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COMMERCEONE

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SHAREHOLDER UPDATE - Q3 2024



## A MESSAGE TO OUR

# SHAREHOLDERS

October 25, 2024

As we welcome the fall season, I hope you and your family are well. I would like to take this opportunity to thank our shareholders for their ongoing support. As always, our focus remains on delivering long-term, sustainable, shareholder value, while operating in a safe & sound manner. We continue to prioritize risk management, operational excellence, and strategic investments that not only strengthen our bank in the present but also position us for future growth.

I am excited to announce two outstanding additions to the CommerceOne team. First, let me welcome Greg King to the team. Greg is a well-known and respected banker in the Birmingham market and will serve as our Chief Operating Officer. In addition, Chris Robbins joins us as SVP, Commercial Banking. Chris is a top-flight producer and a veteran banker in the Birmingham market. These bankers are not only talented but more importantly exemplify our core values of Responsive, Relentless, and Exceptional. I am grateful to have these bankers as a part of CommerceOne!



The financial results for the third quarter of 2024 were outstanding. For the three months ended September 30, 2024, KPIs include a net interest margin of 3.56%, return on assets of 1.67%, return on equity of 16.14%, and an efficiency ratio of 38.68%. In addition, our capital levels continue to place CommerceOne among the strongest banks in the nation.

For the quarter ended September 30, 2024, CommerceOne reported net income totaling \$2.9 million for the period, or \$0.59 per share. Loans totaled \$576 million, and deposits totaled \$604 million as of September 30, 2024, representing a year-over-year increase of 11% and 14%, respectively.

As we work to finish the year strong, we remain focused on the principles of safety & soundness, profitability and growth – in that order. Please continue to refer prospective clients from your sphere of influence as this is the best way to assist in enhancing shareholder value.

