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COMMERCEONE

SHAREHOLDER UPDATE - Q2 2024



A MESSAGE TO OUR

SHAREHOLDERS

July 26, 2024

I hope you and your family are well and enjoying the summer season. Last month, CommerceOne celebrated our sixth anniversary. We are grateful for the continued support of our shareholders. We remain, as we were six years ago, focused on shareholder value.

I am pleased to welcome Chase Wise, President of Saginaw Pipe, to the CommerceOne Board of Directors. Chase is a thoughtful and respected leader in Birmingham. We look forward to the addition of his leadership, experience, and acumen to continue the success of our company.

The financial results for the second quarter of 2024 were again strong. For the three months ended June 30, 2024, KPIs include a net interest margin of 3.58%, core return on assets of 1.66%, core return on equity of 14.90%, and an efficiency ratio of 39.01%. In addition, our capital levels continue to place CommerceOne among the strongest banks in the nation.



For the quarter ended June 30, 2024, CommerceOne reported net income of \$1.7 million for the period, or \$0.36 per share. Loans totaled \$560 million, and deposits totaled \$561 million as of June 30, 2024, representing a year-over-year increase of 12% and 5%, respectively. Net income for the second quarter was negatively impacted by a \$564,000 charge-off of the previously reported non-accrual loan. This charge, combined with the \$2.5 million payment received from the court during the quarter, represents the final resolution of this exposure and brings the non-accrual loan balance to zero.

As we look forward, the creation of shareholder value remains a top priority for CommerceOne. We continue to receive requests from clients with an interest in purchasing stock in CommerceOne. If you are considering selling a portion of your shares, please contact us. We are happy to assist with the transaction.

