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COMMERCEONE

SHAREHOLDER UPDATE - Q1 2023



A MESSAGE TO OUR

SHAREHOLDERS

April 21, 2023

Thank you to all who were able to join us for our annual meeting on Thursday. We hope you found the presentation informative. Directors Cooper, Kynerd, Mathews, and Slaughter were elected to three-year terms. I look forward to having these outstanding leaders continue to serve our organization. For those of you that were unable to join us, a replay of the meeting is available [here](#).

The past few weeks have been challenging for many banks around the country. The news of bank failures has caused anxiety for bankers and clients alike. As we shared in our fourth quarter shareholder update, the actions of the Federal Reserve both in terms of higher rates and quantitative tightening, have negatively impacted the liquidity throughout the banking system. Since our launch almost five years ago, we have consistently stated our commitment to the banking principles of safety and soundness, profitability, and growth – in that order. The importance of these principles has never been more evident.

As you are aware, the formation of CommerceOne Financial Corporation became effective on October 3, 2022. Each of you should have received a mailing from American Stock Transfer & Trust Company with instructions to exchange your CommerceOne Bank shares for CommerceOne Financial Corporation shares. It is extremely important that you exchange your shares as soon as possible. If you need assistance or have questions regarding the exchange process, please contact us promptly at investor.relations@commerceonebank.com.

In the coming months, CommerceOne will transition to the commerceone.bank domain for our website as well as our email addresses. This transition will allow for enhanced security for the bank as well as our clients. The legacy web and email addresses will continue in service to allow for a seamless transition to the new domain.



The Bank's financial performance for the first quarter of 2023 was excellent. Financial results for the first quarter of 2023 were near record levels, exceeding our target key performance indicators for the period. For the three months ended March 31, 2023, KPIs include no loan losses, a net interest margin of 3.85%, a return on assets of 1.62%, a return on equity of 15.45%, and an efficiency ratio of 38.6%.

For the quarter ended March 31, 2023, CommerceOne reported net earnings (on a pre-tax cash basis) of \$3.4 million while net income totaled \$2.3 million for the period, or \$0.47 per share. Credit quality continues to be at the core of our performance with no past-due or non-performing loans.

Loans totaled \$509 million, and deposits totaled \$533 million as of March 31, 2023, representing a year-over-year increase of 29% and 18%, respectively.

As we navigate a challenging rate and economic environment, we remain committed to the proven banking principles of safety and soundness, profitability, and growth – in that order. 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.

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

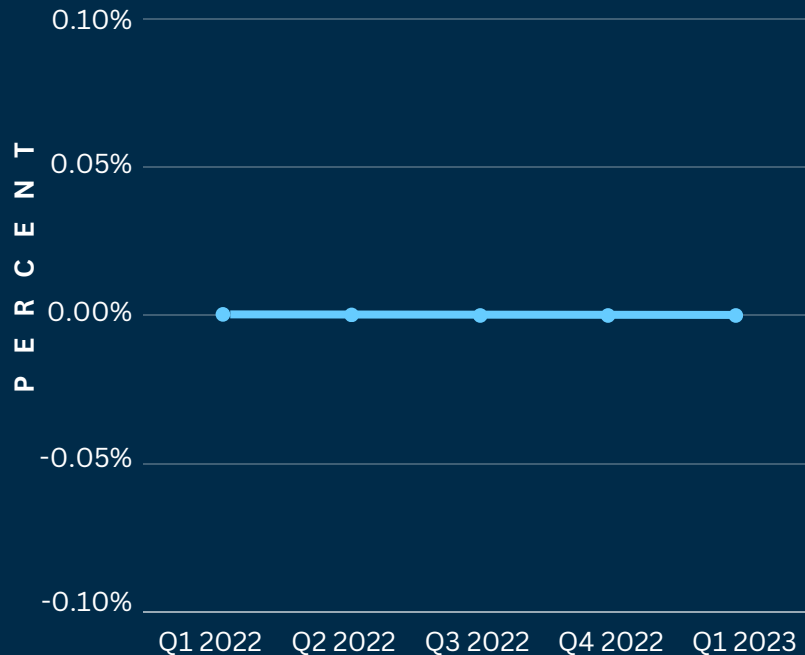


Ronald C. Jackson
Chairman



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Net Charge-offs/Average Loans