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,

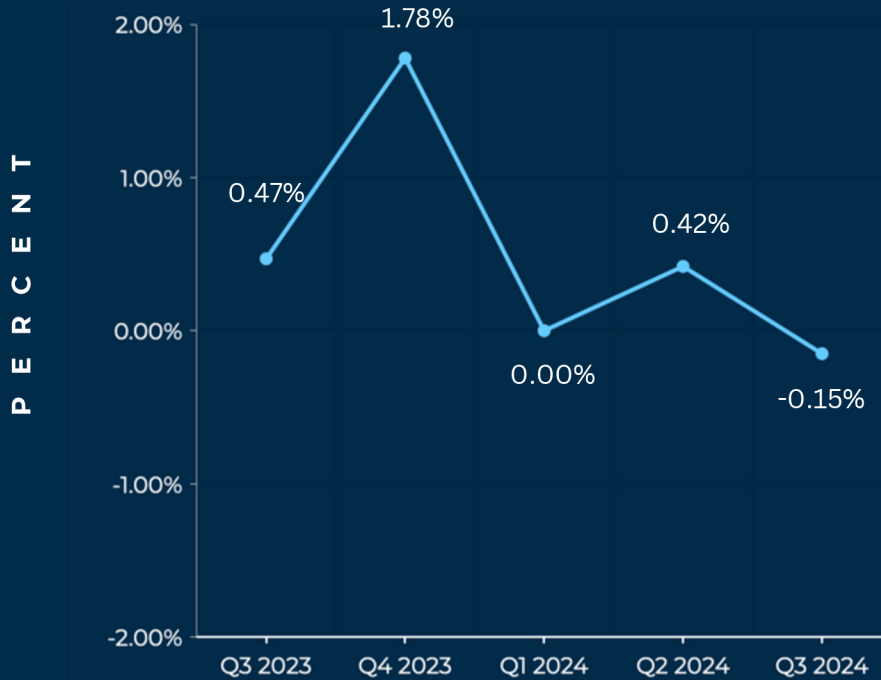


Kenneth W. Till  
Chief Executive Officer

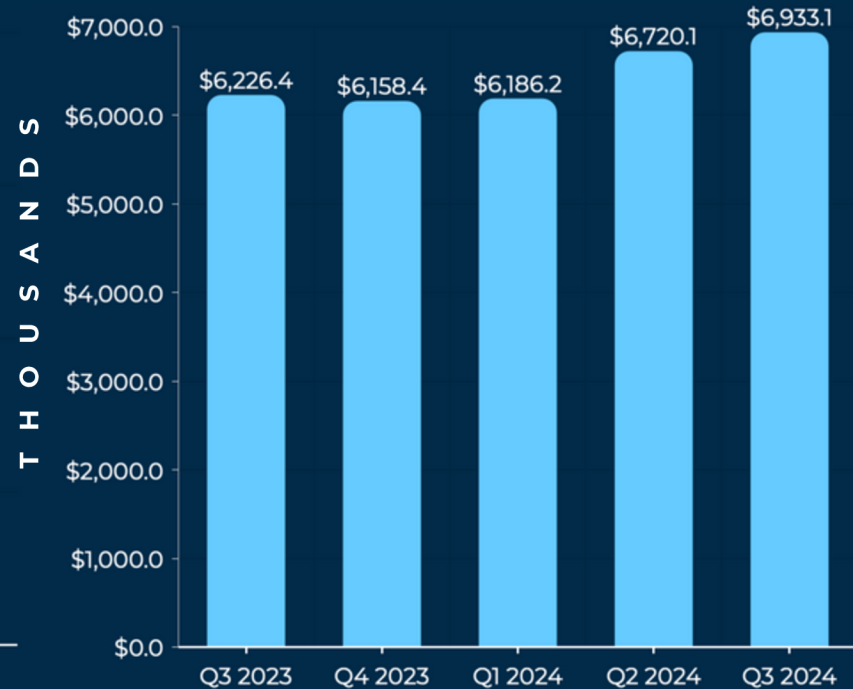


# THIRD QUARTER FINANCIAL REPORT

## Net Charge-offs/Average Loans



## Allowance For Loan Losses

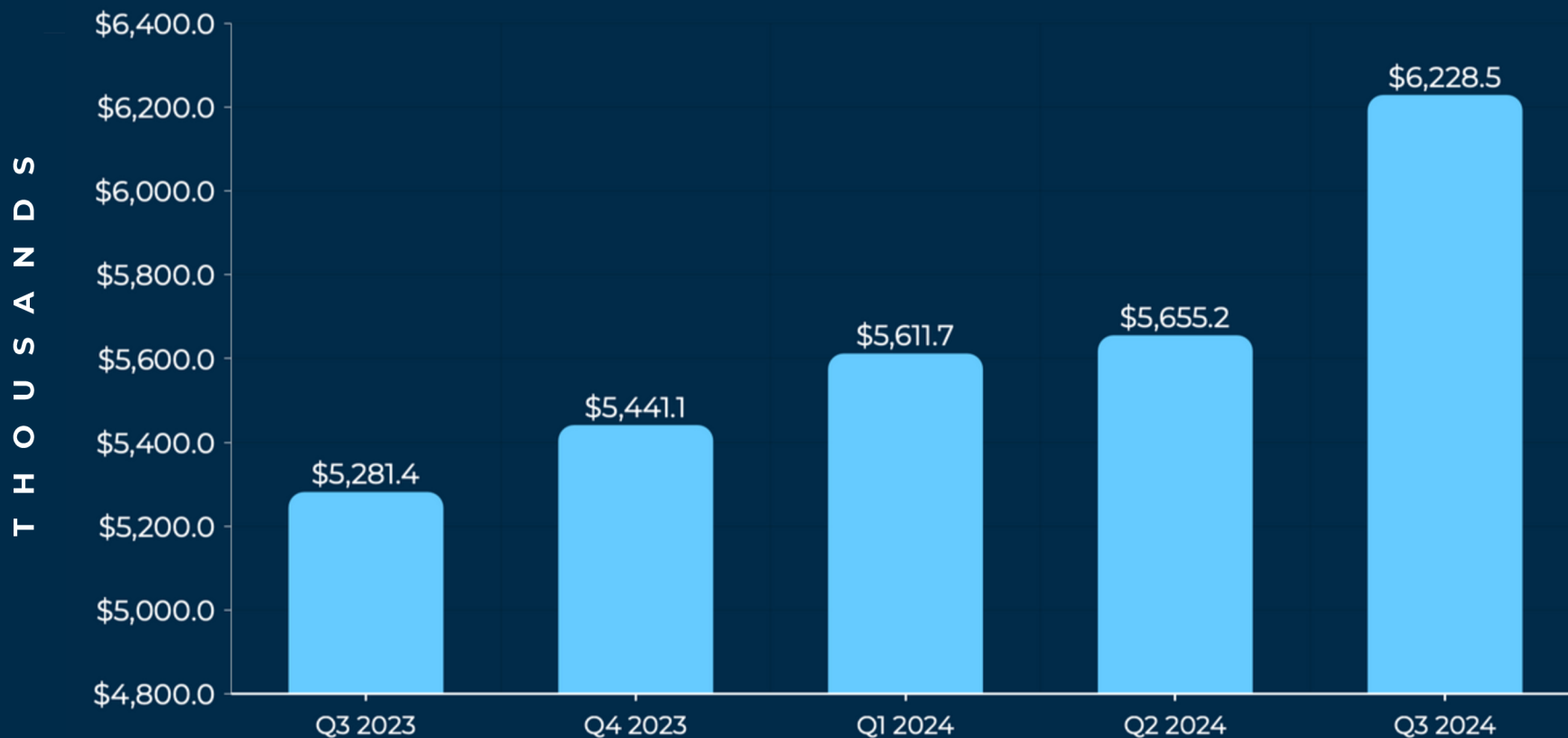


Asset quality is a leading principle for the CommerceOne management team. As of September 30, 2024, CommerceOne reported no past due or non-performing loans. During the third quarter, a net recovery of \$213,00 was realized. This recovery was related to a previously charged-off amount in the second quarter. The Bank's allowance for possible future loan losses totaled \$6.9 million or 1.20% of loans outstanding.



