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COMMERCEONE

SHAREHOLDER UPDATE - Q2 2023



A MESSAGE TO OUR

SHAREHOLDERS

July 21, 2023

We hope you and your loved ones are well and enjoying the summer season. June 4, 2023, marked the five-year anniversary of our opening. Over that time and with your support, CommerceOne has grown into a premier commercial banking franchise. While enjoyable and important to celebrate the milestone, we continue to look forward with a focus on delivering an exceptional client experience and creating value for our shareholders.



The past few months have presented a challenging economic and rate environment for the banking industry as well as other sectors of the economy. While much of the anxiety created by the news of bank failures has subsided, the realities of inflationary pressure, an inverted yield curve, and tighter liquidity persist. The actions of the Federal Reserve had their intended effect. Growth of loans and deposits has been impacted while the Bank's net interest margin has experienced some compression. Despite the headwinds, CommerceOne again reported outstanding results in terms of credit quality, revenue, and earnings.

The Bank's financial performance for the second quarter of 2023 was excellent. Financial results were again near record levels, exceeding our target key performance indicators for the year. For the six months ended June 30, 2023, KPIs include no loan losses, a net interest margin of 3.78%, a return on assets of 1.69%, a return on equity of 16.03%, and an efficiency ratio of 38.8%.



For the quarter ended June 30, 2023, CommerceOne reported net income of \$2.5 million for the period or \$0.52 per share. Credit quality continues to perform well with no past due or non-performing loans. Loans totaled \$500 million, and deposits totaled \$536 million as of June 30, 2023, representing a year-over-year increase of 18% and 16%, respectively.

The creation of shareholder value continues to be a top priority for CommerceOne! As a shareholder, the best way for you to positively affect your investment is to move your full banking relationship to CommerceOne. If we can be of service, please connect with any of our team members. We look forward to providing you with an exceptional client experience.

Thank you for your investment, support, and trust.

If you have questions or if we may be of service, please contact us at investor.relations@commerceonebank.com or 205.719.5750.