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,

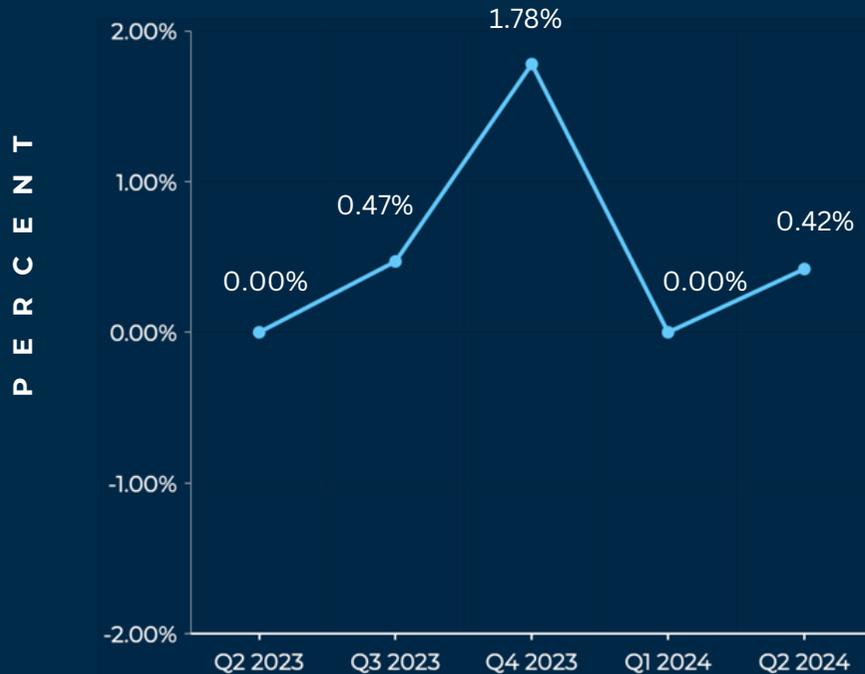


Kenneth W. Till
Chief Executive Officer

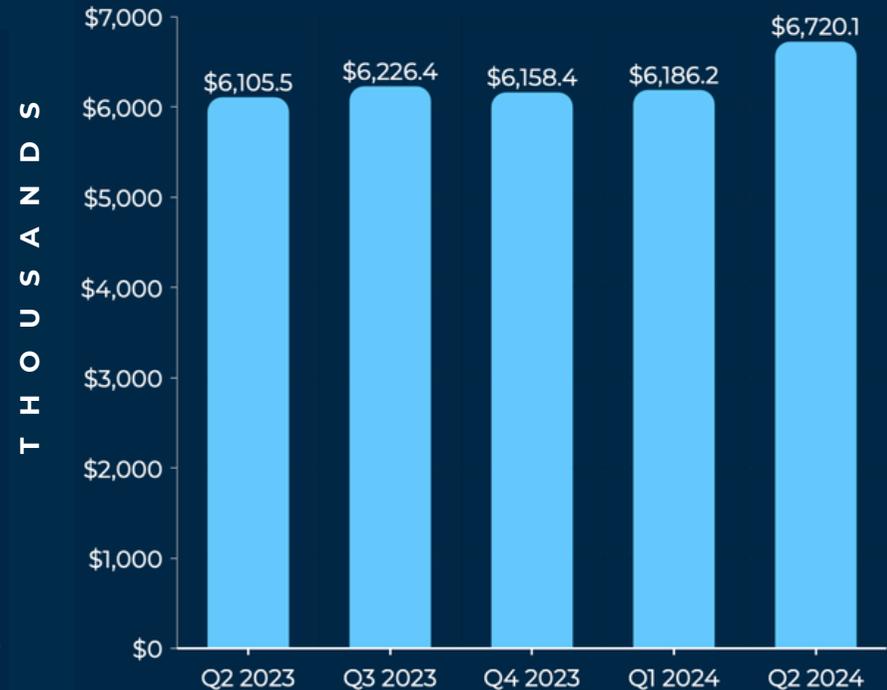


SECOND QUARTER FINANCIAL REPORTS

Net Charge-offs/Average Loans



Allowance For Loan Losses



Asset quality is a leading principle for the CommerceOne management team. As of June 30, 2024, CommerceOne reported no past due or non-performing loans. During the second quarter, a charge-off of \$564,000 was recognized. This charge combined with payments totaling \$2.5 million received through the court-administered asset liquidation represents a final resolution of this exposure. The Bank's allowance for possible future loan losses totaled \$6.7 million or 1.20% of loans outstanding.



SECOND QUARTER FINANCIAL REPORTS

Total Revenue



Revenue totaled \$5.7 million for the three months ended June 30, 2024, compared to \$5.6 million for the three months ended March 31, 2024, and \$5.5 million for the second quarter of 2023. On a year-over-year basis, revenue for the six months ended June 30, 2024, increased 3.0%. Net interest income represented approximately 97% of total revenue.