Allowance For Loan Losses

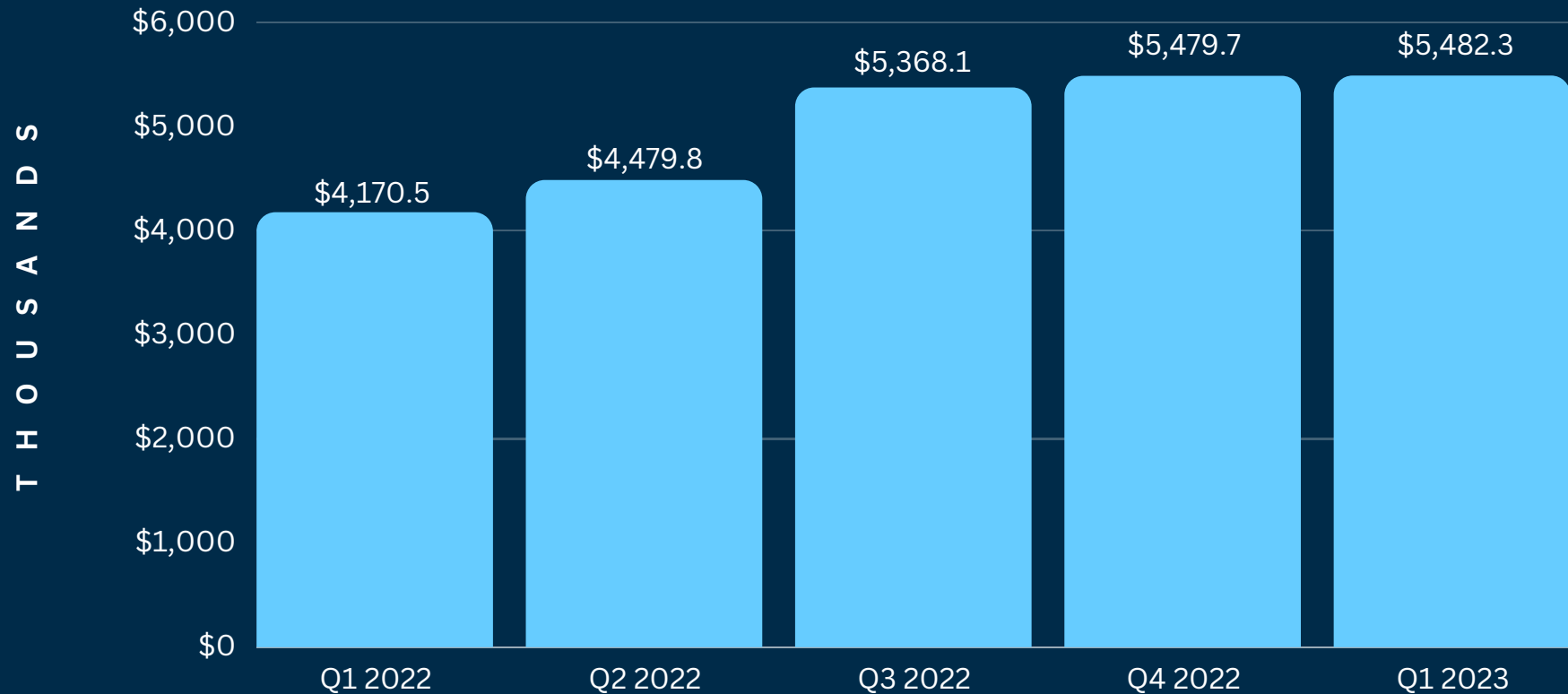


Each quarter we emphasize the importance of a disciplined approach to credit which is key to long-term, sustainable, shareholder value creation. Asset quality is the foundation of a bank's safety and soundness profile and is the leading principle for the CommerceOne management team. As of March 31, 2023, CommerceOne had no past due, delinquent, or non-performing loans. The Bank's allowance for possible future loan losses totaled \$6.1 million or 1.20% of loans outstanding.