Regards,



Kenneth W. Till
Chief Executive Officer

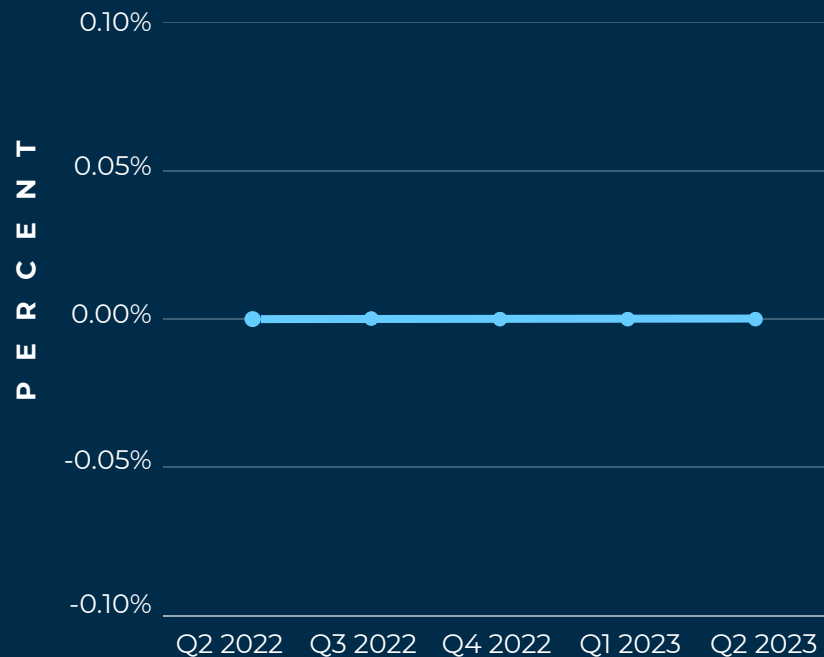


Ronald C. Jackson
Chairman

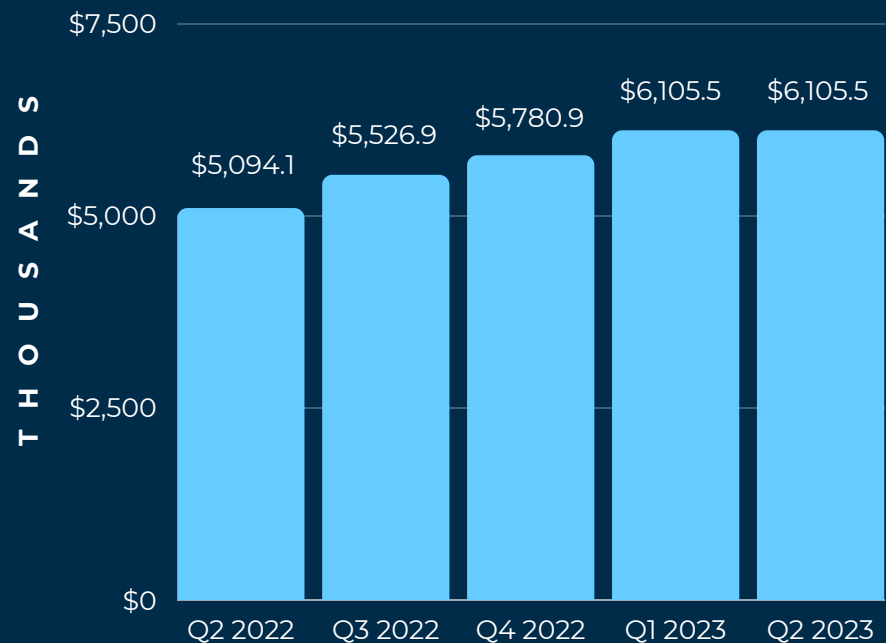


SECOND QUARTER FINANCIAL REPORTS

Net Charge-offs/Average Loans



Allowance For Loan Losses

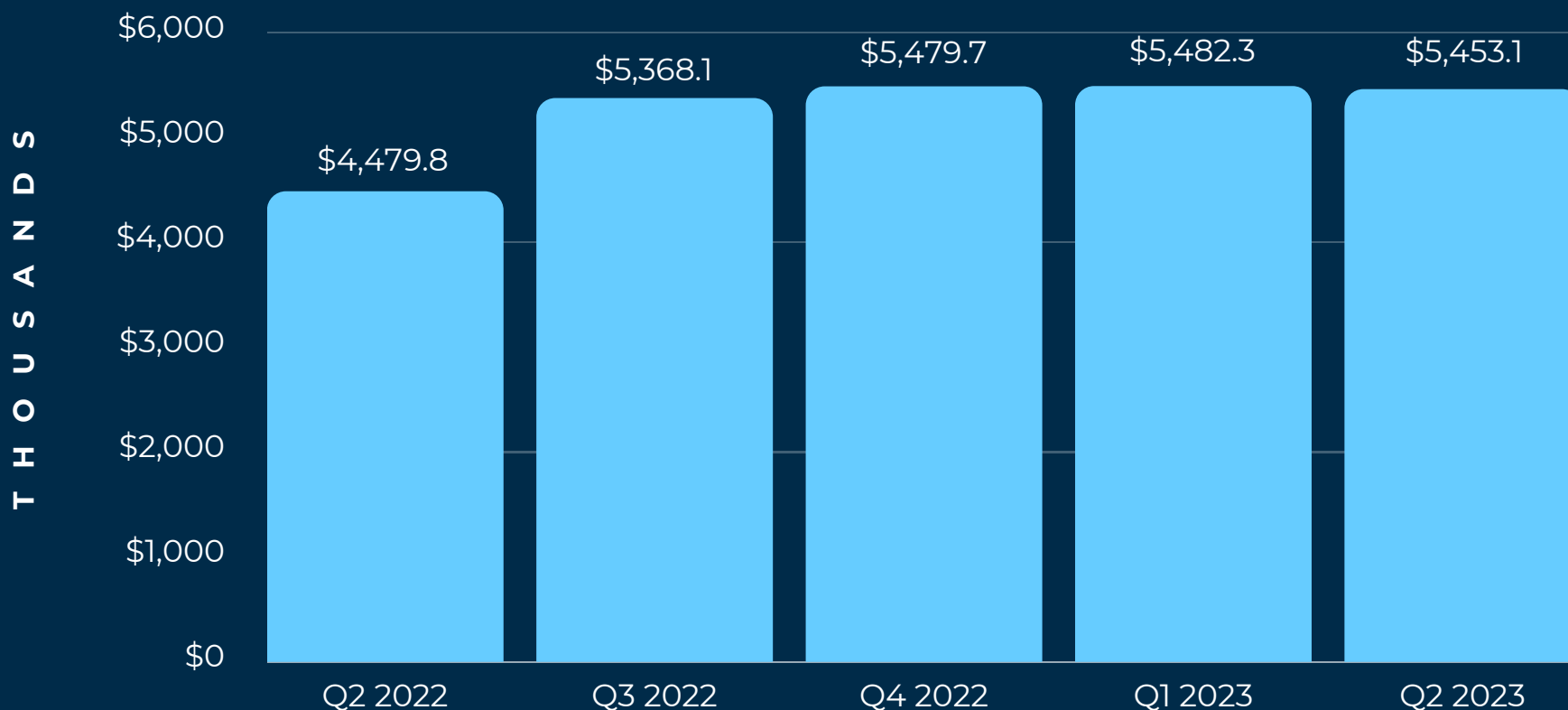


Asset quality is vital to a bank's safety and soundness profile and is a leading principle for the CommerceOne management team. As of June 30, 2023, CommerceOne had no past due or non-performing loans. The Bank's allowance for possible future loan losses totaled \$6.1 million or 1.22% of loans outstanding.