# THIRD QUARTER FINANCIAL REPORT

## Total Revenue

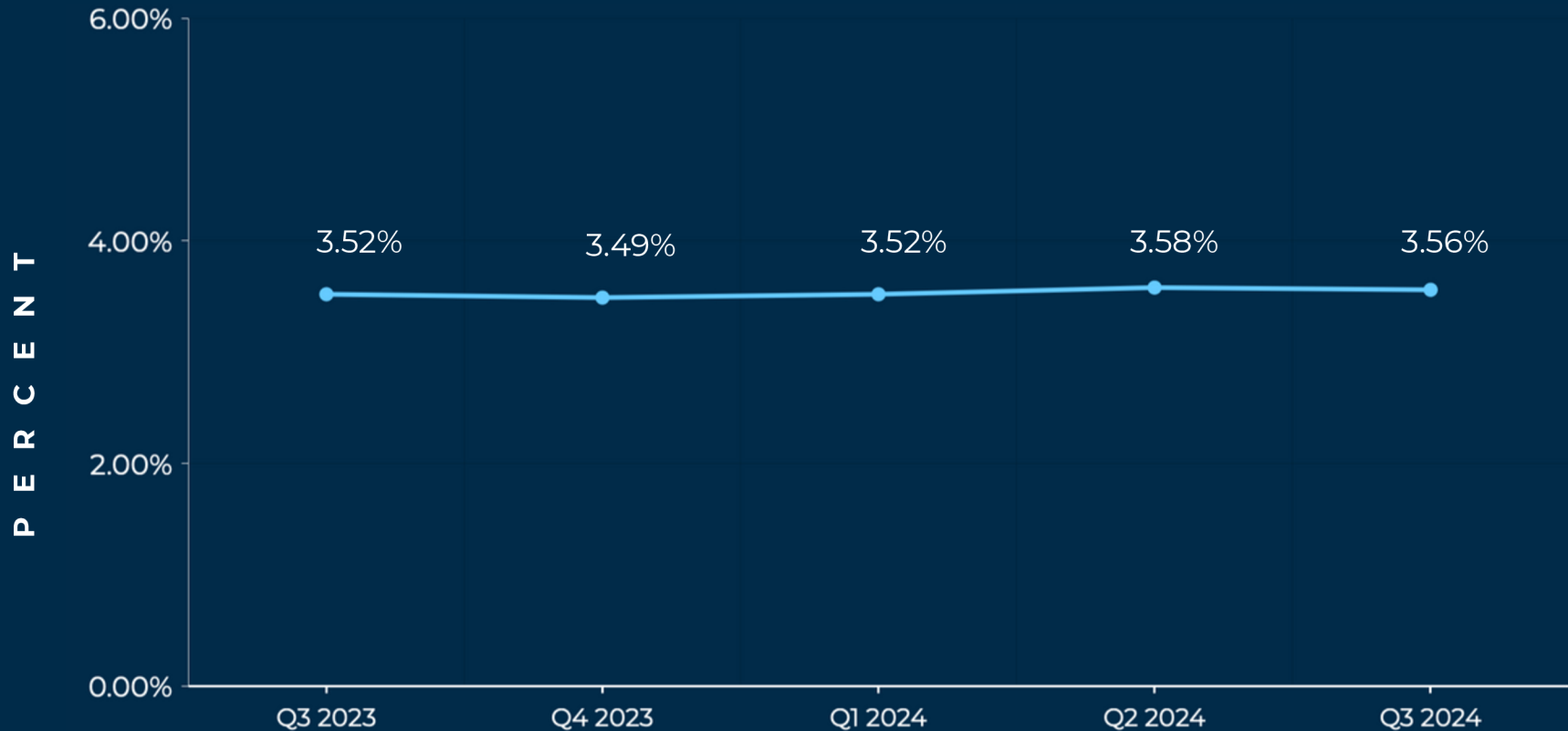


Revenue totaled \$6.2 million for the three months ended September 30, 2024, compared to \$5.7 million for the three months ended June 30, 2024, and \$5.3 million for the third quarter of 2023. On a year-over-year basis, revenue for the nine months ended September 30, 2024, increased 7.9%. Net interest income represented approximately 97% of total revenue.