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Total Revenue

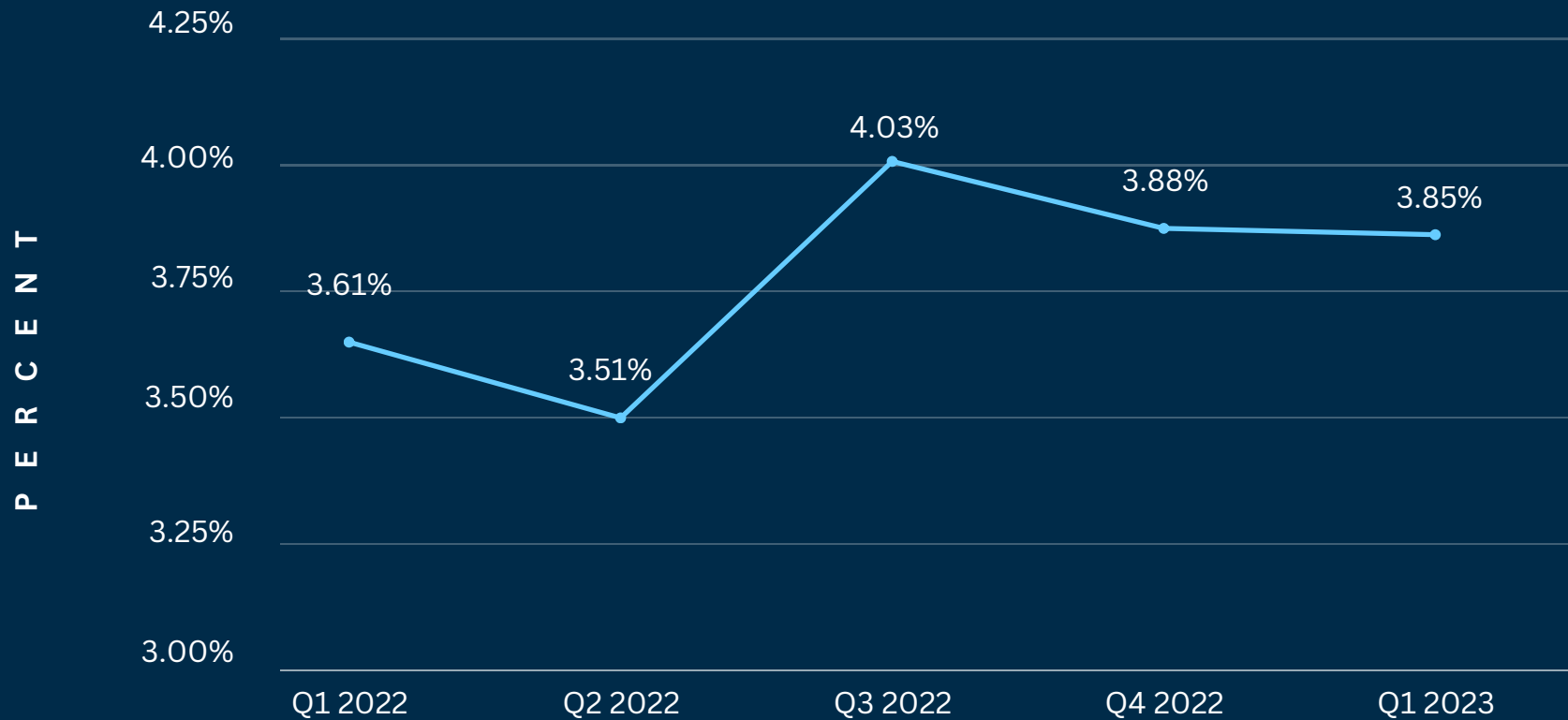


Revenue totaled \$5.5 million for the three months ended March 31, 2023, and December 31, 2022, compared to \$4.2 million for the first quarter of 2022. On a year-over-year basis, revenue for the three months ended March 31, 2023, increased \$1.3 million or 31%. Net interest income represented approximately 98% of total revenue during the first quarter of 2023.



