

April 22, 2024

Dear First Carolina Financial Services, Inc. (“Company”) Shareholders:

Today, on behalf of your Board of Directors, I am writing to provide you with an update on your Company and to report a strong start to the year with results through March 31, 2024, for the Company’s subsidiary bank, First Carolina Bank (“Bank”). Despite continued higher short-term interest rates, the markets we serve remain dynamic, and it has been business as usual for your Bank as we continue to see very solid core growth in all our lines of business. For the quarter ended March 31, 2024, the Bank had unaudited net income of **\$6.6 million** compared to net income of **\$6.0 million** for the quarter ended March 31, 2023, an increase of 9.2%.

Key Bank Highlights and Year-Over-Year Growth as of and for the Quarter Ended March 31, 2024:

- Gross Loans of **\$2.37 billion** compared to **\$1.89 billion** on March 31, 2023 (25.2 percent).
- Total Deposits of **\$2.52 billion** compared to **\$1.78 billion** on March 31, 2023 (41.2 percent).
- Total Assets of **\$2.89 billion** compared to **\$2.24 billion** on March 31, 2023 (29.3 percent).
- Continued strong asset quality as evidenced by “0” in Other Real Estate Owned property, “0” in non-accrual loans, and “0” 30-day past due loans on March 31, 2024.
- Total quarterly net revenue of **\$25.14 million** versus **\$16.49 million** for the quarter ended March 31, 2023 (52.4 percent).

While we made additional investments in our people and the infrastructure of the Bank during the quarter, we still began to experience an improvement in the net interest margin and further efficiencies in our loan book that provided for an expansion in year-over-year quarterly profitability. We believe these critical investments will allow us to remain opportunistic and keep us in a position to take advantage of current conditions. Many of our competitors remain more thinly capitalized and less prepared and are cutting costs and curtailing lending, enabling us to acquire valuable banking talent. We anticipate that our investments in personnel, infrastructure, new customer relationships, and strategic partnerships will continue to positively impact the Bank’s performance in coming quarters.

As part of an ongoing strategic focus and accountability process, we recently adopted a refreshed set of core values to guide our activities and to inform customer, employee, and shareholder expectations of the Bank as we interact, develop each other, and do business together. These tenets are as follows:

Enterprising: We have a do-business attitude and are extremely resourceful in finding ways to work with customers.

Intentional: We do what we say we are going to do, and we are thoughtful about the impacts of our actions, both internally and externally.

Responsive: We strive for frictionless banking experiences, answering the bell directly and quickly and working to exceed expectations in every service level in our business.

Considerate: We lean into community needs in the markets we serve and conduct ourselves in a professional manner in every interaction we have with customers, shareholders, fellow coworkers, and those who regulate our industry.

Following this, we are set to deliver our expanded headquarters campus in Rocky Mount during the month of May. Executing on this investment is in keeping with our “in-office” cultural intent and our commitment in every aspect to the Rocky Mount area community. We are proud to add this state-of-the-art facility to our list of owned properties and believe it will serve our institution and eastern North Carolina well for many years to come. We hope you will join us for our official grand opening from 3:00 PM to 5:00 PM on Thursday, May 23, 2024, to celebrate! The invitation including a picture of the new campus is attached to this letter.

Listed below is additional summary financial statement information for your consideration, and it is followed by a more detailed period-over-period analysis in the attachment to this letter.

Summary Period End Financial Results (Unaudited)

(in thousands, except for per share information)

| First Carolina Bank | March 31, 2024 | March 31, 2023 |
|---|-----------------------|-----------------------|
| Gross Loans | \$2,370,331 | \$1,892,746 |
| Total Investments | \$212,915 | \$159,451 |
| Total Assets | \$2,890,968 | \$2,235,118 |
| Total Non-Maturity Deposits | \$1,661,151 | \$921,582 |
| Total Certificates of Deposit | \$855,496 | \$860,150 |
| Total Deposits | \$2,516,646 | \$1,781,732 |
| Year-to-Date Net Income | \$6,558 | \$6,006 |
| Legal Lending Limit | \$53,948 | \$50,176 |
| Total Risk-Based Capital Ratio | 12.12% | 14.72% |
| First Carolina Financial Services, Inc. ("FCFS") | | |
| FCFS Shareholders' Equity | \$274,890 | \$251,894 |
| FCFS Common Stock Period-End Shares Outstanding | 10,995 | 10,732 |
| FCFS YTD Average Number Shares Outstanding | 10,987 | 10,728 |
| FCFS Book Value / Period-End Shares Outstanding | \$25.00 | \$23.47 |
| FCFS Earnings / Average Shares Outstanding | \$0.52 | \$0.48 |

