



SHAREHOLDER UPDATE - Q4 2023



## A MESSAGE TO OUR

# SHAREHOLDERS

January 26, 2024

We hope you and your family enjoyed a safe and joyous holiday season. The year just ended presented a variety of challenges including elevated inflation, interest rate volatility, a failed bank crisis, and limited liquidity in the banking sector. Despite these challenges, CommerceOne delivered 11% year-over-year revenue growth and earnings per share of \$1.53 for 2023. We appreciate the support of our shareholders during 2023 and look forward to the new year and journey ahead.

The financial results for the full year 2023 were strong. For the year ended December 31, 2023, KPI's include a net interest margin of 3.64%, return on assets of 1.29%, return on equity of 12.08% and an efficiency ratio of 38.95%. The Bank's financial performance for the fourth quarter of 2023 was mixed. Negatively impacting the fourth quarter was an additional charge-down of a loan which was placed on non-accrual status in the third quarter. While we continue to work through the challenges of this specific credit, we remain confident in the overall credit quality of our loan portfolio. In addition, our capital levels continue to place CommerceOne among the strongest banks in the nation.



For the quarter ended December 31, 2023, CommerceOne reported net income of \$786,000 for the period or \$0.16 per share. Loans totaled \$513 million, and deposits totaled \$561 million as of December 31, 2023, representing a year-over-year increase of 7% and 14%, respectively.

As we begin a new year, the creation of shareholder value remains a top priority for CommerceOne. As a shareholder, the easiest way for you to enhance your investment is to refer CommerceOne to those within your sphere of influence. Please connect those in your network with any of our team members.

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](mailto:investor.relations@commerceonebank.com) or 205.719.5750.