SECOND QUARTER FINANCIAL REPORTS

Total Revenue

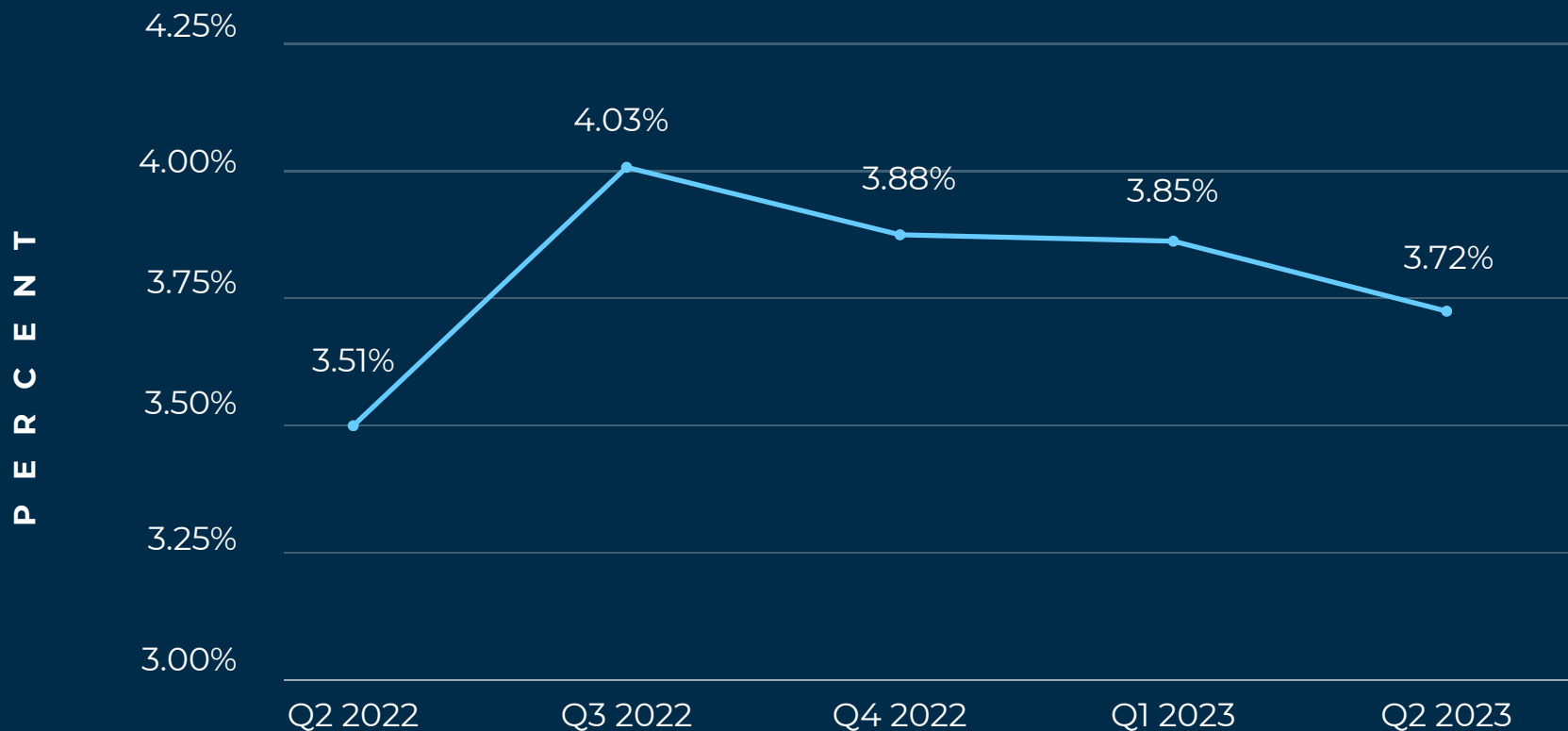


Revenue totaled \$5.5 million for the three months ended June 30, 2023, and March 31, 2023, compared to \$4.5 million for the second quarter of 2022. On a year-over-year basis, revenue for the six months ended June 30, 2023, increased \$2.3 million or 26%. Net interest income represented approximately 98% of total revenue.