# THIRD QUARTER FINANCIAL REPORT

## Net Interest Margin

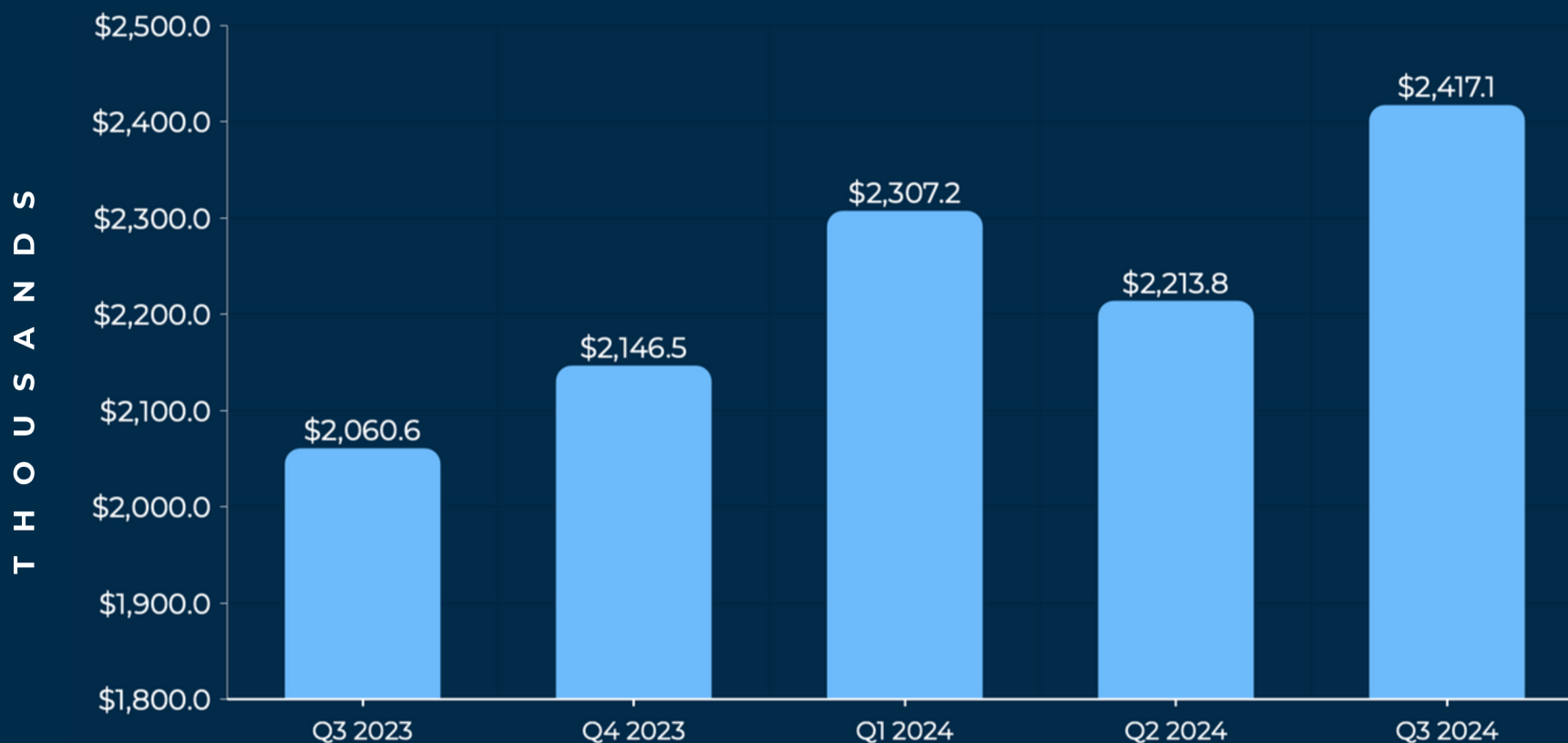


For the three months ended September 30, 2024, CommerceOne reported a net interest margin (NIM) of 3.56%, which was driven by a 6.91% average yield on earning assets and an average cost of funds of 3.77%. The third quarter NIM of 3.56% represents a decrease of 2 basis points from the 3.58% NIM for the second quarter of 2024 but a 4 basis point increase compared to the third quarter of the prior year. The lower linked quarter NIM during the third quarter was due to a modest change in the balance sheet mix.