Since the Bank’s fiscal year end on December 31, 2023, gross loans increased from \$2.23 billion to \$2.37 billion (\$140 million) and total assets from \$2.73 billion to \$2.89 billion (\$166 million) on March 31, 2024. Both are again strong indicators of the demand for your Bank. While we have always been optimistic about our prospects, in my view, our options are growing at this point. We stand prepared to professionally consider them all and be responsive to each in keeping with our commitment to handling our business in a way that extends customer service, employee satisfaction, and shareholder returns. As always, we appreciate your confidence, welcome your thoughts and feedback, and again thank you for your support. We are excited about the future of First Carolina Bank! Let’s continue to do more together in the days and months ahead. All our best to you.

Sincerely,



Ronald A. Day
President and Chief Executive Officer
 252-451-2960
ronday@firstcarolinabank.com

Cautionary Statement Regarding Forward-Looking Statements

This letter contains forward-looking statements. These statements reflect management's current beliefs as to the expected outcomes of future events and are not guarantees of future performance. Forward-looking statements are typically preceded by, followed by, or include words such as "may," "could," "should," "will," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," "projects," "outlook" or similar expressions. Actual results or events might differ materially from those explicit or implicit in the forward-looking statements, and readers of this letter should not place undue reliance on such statements. Important factors that could cause actual results to differ materially include, without limitation: increases in our past due loans, whether due to the current interest-rate environment or other factors; our ability to grow loans and the banking franchise; the effects of future economic conditions, including inflation and supply chain issues; that our prior investments in personnel and infrastructure may not produce the future benefits we expect; changes in governmental fiscal and monetary policies; legislative and regulatory changes and/or our relationship with our regulators; the risks of further changes in interest rates and potential impacts on loan demand, our borrowings, and our cost of funds; increasing competition for deposits and related funding costs and their impacts on our net interest margin and profitability; fluctuations in our financial results; potential increases in our provisions for credit losses, whether due to economic conditions affecting our borrowers or otherwise; loss of key personnel, including any bankers that may be instrumental to our growth plans; changes in tax law; our ability to attract key talent, including commercial bankers; unexpected increases in non-interest expense that affect our efficiency; and privacy, security and other risks associated with our business. We assume no obligation and do not intend to update these forward-looking statements, except as required by law.



First
Carolina Bank

Come **celebrate**
with us!

We are having a **ribbon cutting** to **commemorate the grand opening of our new corporate office in Rocky Mount**, and customers and community members alike are welcome!

Thursday, May 23, 2024
3:00PM - 5:00PM

181 N. Winstead Avenue, Rocky Mount, NC 27804

We look forward to seeing you!



First Carolina Bank (FCB)