SECOND QUARTER FINANCIAL REPORTS

Net Interest Margin

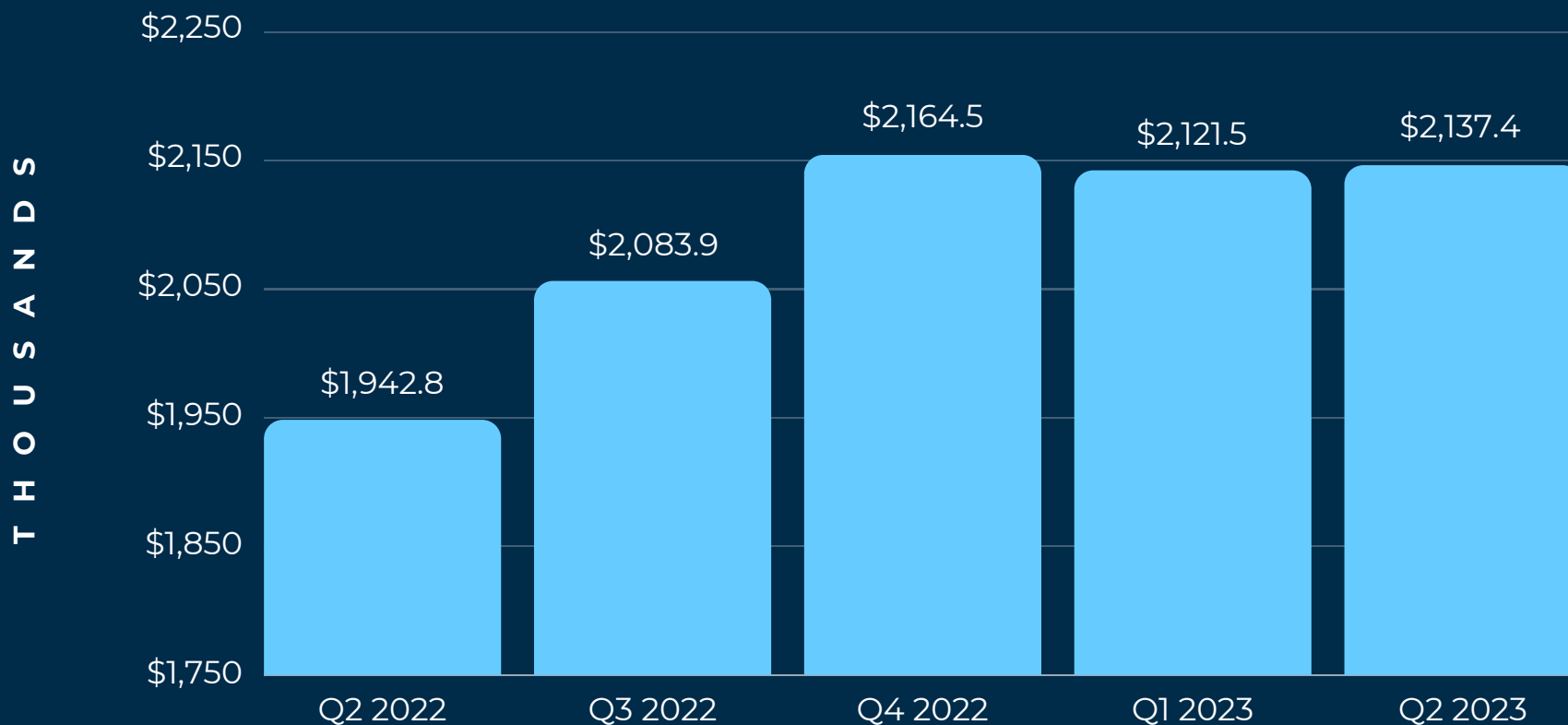


For the three months ended June 30, 2023, CommerceOne reported a net interest margin (NIM) of 3.72%, which was driven by a 6.57% average yield on earning assets and an average cost of funds of 3.21%. The second quarter NIM of 3.72% represents a decrease of 13 basis points from the 3.85% NIM for the first quarter of 2023, but a 21 basis point increase compared to the second quarter of the prior year. The lower NIM during the second quarter was primarily due to higher funding costs partially offset by higher yields on loans.