# THIRD QUARTER FINANCIAL REPORT

## Non-Interest Expenses

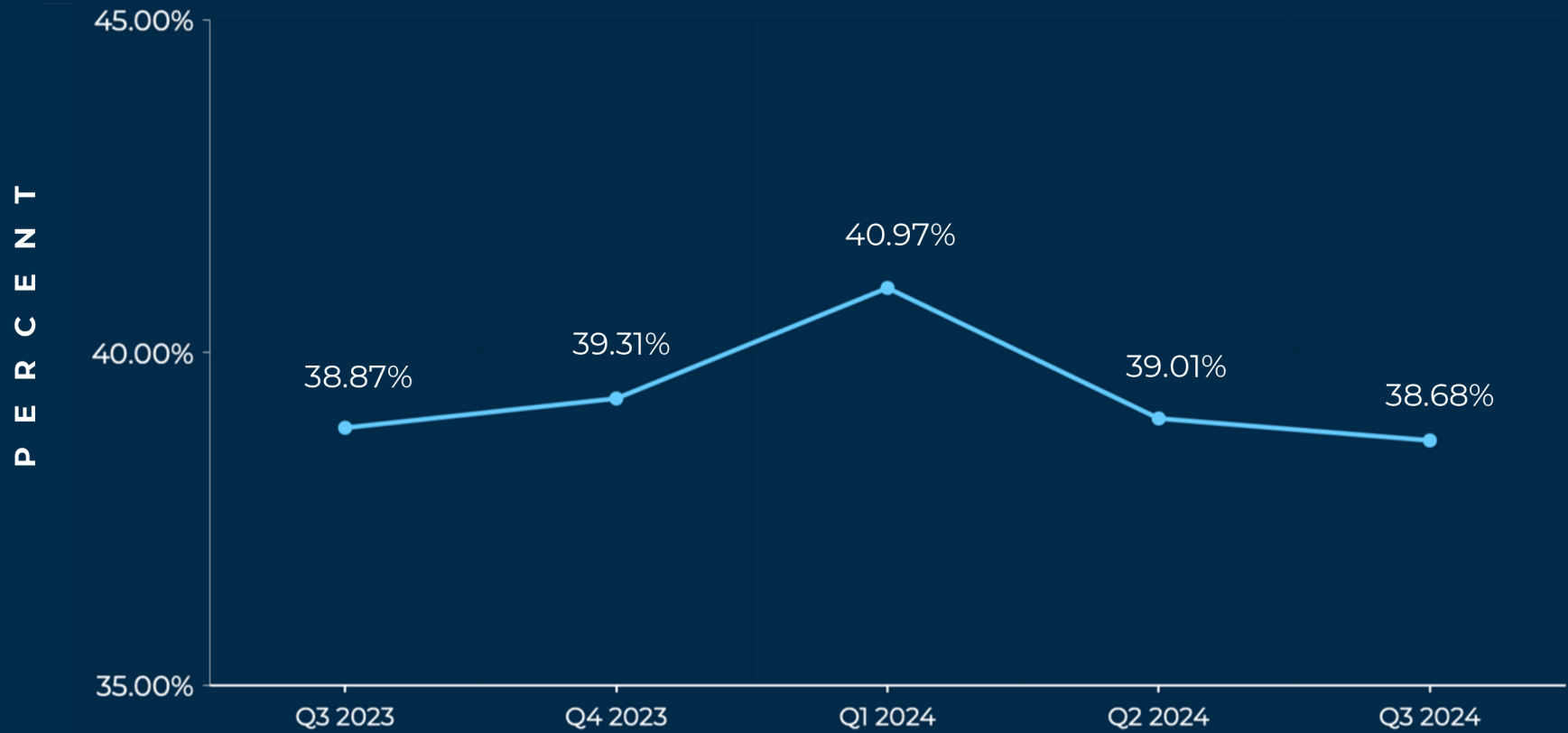


Non-interest expenses totaled \$2.4 million for the three months ended September 30, 2024, \$2.2 million for the three months ended June 30, 2024, and \$2.1 million for the three months ended September 30, 2023. On a year-over-year basis, non-interest expenses for the nine months ended September 30, 2024, increased \$619,000 or 9.8% due primarily to higher compensation costs, business development, and technology expenses. Non-interest expenses include