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Net Interest Margin

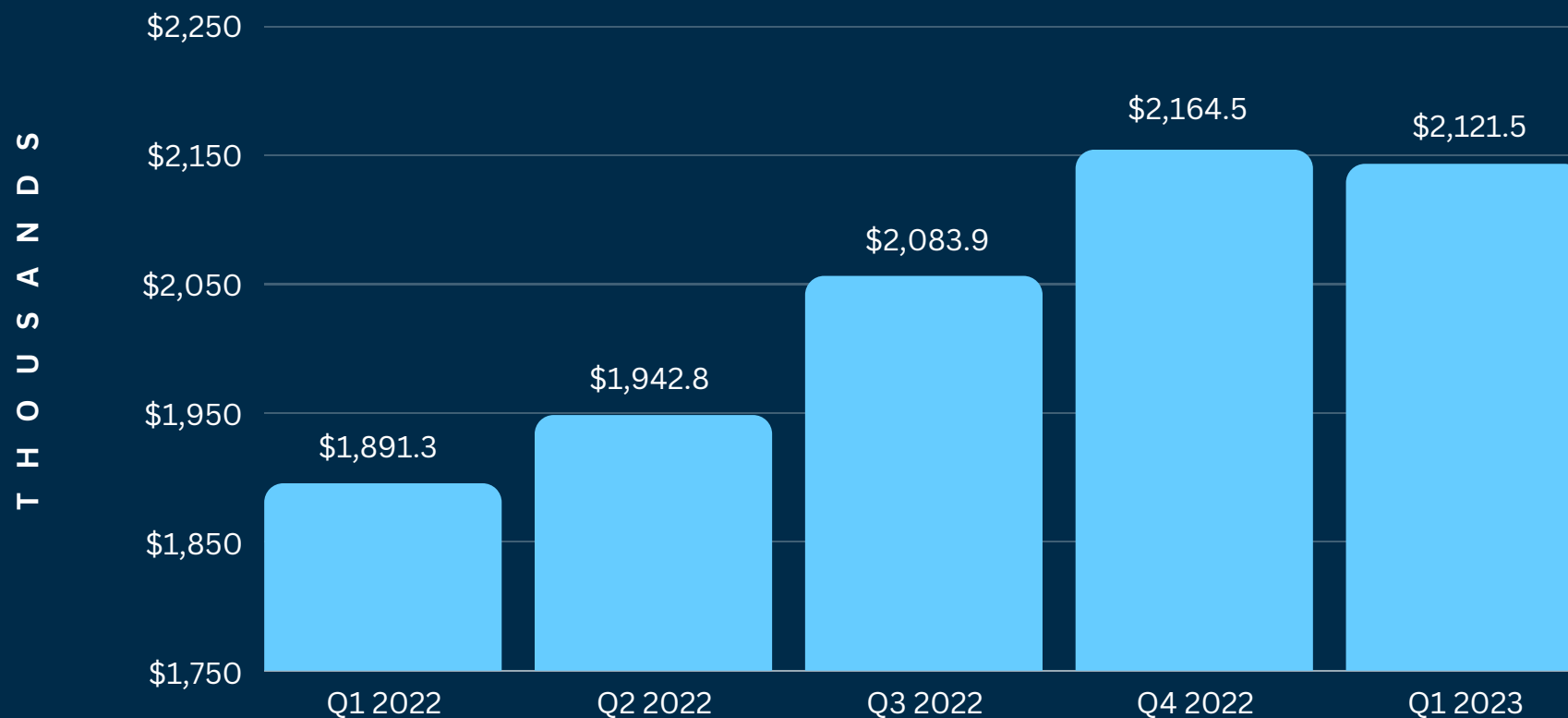


For the three months ended March 31, 2023, CommerceOne reported a net interest margin (NIM) of 3.85%, which was driven by a 6.25% average yield on earning assets and an average cost of funds of 2.71%. The first quarter NIM of 3.85% represents a decrease of 3 basis points from the 3.88% NIM for the fourth quarter of 2022, but a 24 basis point increase compared to the first quarter of the prior year. The lower NIM during the first quarter was primarily due to higher funding costs partially offset by higher yields on loans.