Regards,



Kenneth W. Till  
Chief Executive Officer

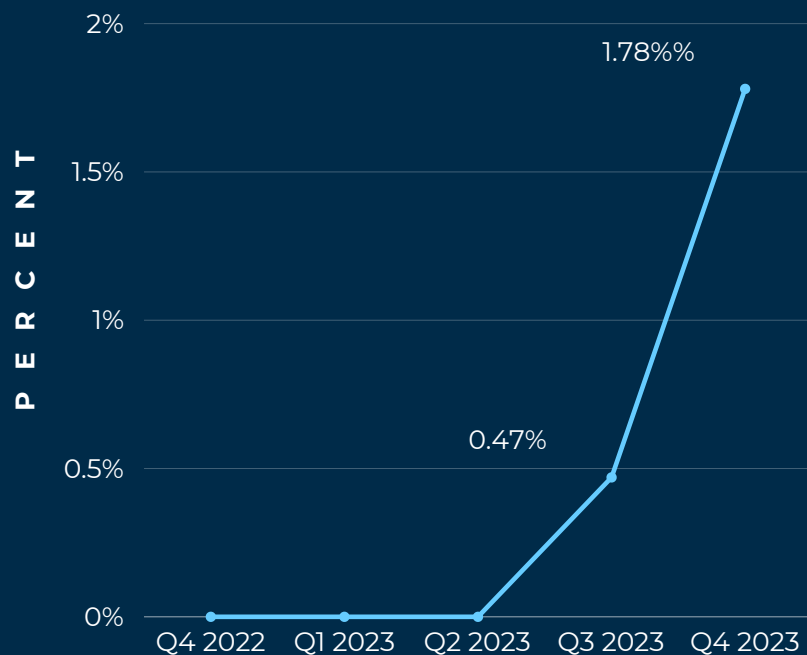


Ronald C. Jackson  
Chairman

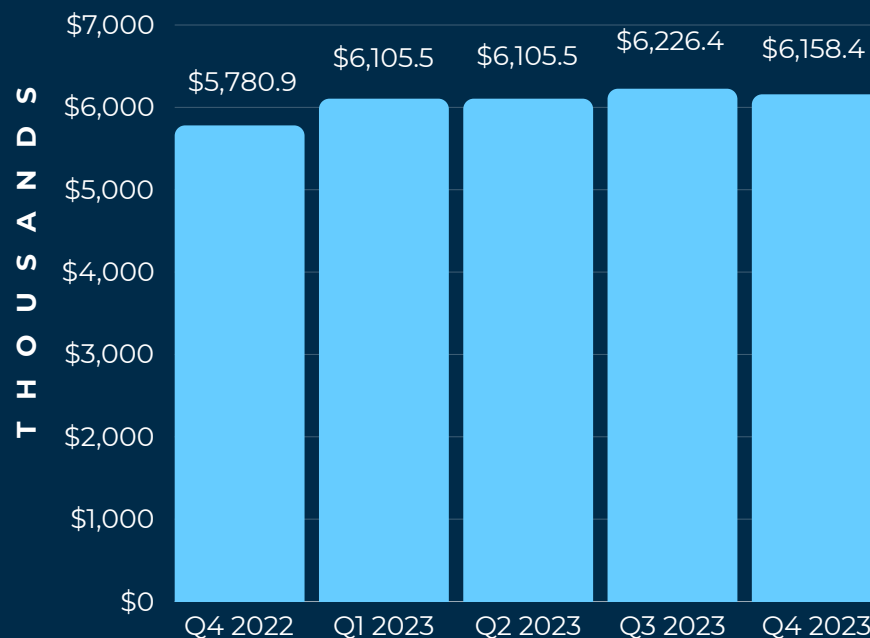


# FOURTH QUARTER FINANCIAL REPORTS

## Net Charge-offs/Average Loans



## Allowance For Loan Losses

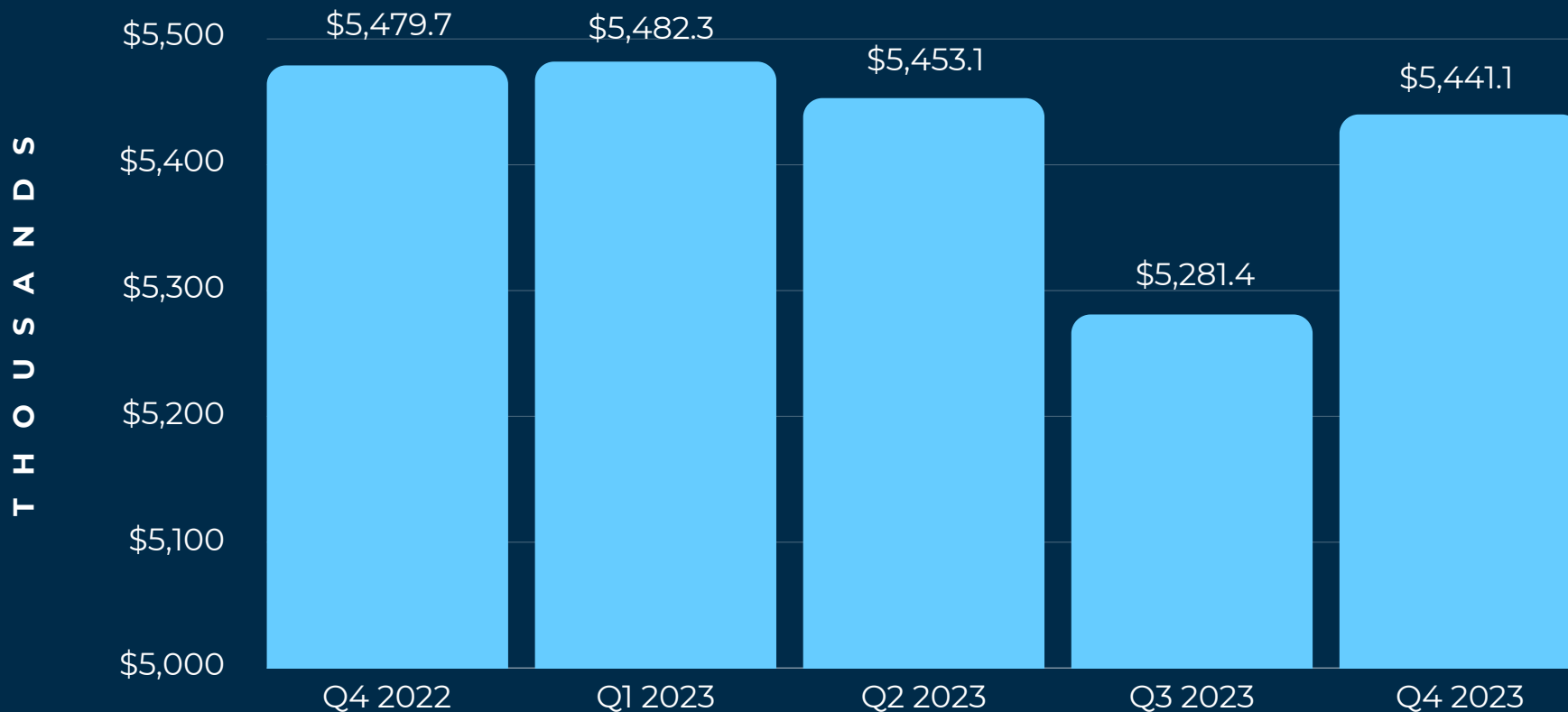


Asset quality is a leading principle for the CommerceOne management team. As of December 31, 2023, loans on non-accrual status totaled \$3.1 million. A charge-down of \$2.3 million was taken in connection with these loans during the fourth quarter. The non-accrual loan balance is related to a client working through a court administered liquidation of assets which is expected to conclude in the first half of 2024. The Bank's allowance for possible future loan losses totaled \$6.2 million or 1.20% of loans outstanding.



