning assets (3)	$	319,477			$	397,814		
Average interest-earning assets to interest-bearing liabilities		125%				139%		
Tax-equivalent net interest rate spread (4)		1.40%				3.27%		
Tax equivalent net interest margin (5)		2.17%				3.57%		

(1) Tax exempt investments are calculated assuming a 21% federal tax rate

(2) Tax exempt loans reflect the tax equivalent yield of a 5% state tax credit assuming a 26% federal and state tax rate

(3) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities

(4) Tax-equivalent net interest rate spread represents the difference between the tax equivalent yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(5) Tax equivalent net interest margin represents tax equivalent net interest income divided by average total interest-earning assets

Appendix C - Reconciliation of Prior Period Non-GAAP Financial Measures

		Three Months Ended (Dollars in thousands, except per share data)		
		September 30, 2023	June 30, 2023	March 31, 2023
Adjusted Net Income				
Net income (GAAP)	$	2,473	2,459	2,358
Realized loss on sale of investment securities		-	(1)	10
Unrealized (gain) loss on equity securities		50	214	516
Accretion of PPP fees, net		-	-	-
(Gain)/Loss on sale of fixed assets		269	-	(69)
Provision for credit losses		(411)	(561)	587
Provision for (recovery of) unfunded commitments		-	-	-
Fraudulent wire recovery		-	-	(100)
Tax effect of adjustments		24	91	(247)
Adjusted net income (Non-GAAP)	$	2,405	2,202	3,055
Adjusted Diluted Earnings Per Share				
Diluted earnings per share (GAAP)	$	0.40	0.39	0.38
Realized loss on sale of investment securities		-	(0.00)	0.00
Unrealized (gain) loss on equity securities		0.01	0.03	0.08
Accretion of PPP fees, net		-	-	-
(Gain)/Loss on sale of fixed assets		0.04	-	(0.01)
Provision for credit losses		(0.07)	(0.09)	0.09
Provision for (recovery of) unfunded commitments		-	-	-
Fraudulent wire recovery		-	-	(0.02)
Tax effect of adjustments		0.00	0.01	(0.04)
Adjusted diluted earnings per share (Non-GAAP)	$	0.39	0.35	0.49
Adjusted Return on Average Assets				
Return on average assets (GAAP)		0.58%	0.59%	0.57%
Realized loss on sale of investment securities		0.00%	0.00%	0.00%
Unrealized (gain) loss on equity securities		0.01%	0.05%	0.13%
Accretion of PPP fees, net		0.00%	0.00%	0.00%
(Gain)/Loss on sale of fixed assets		0.06%	0.00%	-0.02%
Provision for credit losses		-0.10%	-0.13%	0.14%
Provision for (recovery of) unfunded commitments		0.00%	0.00%	0.00%
Fraudulent wire recovery		0.00%	0.00%	-0.02%
Tax effect of adjustments		0.01%	0.02%	-0.06%
Adjusted return on average assets (Non-GAAP)		0.56%	0.53%	0.74%
Adjusted Return on Average Equity				
Return on average equity (GAAP)		8.19%	8.13%	7.89%
Realized loss on sale of investment securities		0.00%	0.00%	0.03%
Unrealized (gain) loss on equity securities		0.17%	0.71%	1.73%
Accretion of PPP fees, net		0.00%	0.00%	0.00%
(Gain)/Loss on sale of fixed assets		0.89%	0.00%	-0.23%
Provision for credit losses		-1.36%	-1.86%	1.96%
Provision for (recovery of) unfunded commitments		0.00%	0.00%	0.00%
Fraudulent wire recovery		0.00%	0.00%	-0.33%
Tax effect of adjustments		0.08%	0.30%	-0.83%
Adjusted return on average equity (Non-GAAP)		7.97%	7.28%	10.22%

Appendix C - Reconciliation of Prior Period Non-GAAP Financial Measures, Continued

		Three Months Ended (Dollars in thousands, except per share data)		
		September 30, 2023	**June 30, 2023**	**March 31, 2023**
Adjusted Noninterest Expense to Average Assets				
Noninterest expense to average assets (GAAP)		1.34%	1.47%	1.47%
Provision for (recovery of) unfunded commitments		0.00%	0.00%	0.00%
Fraudulent wire recovery		0.00%	0.00%	0.01%
Adjusted noninterest expense to average assets (Non-GAAP)		1.34%	1.47%	1.47%
Adjusted Net Interest Margin (tax-equivalent)				
Net interest margin (tax-equivalent) (GAAP)		2.08%	2.09%	2.55%
Accretion of PPP fees, net		0.00%	0.00%	0.00%
Adjusted net interest margin (tax-equivalent) (Non-GAAP)		2.08%	2.09%	2.55%
Pre-tax Pre-Provision Earnings				
Net income (GAAP)	$	2,473	2,459	2,358
Income taxes		622	417	592
Provision for credit losses		(411)	(561)	587
Pre-tax Pre-provision earnings (non-GAAP)	$	2,684	2,315	3,537
Pre-tax Pre-Provision Return on Average Assets (ROAA)				
Return on average assets (GAAP)	$	0.58%	0.59%	0.57%
Income taxes		0.15%	0.10%	0.14%
Provision for credit losses		-0.10%	-0.13%	0.14%
Pre-tax Pre-provision return on average assets (non-GAAP)	$	0.63%	0.55%	0.86%
Book and Tangible Book Value Per Share, excluding AOCI				
Book and tangible book value per share (GAAP)	$	18.78	19.00	18.95
Impact of AOCI per share		3.28	2.78	2.57
Book and tangible book value per share, excluding AOCI (non-GAAP)	$	22.06	21.78	21.52