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Non-Interest Expenses

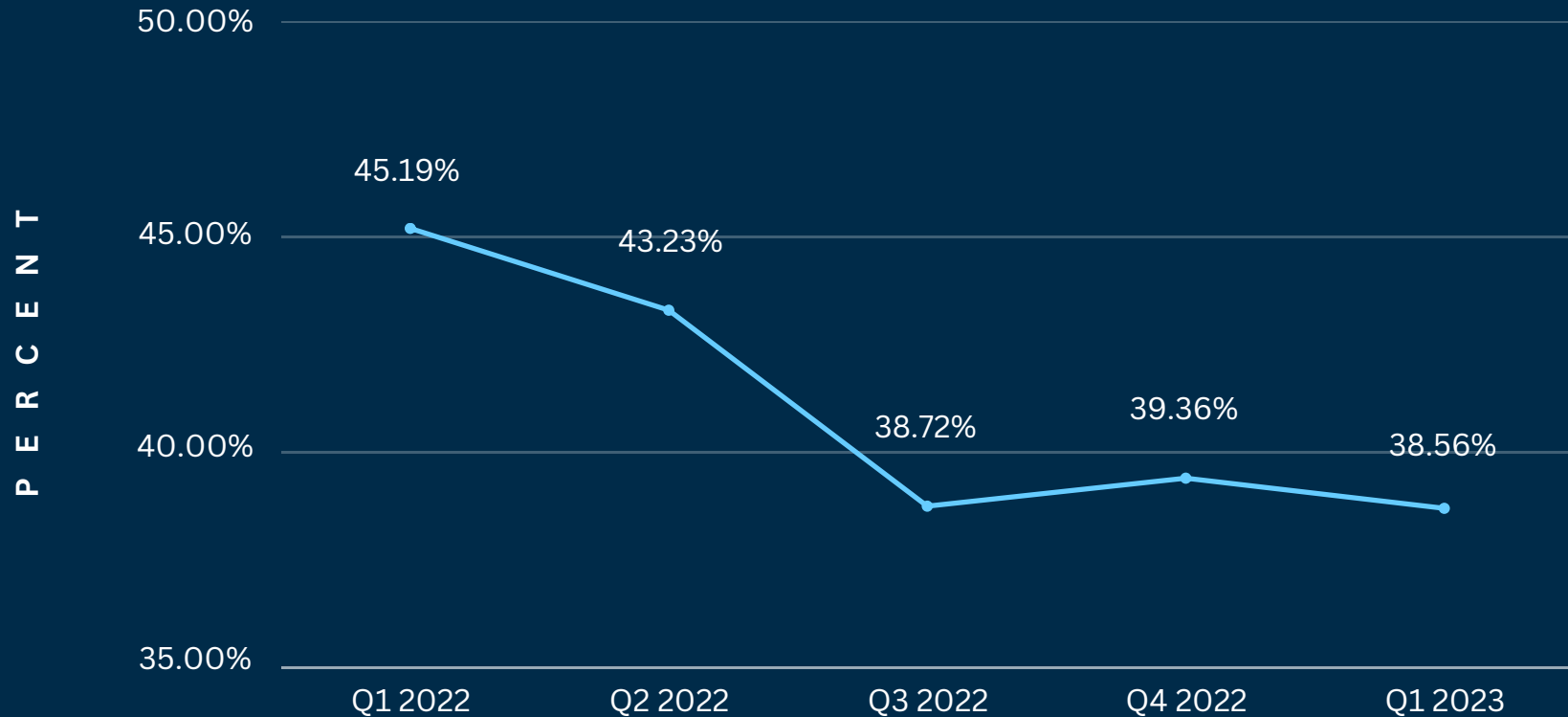


Non-interest expenses totaled \$2.1 million for the three months ended March 31, 2023, compared to \$2.2 million for the three months ended December 31, 2022, and \$1.9 million for the three months ended March 31, 2022. On a year-over-year basis, non-interest expenses for the three months ended March 31, 2023, increased \$230,000 or 12% due primarily to higher compensation costs, technology expenses, and professional services. Non-interest expenses include salaries and benefits (constituting 63% of the total), occupancy costs, and other non-interest expenses. As of March 31, 2023, CommerceOne had 34 full-time-equivalent associates.