# FOURTH QUARTER FINANCIAL REPORTS

## Total Revenue

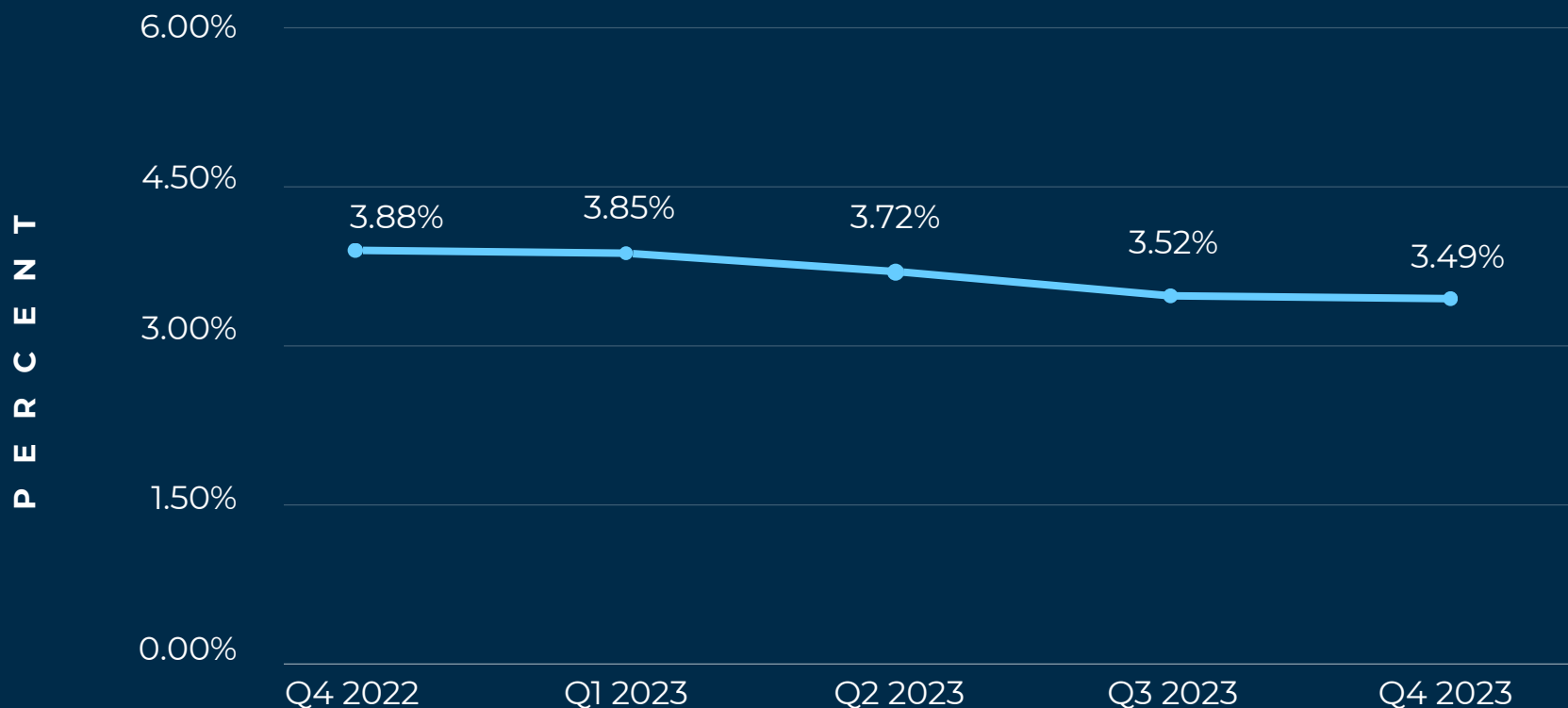


Revenue totaled \$5.4 million for the three months ended December 31, 2023, compared to \$5.3 million for the three months ended September 30, 2023, and \$5.5 million for the fourth quarter of 2022. On a year-over-year basis, revenue for the twelve months ended December 31, 2023, increased \$2.2 million or 11%. Net interest income represented approximately 98% of total revenue.



# FOURTH QUARTER FINANCIAL REPORTS

## Net Interest Margin



For the three months ended December 31, 2023, CommerceOne reported a net interest margin (NIM) of 3.49%, which was driven by a 6.70% average yield on earning assets and an average cost of funds of 3.63%. The fourth quarter NIM of 3.49% represents a decrease of three basis points from the 3.52% NIM for the third quarter of 2023 and a 39 basis point decrease compared to the fourth quarter of the prior year. The lower NIM during the fourth quarter was due to higher funding costs.