SECOND QUARTER FINANCIAL REPORTS

Net Interest Margin

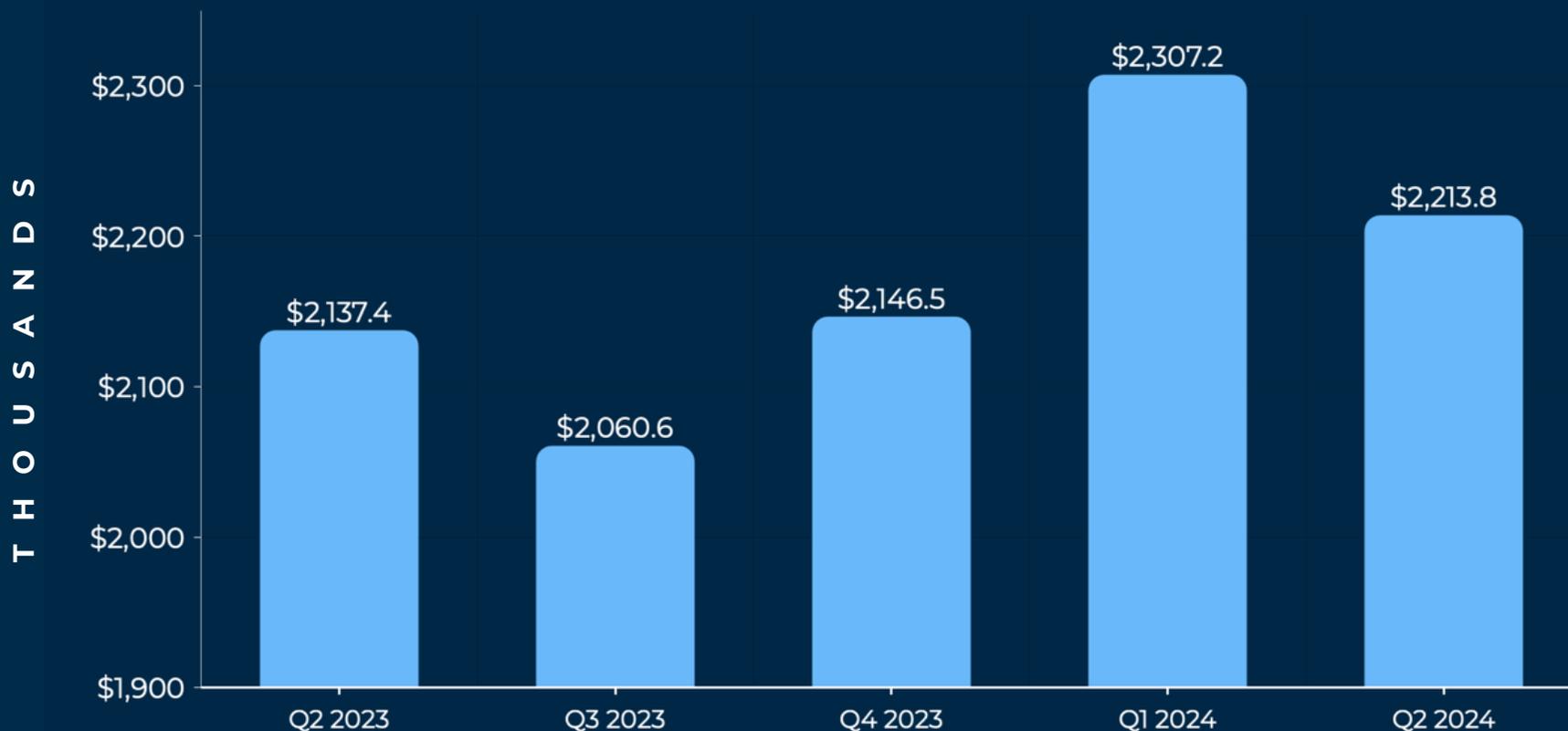


For the three months ended June 30, 2024, CommerceOne reported a net interest margin (NIM) of 3.58%, which was driven by a 6.88% average yield on earning assets and an average cost of funds of 3.73%. The first quarter NIM of 3.58% represents an increase of six basis points from the 3.52% NIM for the first quarter of 2024 and a 14 basis point decrease compared to the second quarter of the prior year. The higher linked quarter NIM during the second quarter was primarily due to a modestly higher yield on earning assets.



SECOND QUARTER FINANCIAL REPORTS

Non-Interest Expenses



Non-interest expenses totaled \$2.2 million for the three months ended June 30, 2024, \$2.3 million for the three months ended March 31, 2024, and \$2.1 million for the three months ended June 30, 2023. On a year-over-year basis, non-interest expenses for the six months ended June 30, 2024, increased \$262,000 or 6% due primarily to higher compensation costs, business development, and technology expenses. Non-interest expenses include salaries and benefits (constituting 62% of the total), occupancy costs, and other non-interest expenses. As of June 30, 2024, CommerceOne had 37 full-time equivalent associates.