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Efficiency Ratio

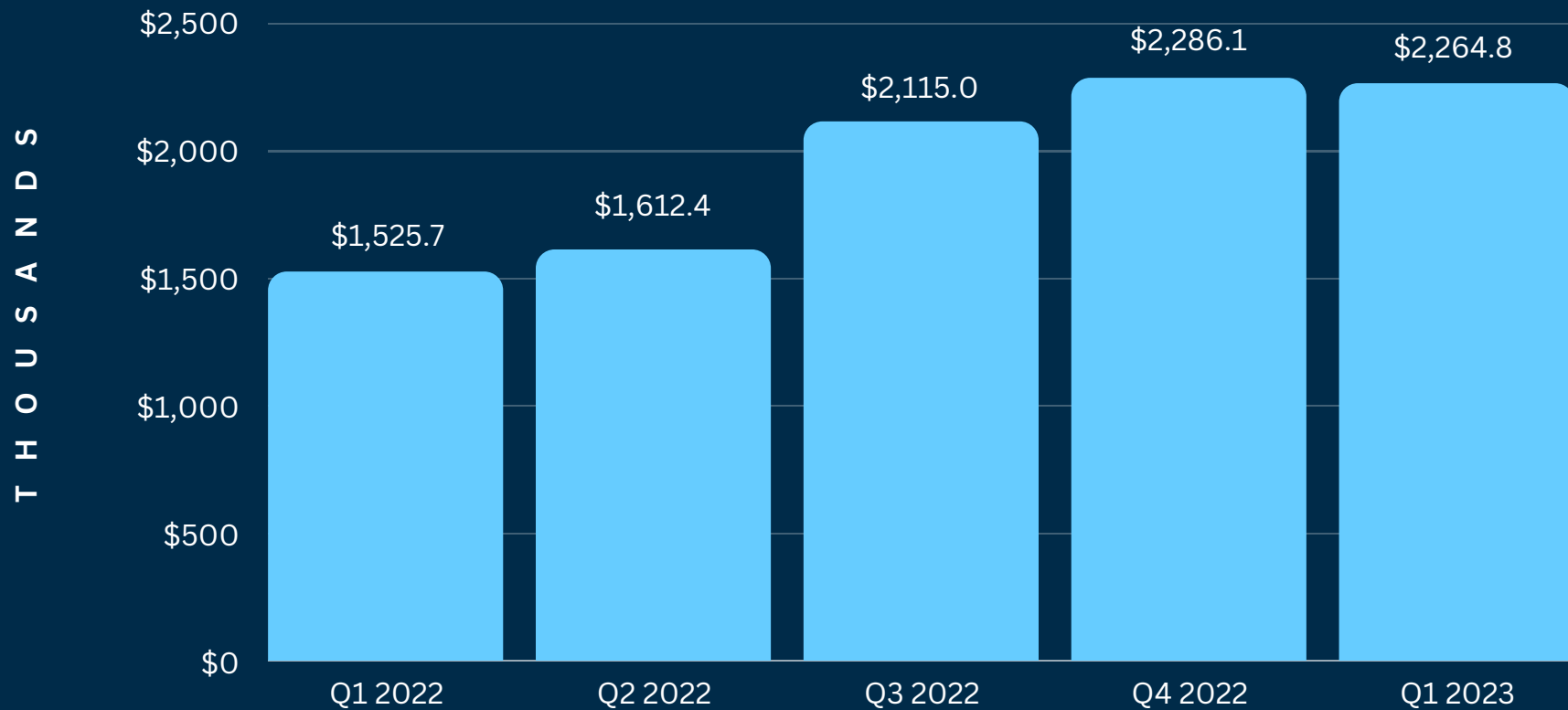


The efficiency ratio for the first quarter was 38.6% compared to 39.4% for the prior quarter and 45.2% for the first quarter of the prior year. The modest decrease compared to the prior quarter was driven by lower incentive and professional service costs.



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Net Income

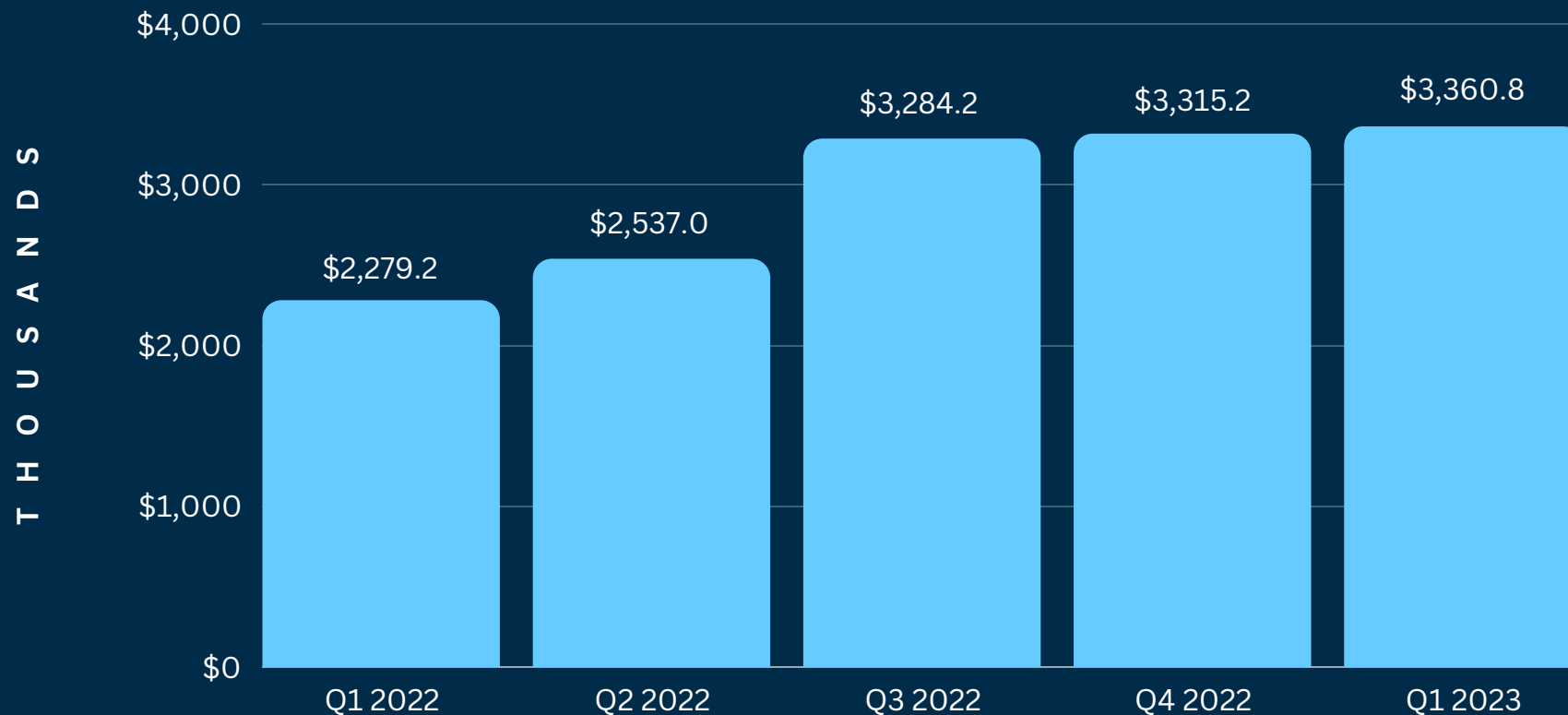


GAAP-based net income totaled \$2.3 million for the three months ended March 31, 2023, and December 31, 2022, compared to \$1.5 million for the first quarter of 2022. For the three months ended March 31, 2023, the net income translates to \$0.47 per share, an increase of 48% compared to the prior year.