# FOURTH QUARTER FINANCIAL REPORTS

## Non-Interest Expenses

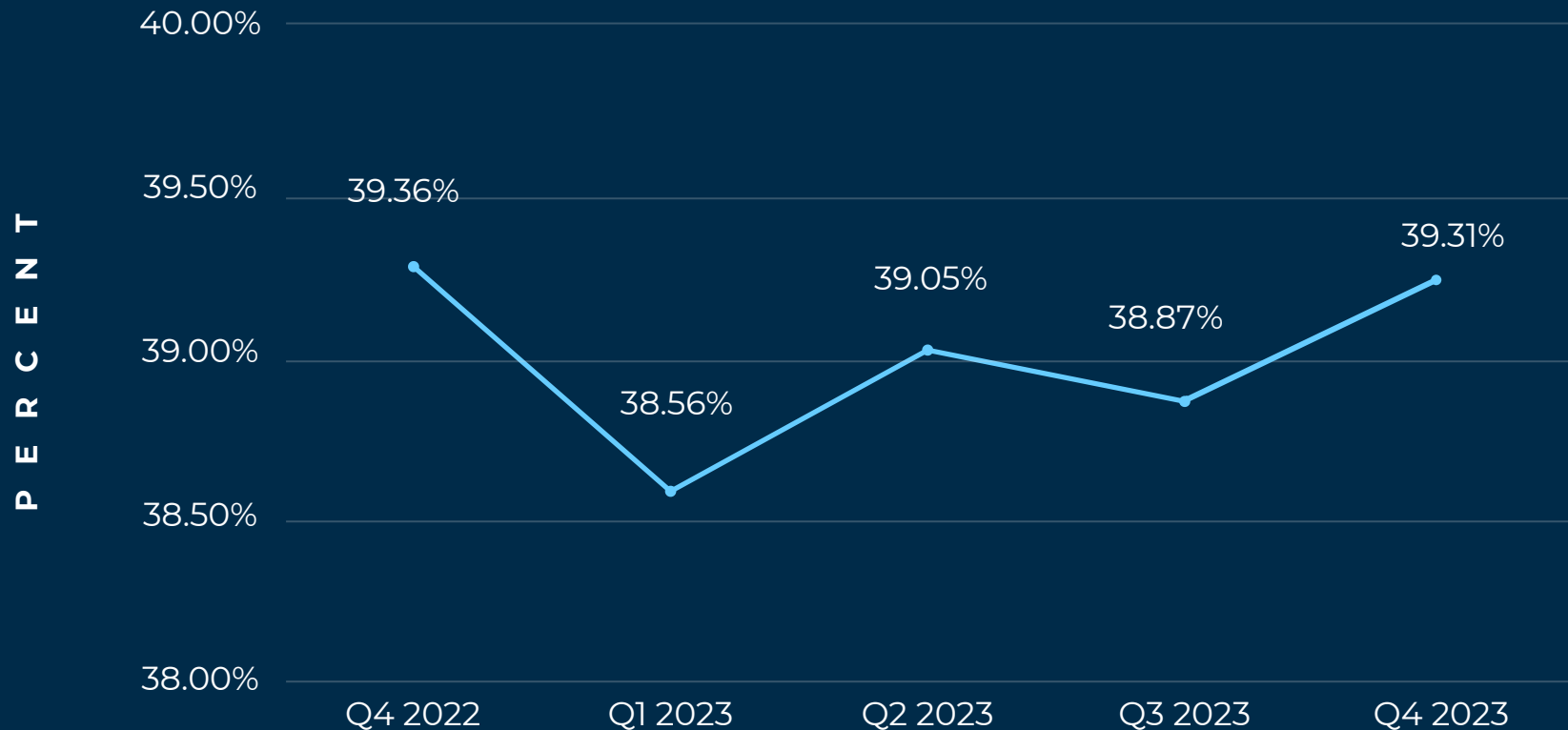


Non-interest expenses totaled \$2.1 million for the three months ended December 31, 2023, and September 30, 2023, and \$2.2 million for the three months ended December 31, 2022. On a year-over-year basis, non-interest expenses for the twelve months ended December 31, 2023, increased \$384,000 or 5% due primarily to higher compensation costs, FDIC insurance, and technology expenses. Non-interest expenses include salaries and benefits (constituting 62% of the total), occupancy costs and other non-interest expenses. As of December 31, 2023, CommerceOne had 35 full-time equivalent associates.