Quarterly Balance Sheet

| | Ending Balance as of | | | | |
|--|----------------------|-------------|-------------|-------------|-------------|
| | Mar 2024 | Dec 2023 | Sep 2023 | Jun 2023 | Mar 2023 |
| (Dollars in thousands, except per share data) | | | | | |
| Assets | | | | | |
| Cash & Due From Banks | \$6,107 | \$5,207 | \$6,039 | \$6,871 | \$7,547 |
| Interest Bearing Deposits | \$190,864 | \$155,762 | \$105,074 | \$197,402 | \$111,860 |
| Total Cash and Due From Banks | \$196,971 | \$160,970 | \$111,113 | \$204,273 | \$119,407 |
| Total Investments | \$212,915 | \$203,769 | \$212,997 | \$226,599 | \$159,451 |
| Gross Loans | \$2,370,331 | \$2,230,443 | \$2,163,037 | \$2,024,327 | \$1,892,746 |
| Total Allowance for Credit Losses | (\$18,147) | (\$18,897) | (\$18,575) | (\$19,452) | (\$19,527) |
| Total Loans | \$2,352,184 | \$2,211,546 | \$2,144,462 | \$2,004,875 | \$1,873,219 |
| Total Net Fixed Assets | \$33,051 | \$32,229 | \$31,242 | \$29,812 | \$28,113 |
| Total Other Real Estate Owned | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Goodwill/Intangible | \$1,792 | \$1,792 | \$1,792 | \$1,792 | \$1,792 |
| Total Other Assets | \$94,055 | \$114,992 | \$55,177 | \$54,500 | \$53,135 |
| Total Assets | \$2,890,968 | \$2,725,297 | \$2,556,784 | \$2,521,850 | \$2,235,118 |
| Liabilities | | | | | |
| Total Non-Interest DDA | \$825,265 | \$656,097 | \$335,045 | \$340,623 | \$187,490 |
| MMDA/NOW/Savings | \$835,885 | \$764,935 | \$742,151 | \$737,452 | \$734,093 |
| Total Certificates of Deposit | \$855,496 | \$947,948 | \$989,706 | \$961,393 | \$860,150 |
| Total Deposits | \$2,516,646 | \$2,368,980 | \$2,066,902 | \$2,039,467 | \$1,781,732 |
| Total Borrowings | \$0 | \$0 | \$150,000 | \$150,000 | \$125,000 |
| Total Accrued Expenses | \$24,459 | \$14,899 | \$5,835 | \$4,890 | \$3,853 |
| Total Taxes & Other | \$17,393 | \$16,350 | \$15,839 | \$15,288 | \$18,552 |
| Total Liabilities | \$2,558,498 | \$2,400,228 | \$2,238,576 | \$2,209,646 | \$1,929,137 |
| Total Equity | \$332,470 | \$325,069 | \$318,208 | \$312,204 | \$305,981 |
| Total Liabilities & Equity | \$2,890,968 | \$2,725,297 | \$2,556,784 | \$2,521,850 | \$2,235,118 |
| Capital Ratios: | | | | | |
| FCB Tier 1 Capital | \$332,394 | \$325,153 | \$319,510 | \$312,879 | \$306,285 |
| FCB Total Risk Based Capital | \$357,861 | \$351,672 | \$345,773 | \$339,625 | \$332,714 |
| Tier 1 Leverage Ratio | 11.56% | 12.47% | 13.13% | 13.55% | 14.48% |
| FCB Risk Based Capital Ratio | 12.12% | 12.35% | 12.67% | 13.66% | 14.72% |
| Asset Quality: | | | | | |
| Non Accrual Loans | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Other Real Estate Owned | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Non-Performing Assets | \$0 | \$0 | \$0 | \$0 | \$0 |
| Asset Ratios: | | | | | |
| Non Accrual/Loans | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Non-Performing Assets / Gross Loans | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Texas Ratio | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Total Reserve to Gross Loans | 1.07% | 1.18% | 1.21% | 1.31% | 1.40% |
| First Carolina Financial Services ("FCFS") | | | | | |
| FCFS Total Shareholders' Equity Consol | \$274,890 | \$268,374 | \$262,373 | \$257,238 | \$251,894 |
| FCFS YTD Net Income | \$5,674 | \$19,628 | \$15,459 | \$10,311 | \$5,143 |
| FCFS YTD Earnings / Average Share Outstanding | \$0.52 | \$1.82 | \$1.43 | \$0.96 | \$0.48 |
| FCFS Book Value / Period-End Shares Outstanding | \$25.00 | \$24.80 | \$24.24 | \$23.77 | \$23.47 |
| FCFS Tangible Book Value / Period-End Shares Outstanding | \$24.84 | \$24.63 | \$24.08 | \$23.61 | \$23.30 |
| FCFS Period-End Number Shares Outstanding | 10,995 | 10,823 | 10,823 | 10,820 | 10,732 |
| FCFS YTD Average Number Common Stock Shares Outstanding | 10,987 | 10,789 | 10,778 | 10,756 | 10,728 |
| FCFS Return on Average Equity (ROE) YTD | 8.41% | 7.63% | 8.11% | 8.23% | 8.32% |