salaries and benefits (constituting 63% of the total), occupancy costs and other non-interest expenses. As of September 30, 2024, CommerceOne had 37 full-time equivalent associates.



# THIRD QUARTER FINANCIAL REPORT

## Efficiency Ratio



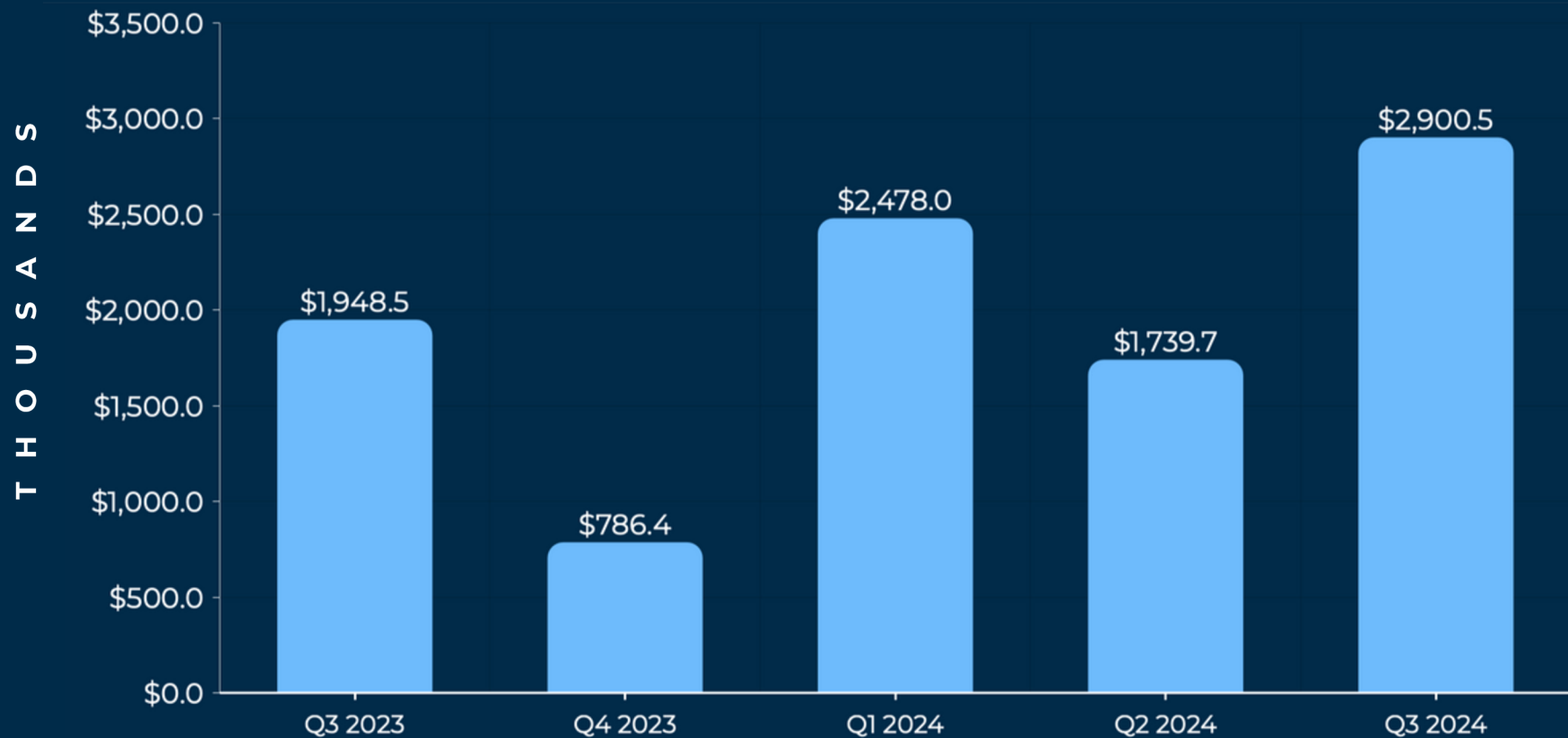
The efficiency ratio for the second quarter was 38.7% compared to 39.0% for the prior quarter and 38.9% for the third quarter of the prior year. The decrease compared to the prior quarter was driven by revenue growth outpacing the growth of non-interest expenses.