SECOND QUARTER FINANCIAL REPORTS

Efficiency Ratio

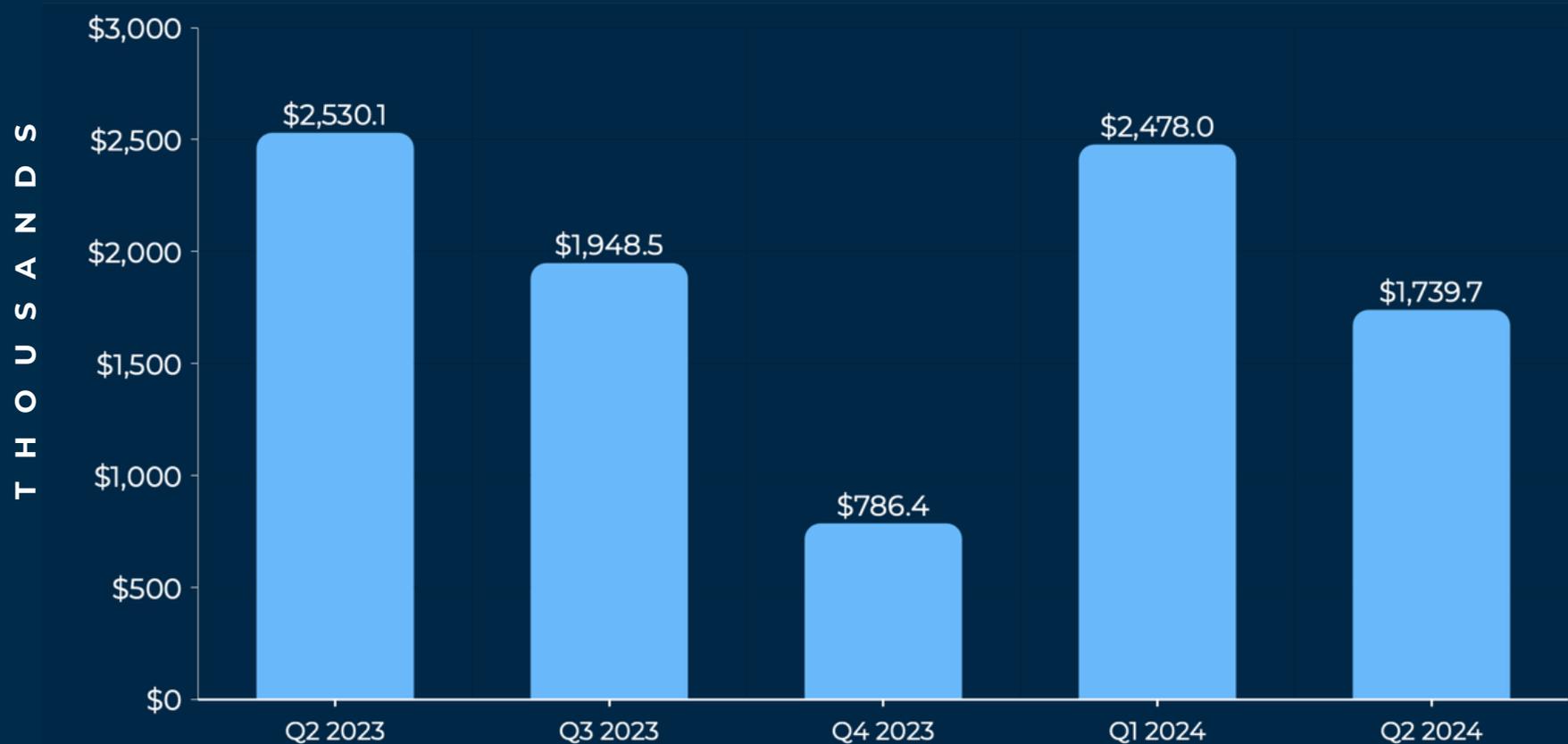


The efficiency ratio for the second quarter was 39.0% compared to 41.0% for the prior quarter and 39.1% for the second quarter of the prior year. The decrease compared to the prior quarter was driven primarily by lower salary and benefit costs.



SECOND QUARTER FINANCIAL REPORTS

Net Income



Net income totaled \$1.7 million for the three months ended June 30, 2024, compared to \$2.5 million for the three months ended March 31, 2024, and \$2.5 million for the second quarter of the prior year. For the six months ended June 30, 2024, net income totaled \$4.2 million or \$0.86 per share.



SECOND QUARTER FINANCIAL REPORTS

Total Loans



Loan balances of \$560.0 million are diversified with no undue concentrations with regard to industry, loan type, or collateral. Loan balances increased \$60.4 million or 12% compared to the second quarter of 2023 and increased 10% on a linked-quarter basis. As of June 30, 2024, the average loan size was \$508,000 with an average yield of 7.10%.



SECOND QUARTER FINANCIAL REPORTS

Total Deposits



Deposit balances totaled \$561.4 million as of June 30, 2024. This represents an increase of 5% compared to second-quarter 2023 balances and an increase of 3% on a linked-quarter basis. The deposit mix includes 59% in money market accounts and 16% in non-interest-bearing accounts.



SECOND QUARTER FINANCIAL REPORTS

Balance Sheet (Unaudited)

(in thousands, except per share data)

	June 30, 2024	June 30, 2023	Change
Loans, net of unearned income	\$ 560,006	\$ 499,619	12%
Total assets	662,686	600,701	10%
Deposits	561,415	535,501	5%
Total equity	69,733	62,196	12%
Book value per share	\$ 14.28	\$ 12.79	12%

Income Statement (Unaudited)

(in thousands)

	Quarter to Date			Year to Date		
	June 30, 2024	June 30, 2023	Change	June 30, 2024	June 30, 2023	Change
Net interest income	\$ 5,509	\$ 5,340	3%	\$ 10,983	\$ 10,693	3%
Provision for loan losses	1,104	(92)	NM	1,085	211	414%
Total non-interest income	146	113	29%	284	242	17%
Total non-interest expense	2,214	2,137	4%	4,521	4,259	6%
Net income	\$ 1,740	\$ 2,530	-31%	\$ 4,218	\$ 4,795	-12%



SECOND QUARTER FINANCIAL REPORTS

Financial Ratios (Unaudited)

	Quarter to Date		Year to Date	
	June, 30	June, 30	June, 30	June, 30
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Return on average assets	1.13%	1.76%	1.36%	1.69%
Return on average equity	10.14%	16.58%	12.49%	16.03%
Efficiency ratio	39.01%	39.05%	39.98%	38.80%
Earnings per share	\$ 0.36	\$ 0.52	\$ 0.86	\$ 0.99
Net Interest margin	3.58%	3.72%	3.55%	3.78%





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