# FOURTH QUARTER FINANCIAL REPORTS

## Efficiency Ratio

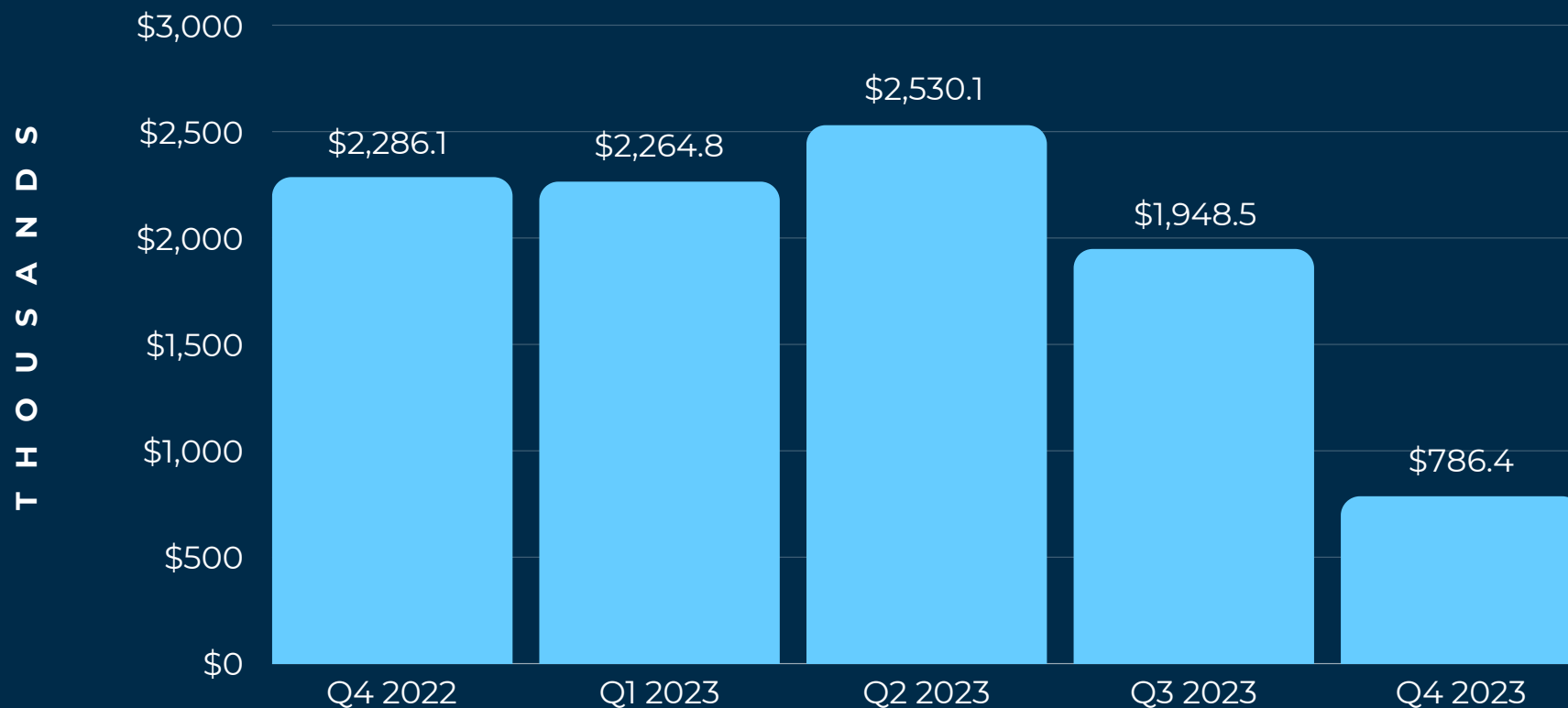


The efficiency ratio for the fourth quarter was 39.3% compared to 38.9% for the prior quarter and 39.4% for the fourth quarter of the prior year. The modest increase compared to the prior quarter was driven primarily by seasonal expenses incurred in the fourth quarter.