SECOND QUARTER FINANCIAL REPORTS

Non-Interest Expenses

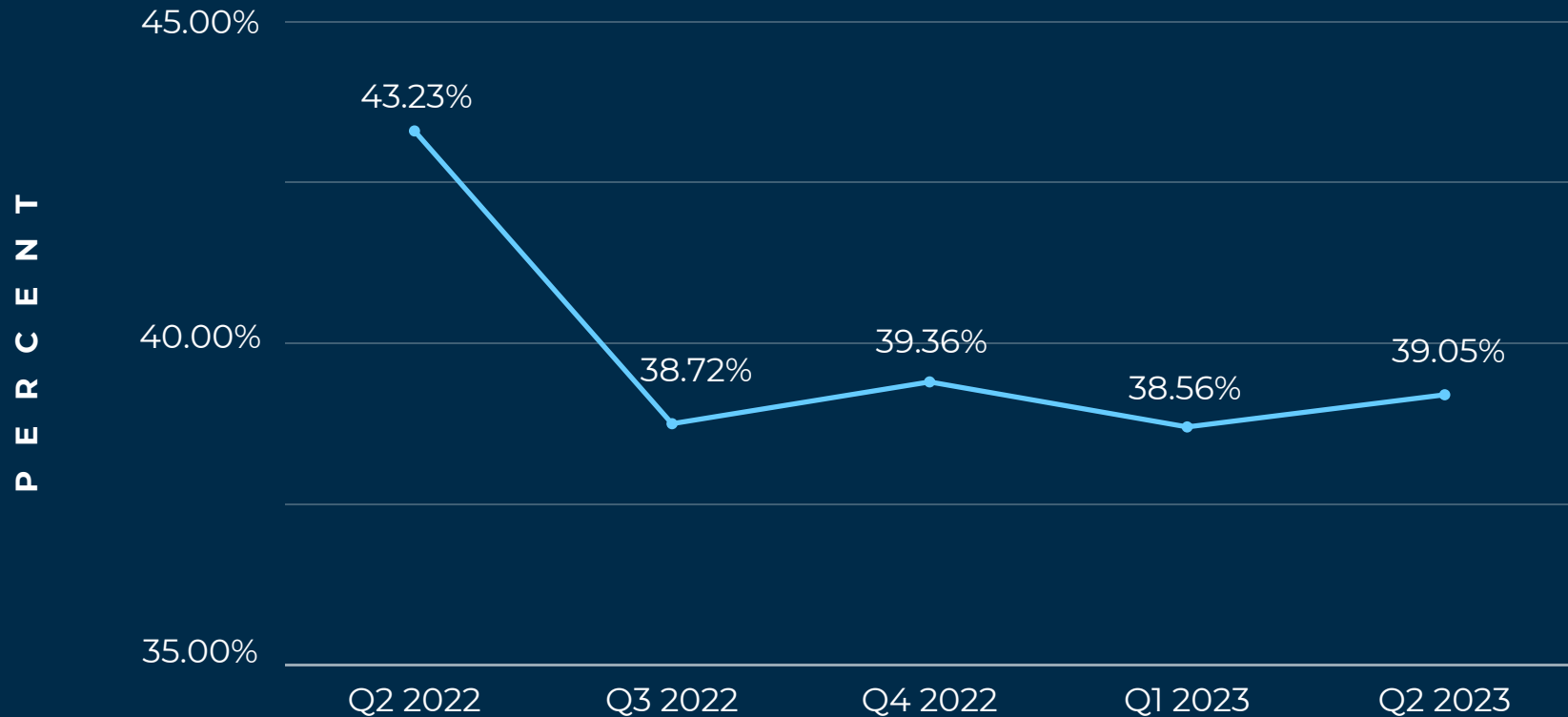


Non-interest expenses totaled \$2.1 million for the three months ended June 30, 2023, and March 31, 2023, compared to \$1.9 million for the three months ended June 30, 2022. On a year-over-year basis, non-interest expenses for the six months ended June 30, 2023, increased \$425,000 or 11% due primarily to higher compensation costs, FDIC insurance, and technology expenses. Non-interest expenses include salaries and benefits (constituting 61% of the total), occupancy costs, and other non-interest expenses. As of June 30, 2023, CommerceOne had 36 full-time-equivalent associates.