# THIRD QUARTER FINANCIAL REPORT

## Net Income

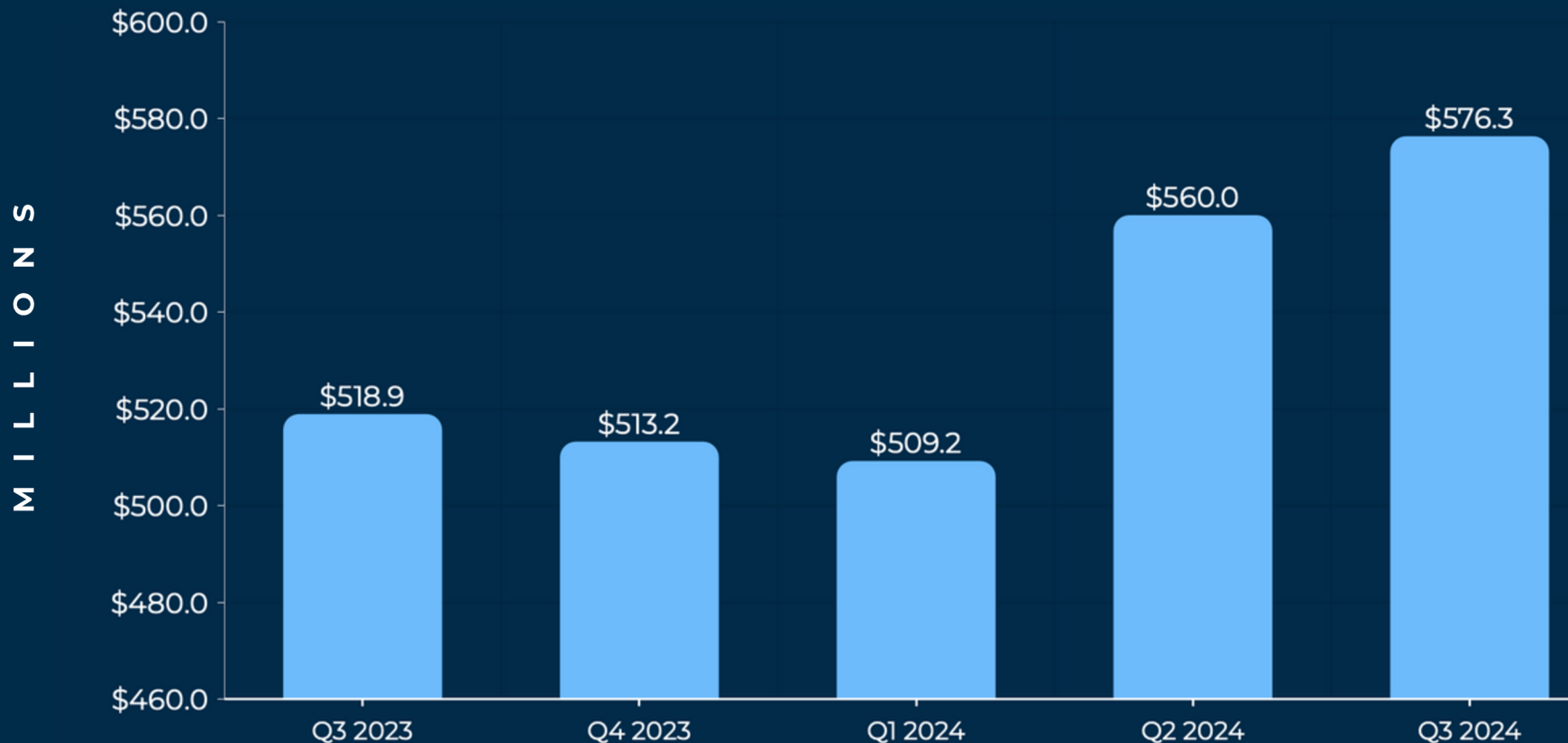


Net income totaled \$2.9 million for the three months ended September 30, 2024, compared to \$1.7 million for the three months ended June 30, 2024, and \$1.9 million for the third quarter of the prior year. For the nine months ended September 30, 2024, net income totaled \$7.1 million or \$1.46 per share.