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Pre-Tax Income Before Provision

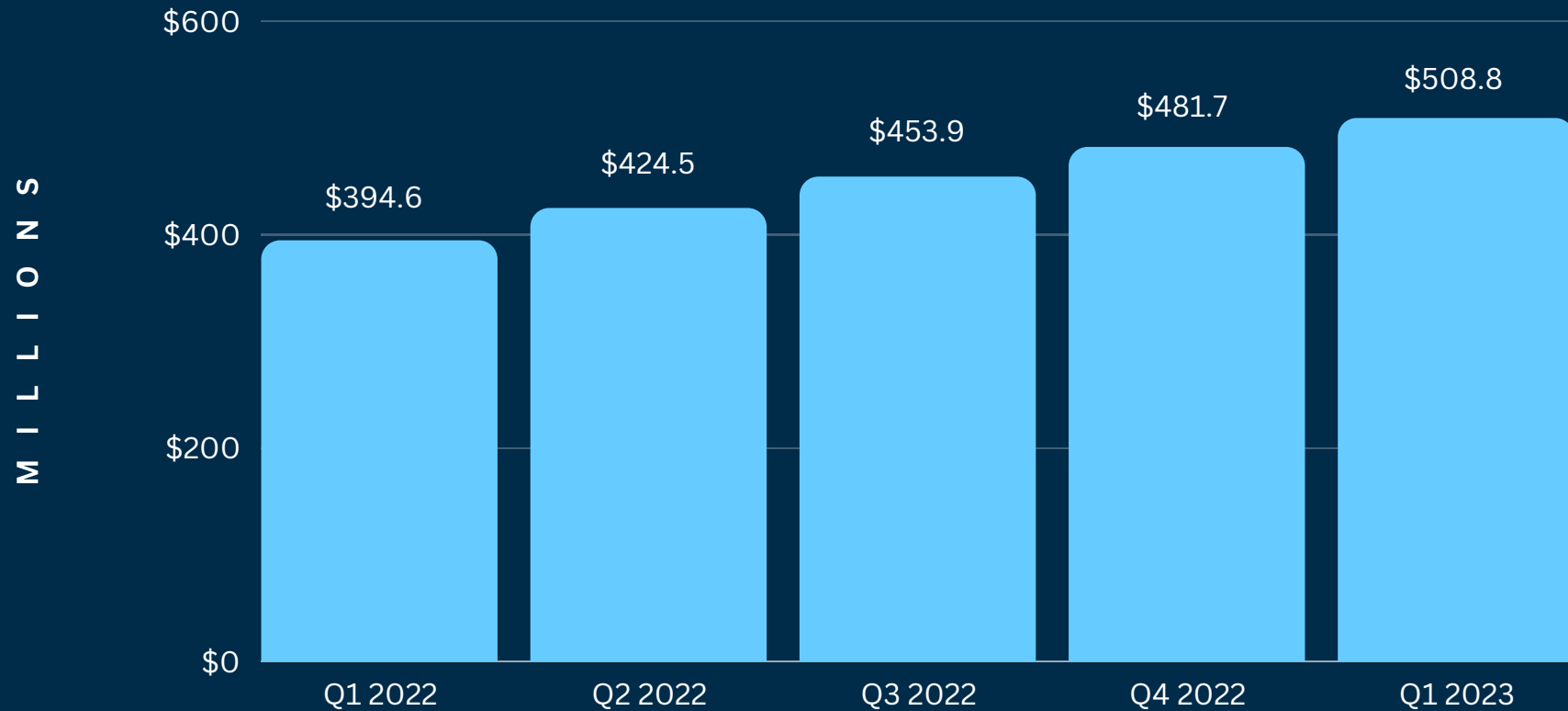


Loan growth during the period and the related provision for potential loan losses impacted GAAP net income. Adjusting for amounts allocated for potential future loan losses, pre-tax, net operating earnings (cash basis) for the three months ended March 31, 2023, totaled \$3.4 million, an increase of \$1.1 million or 47% compared to the prior year.