SECOND QUARTER FINANCIAL REPORTS

Efficiency Ratio

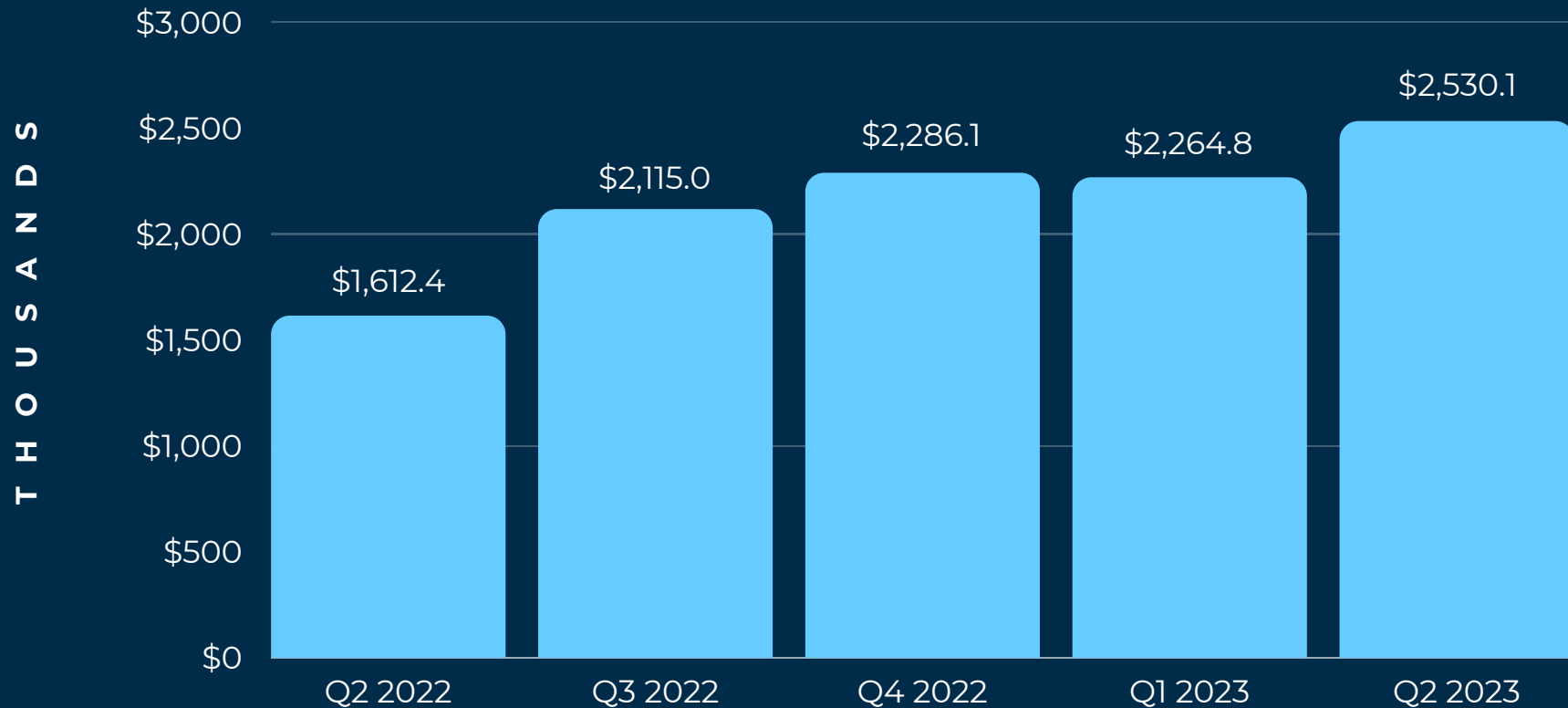


The efficiency ratio for the second quarter was 39.1% compared to 38.6% for the prior quarter and 43.2% for the second quarter of the prior year. The modest increase compared to the prior quarter was driven primarily by higher FDIC insurance costs.



SECOND QUARTER FINANCIAL REPORTS

Net Income



Net income totaled \$2.5 million for the three months ended June 30, 2023, compared to \$2.3 million for the first quarter of 2023 and \$1.6 million for the second quarter of 2022. For the six months ended June 30, 2023, basic earnings per share totaled \$0.99 per share, an increase of 52% compared to the prior year.