# FOURTH QUARTER FINANCIAL REPORTS

## Net Income

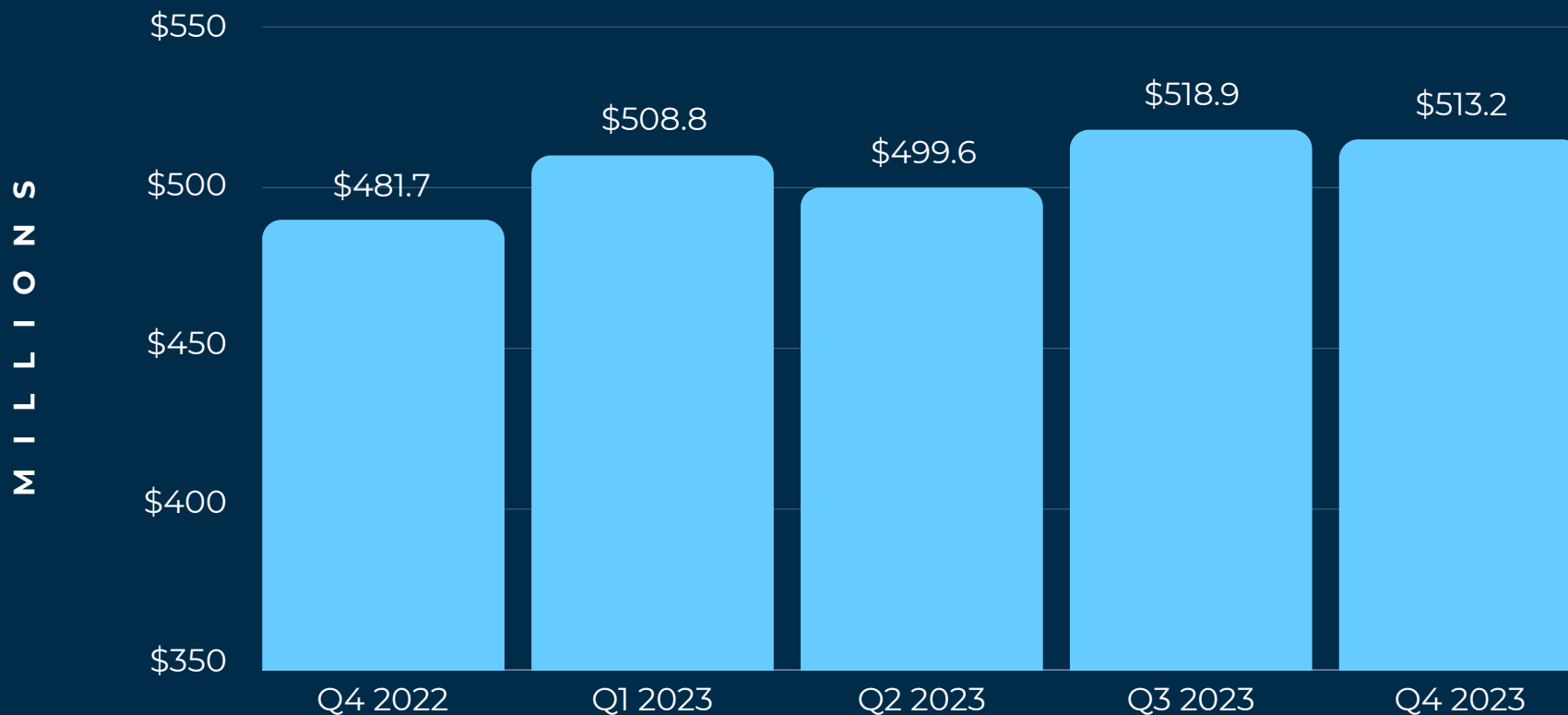


Net income totaled \$786,000 for the three months ended December 31, 2023, compared to \$1.9 million for the three months ended September 30, 2023, and \$2.3 million for the fourth quarter of the prior year. For the twelve months ended December 31, 2023, net income totaled \$7.5 million or \$1.53 per share.