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Total Loans

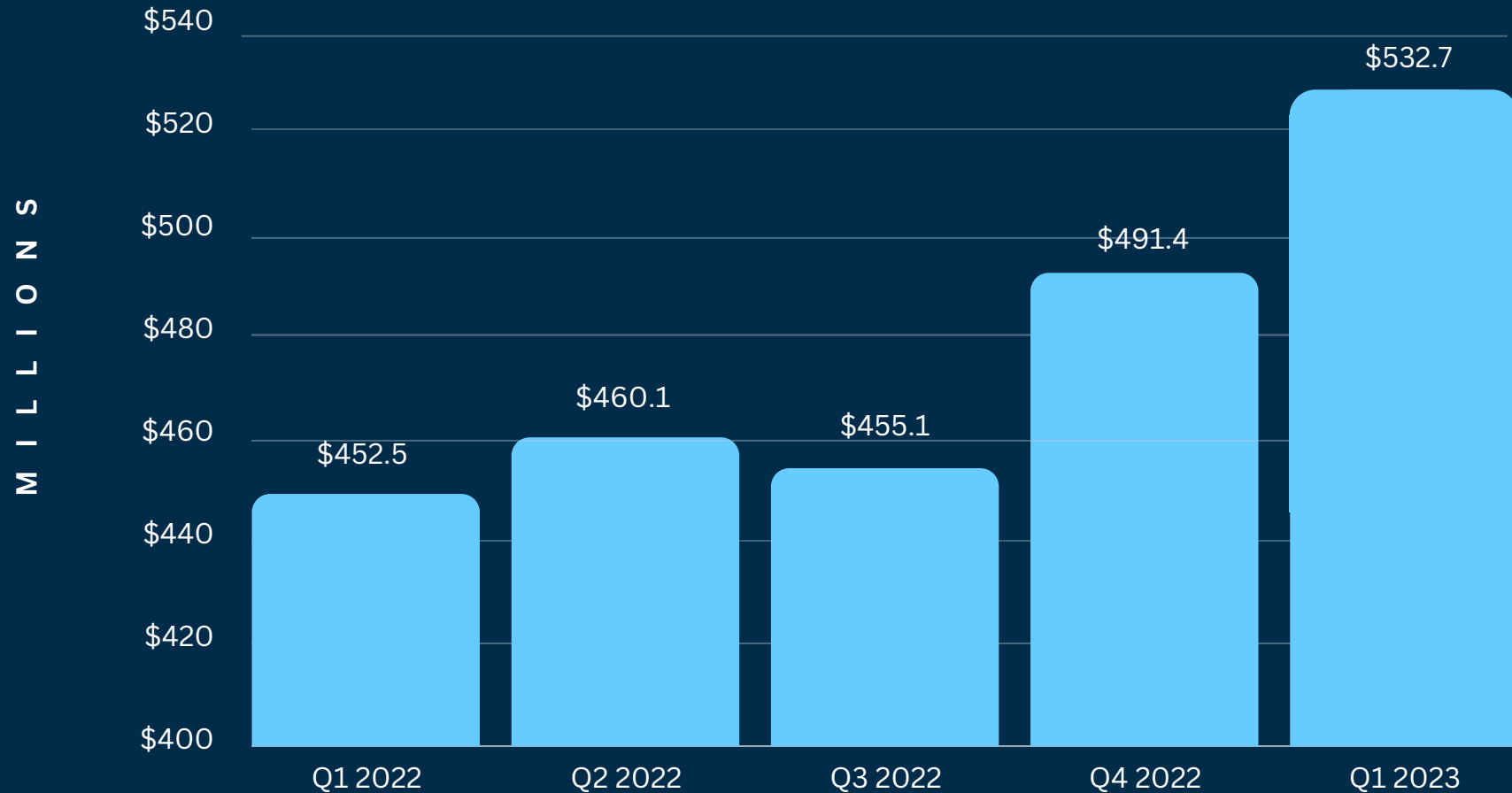


Loan balances of \$508.8 million are diversified with no undue concentrations with regard to industry, loan type, or collateral. Loan balances increased 29% compared to the first quarter of 2022 and 6% on a linked-quarter basis. As of March 31, 2023, the average loan size was \$529,000 with an average yield of 6.58%.



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Total Deposits



Deposit balances totaled \$532.7 million as of March 31, 2023. This represents an increase of 18% compared to first quarter 2022 balances and an increase of 8% on a linked-quarter basis. The deposit mix includes 60% in money market accounts and 20% in non-interest-bearing accounts.



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Balance Sheet (Unaudited)

(in thousands, except per share data)

	<u>March 31,</u> <u>2023</u>	<u>March 31,</u> <u>2022</u>	<u>Change</u>
Loans, net of unearned income	\$ 508,791	\$ 394,636	29%
Total assets	595,512	508,019	17%
Deposits	532,740	452,536	18%
Total equity	59,680	53,848	11%
Book value per share	\$ 12.28	\$ 11.19	10%

Income Statement (Unaudited)

(in thousands)

	<u>March 31,</u> <u>2023</u>	<u>March 31,</u> <u>2022</u>	<u>Change</u>
Net interest income	\$ 5,353	\$ 4,076	31%
Provision for loan losses	303	217	40%
Total non-interest income	129	95	37%
Total non-interest expense	2,122	1,891	12%
Net income	2,265	1,526	48%



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Financial Ratios

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Return on average assets	1.62%	1.34%
Return on average equity	15.45%	11.41%
Efficiency Ratio	38.56%	45.19%
Earnings per share	\$ 0.47	\$ 0.32
Net Interest margin	3.85%	3.61%





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