SECOND QUARTER FINANCIAL REPORTS

Total Loans

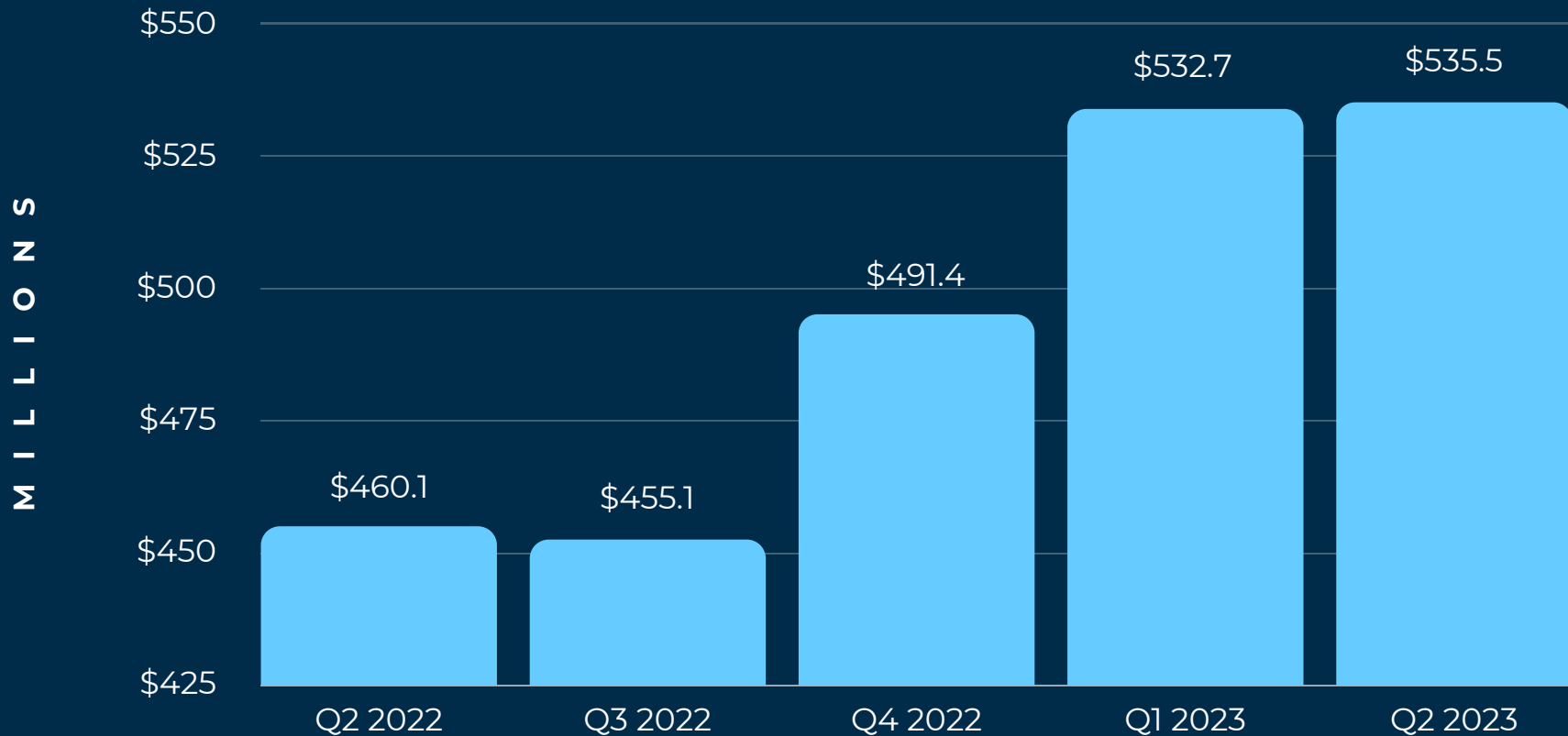


Loan balances of \$499.6 million are diversified with no undue concentrations with regard to industry, loan type, or collateral. Loan balances increased 18% compared to the second quarter of 2022 but declined 2% on a linked-quarter basis. As of June 30, 2023, the average loan size was \$505,000 with an average yield of 6.77%.



SECOND QUARTER FINANCIAL REPORTS

Total Deposits



Deposit balances totaled \$535.5 million as of June 30, 2023. This represents an increase of 16% compared to second-quarter 2022 balances and an increase of 1% on a linked-quarter basis. The deposit mix includes 61% in money market accounts and 18% in non-interest-bearing accounts.



SECOND QUARTER FINANCIAL REPORTS

Balance Sheet (Unaudited)

(in thousands, except per share data)

	June 30, 2023	June 30, 2022	Change
Loans, net of unearned income	499,619	424,506	18%
Total assets	600,701	515,193	17%
Deposits	535,501	460,135	16%
Total equity	62,196	53,568	16%
Book value per share	\$ 12.79	\$ 11.13	15%

Income Statement (Unaudited)

(in thousands)

	Quarter to Date			Year to Date		
	June 30, 2023	June 30, 2022	Change	June 30, 2023	June 30, 2022	Change
Net interest income	5,340	4,366	22%	10,693	8,442	27%
Provision for loan losses	(92)	358	NM	211	575	-63%
Total non-interest income	113	114	0%	242	208	16%
Total non-interest expense	2,137	1,943	10%	4,259	3,834	11%
Net income	2,530	1,612	57%	4,795	3,138	53%



SECOND QUARTER FINANCIAL REPORTS

Financial Ratios (Unaudited)

	Quarter to Date		Year to Date	
	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>
Return on average assets	1.76%	1.29%	1.69%	1.31%
Return on average equity	16.58%	11.95%	16.03%	11.68%
Efficiency Ratio	39.05%	43.23%	38.80%	44.18%
Earnings per share	\$ 0.52	\$ 0.34	\$ 0.99	\$ 0.65
Net Interest margin	3.72%	3.51%	3.78%	3.55%





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