First Carolina Bank (FCB)
Quarterly Income Statement

| | Quarter Ended | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Mar 2024 | Dec 2023 | Sep 2023 | Jun 2023 | Mar 2023 |
| (Dollars in thousands, except per share data) | | | | | |
| Interest on Cash Balances | \$2,358 | \$852 | \$643 | \$891 | \$721 |
| Total Investments Int Inc | \$3,221 | \$3,226 | \$3,404 | \$3,019 | \$2,018 |
| Total Loan Interest Income | \$34,345 | \$32,844 | \$30,286 | \$27,219 | \$23,932 |
| Total Loan Fees Income | \$1,797 | \$1,900 | \$1,674 | \$1,541 | \$1,396 |
| Total Interest Income | \$41,721 | \$38,823 | \$36,006 | \$32,670 | \$28,068 |
| MMDA/NOW/Savings | \$7,800 | \$7,817 | \$7,575 | \$7,098 | \$6,330 |
| Total Certificates of Deposit | \$9,697 | \$9,710 | \$9,877 | \$8,236 | \$5,526 |
| Total Deposit Expense | \$17,498 | \$17,527 | \$17,452 | \$15,334 | \$11,855 |
| Total Borrowing Expense | \$68 | \$1,989 | \$947 | \$1,068 | \$210 |
| Total Interest Expense | \$17,566 | \$19,516 | \$18,399 | \$16,402 | \$12,065 |
| Net Interest Income | \$24,155 | \$19,307 | \$17,607 | \$16,268 | \$16,003 |
| Total Customer Service Fees | \$683 | \$415 | \$242 | \$236 | \$215 |
| Total Miscellaneous Income | \$302 | \$311 | \$319 | \$284 | \$274 |
| Net Gain (Loss) On Sale Investments | \$0 | \$0 | \$110 | \$0 | \$0 |
| Net Gain (Loss) On Sale Fixed Assets | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Gain (Loss) On Sale OREO | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Non-Interest Income | \$985 | \$725 | \$672 | \$520 | \$489 |
| Total Salary Expense | \$4,778 | \$4,610 | \$4,026 | \$3,895 | \$3,537 |
| Total Employee Benefits | \$2,232 | \$1,731 | \$1,895 | \$1,695 | \$1,647 |
| Total Fas 91 Benefits | (\$128) | (\$125) | (\$144) | (\$145) | (\$137) |
| Total Contracted Labor | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Occupancy Expense | \$471 | \$453 | \$475 | \$453 | \$442 |
| Total Depreciation | \$340 | \$336 | \$333 | \$326 | \$295 |
| Total Equipment Expense | \$175 | \$199 | \$157 | \$162 | \$121 |
| Total Intangibles & Org | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Bank Services Expense | \$7,648 | \$3,366 | \$1,718 | \$72 | \$71 |
| Total Marketing | \$70 | \$50 | \$77 | \$119 | \$47 |
| Total Legal | \$39 | \$17 | \$20 | \$17 | \$20 |
| Total Accounting & Audit Fees | \$187 | \$284 | \$178 | \$152 | \$135 |
| Total Professional Fees | \$452 | \$707 | \$397 | \$377 | \$238 |
| Total Dues & Memberships | \$39 | \$33 | \$124 | \$29 | \$29 |
| Total Travel/Ent/Lodging | \$109 | \$221 | \$149 | \$158 | \$99 |
| Total Statnry Printing & | \$40 | \$50 | \$34 | \$41 | \$44 |
| Total Regulatory/FDIC Fees | \$577 | \$672 | \$752 | \$552 | \$497 |
| Total Insurance | \$108 | \$100 | \$98 | \$104 | \$94 |
| Total Loan Expense | \$17 | \$22 | \$2 | \$3 | \$3 |
| Total Telephone | \$54 | \$61 | \$50 | \$75 | \$55 |
| Total Postage/Freight/CO | \$18 | \$15 | \$16 | \$16 | \$18 |
| Total Data Processing | \$496 | \$467 | \$436 | \$424 | \$400 |
| Total Other Expenses | \$503 | \$607 | \$465 | \$441 | \$383 |
| Total Non-Interest Expense | \$18,226 | \$13,877 | \$11,258 | \$8,964 | \$8,037 |
| Total Provision for Credit Losses | (\$1,051) | \$260 | (\$480) | \$326 | \$1,194 |
| Income Before Taxes | \$7,966 | \$5,895 | \$7,501 | \$7,498 | \$7,261 |
| Total Income Taxes | \$1,407 | \$867 | \$1,486 | \$1,461 | \$1,255 |
| Net Income | \$6,558 | \$5,029 | \$6,014 | \$6,037 | \$6,006 |
| Net Revenue (1) | \$25,140 | \$20,033 | \$18,278 | \$16,788 | \$16,492 |
| Total Expenses (excludes taxes) | \$17,175 | \$14,137 | \$10,778 | \$9,290 | \$9,231 |
| Performance Ratios: | | | | | |
| FCB Efficiency Ratio | 72.50% | 58.95% | 54.93% | 51.09% | 48.73% |
| Net Interest Margin (NIM) | 3.60% | 3.02% | 3.00% | 3.03% | 3.16% |
| Return on Avg. Assets (ROA) QTD | 0.92% | 0.77% | 0.98% | 1.05% | 1.15% |
| Return on Avg. Equity (ROE) QTD | 8.03% | 6.21% | 7.58% | 7.84% | 8.12% |

(1) Net Revenue calculated as Net Interest Income + Non-Interest Income.