# FOURTH QUARTER FINANCIAL REPORTS

## Total Loans

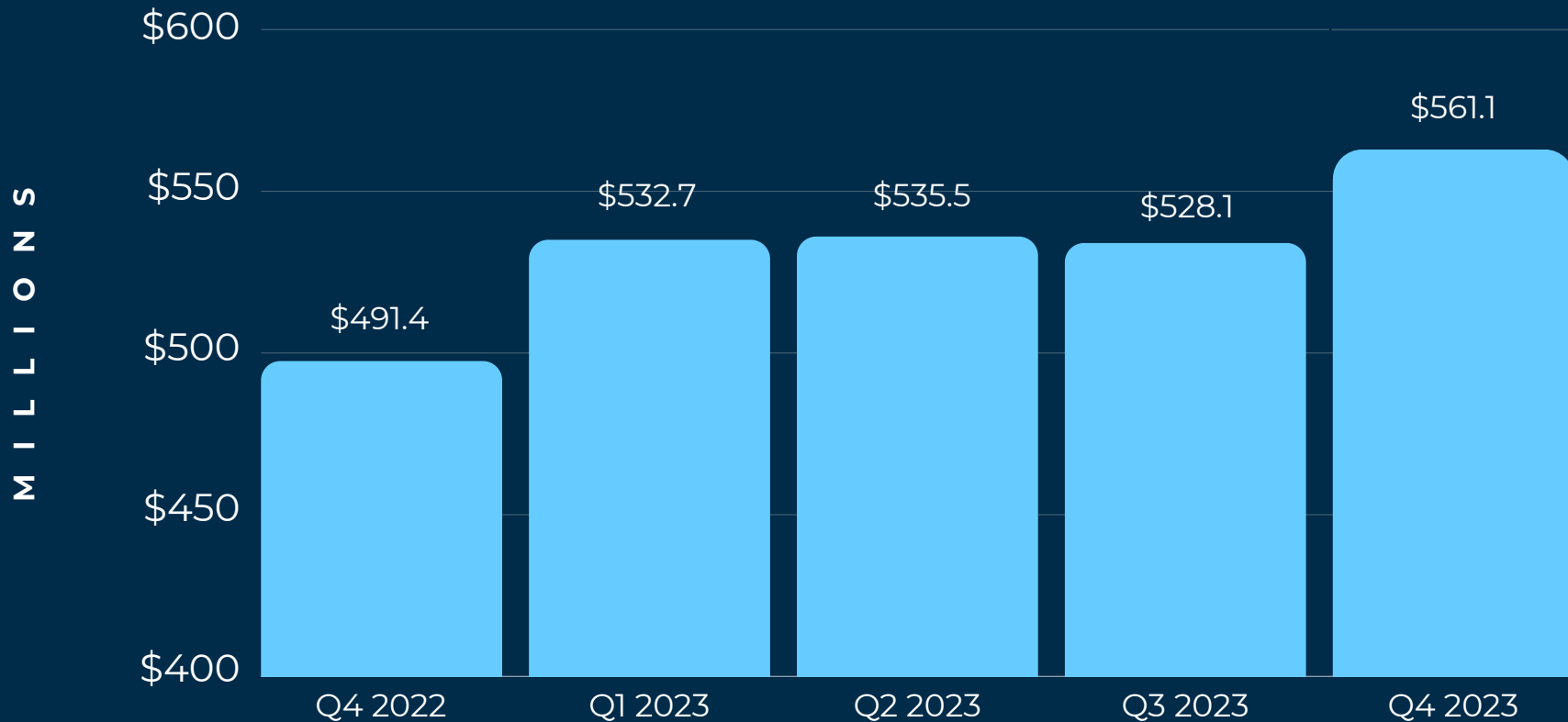


Loan balances of \$513.2 million are diversified with no undue concentrations with regards to industry, loan type or collateral. Loan balances increased 7% compared to the fourth quarter of 2022 but declined 1% on a linked-quarter basis. As of December 31, 2023, the average loan size was \$496,000 with an average yield of 7.04%.



# FOURTH QUARTER FINANCIAL REPORTS

## Total Deposits



Deposit balances totaled \$561.1 million as of December 31, 2023. This represents an increase of 14% compared to fourth quarter 2022 balances and an increase of 6% on a linked-quarter basis. The deposit mix includes 55% in money market accounts and 22% in non-interest-bearing accounts.



# FOURTH QUARTER FINANCIAL REPORTS

## Balance Sheet (Unaudited)

(in thousands, except per share data)

	<b>Dec. 31, 2023</b>	<b>Dec. 31, 2022</b>	<b>Change</b>
Loans, net of unearned income	\$ 513,201	\$ 481,740	7%
Total assets	628,225	556,368	13%
Deposits	561,063	491,380	14%
Total equity	65,646	57,936	13%
Book value per share	\$ 13.44	\$ 11.92	13%

## Income Statement (Unaudited)

(in thousands)

	Quarter to Date			Year to Date		
	<b>Dec. 31, 2023</b>	<b>Dec. 31, 2022</b>	<b>Change</b>	<b>Dec. 31, 2023</b>	<b>Dec. 31, 2022</b>	<b>Change</b>
Net interest income	\$ 5,308	\$ 5,368	-1%	\$ 21,164	\$ 19,063	11%
Provision for loan losses	2,259	254	790%	3,078	1,262	144%
Total non-interest income	133	112	19%	494	435	14%
Total non-interest expense	2,147	2,164	-1%	8,466	8,083	5%
Net income	786	2,286	-66%	7,530	7,539	0%

Remove this period



# FOURTH QUARTER FINANCIAL REPORTS

## Financial Ratios (Unaudited)

	Quarter to Date		Year to Date	
	<b>Dec. 31, 2023</b>	<b>Dec. 31, 2022</b>	<b>Dec. 31, 2023</b>	<b>Dec. 31, 2022</b>
Return on average assets	0.52%	1.64%	1.29%	1.48%
Return on average equity	4.81%	16.05%	12.08%	13.70%
Efficiency ratio	39.31%	39.36%	38.95%	41.28%
Earnings per share	\$ 0.16	\$ 0.47	\$ 1.53	\$ 1.55
Net Interest margin	3.49%	3.88%	3.64%	3.77%





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