# THIRD QUARTER FINANCIAL REPORT

## Total Loans

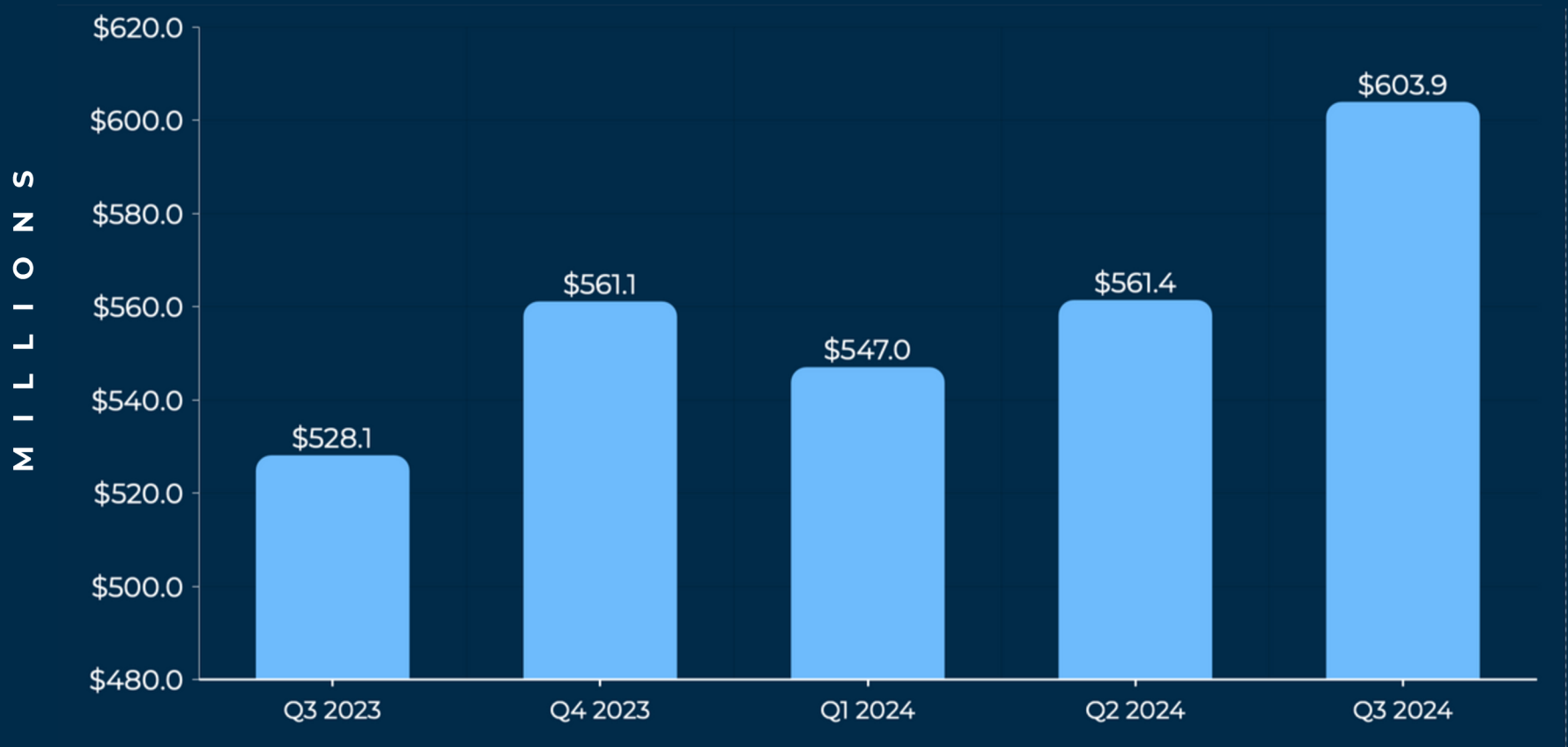


Loan balances of \$576.3 million are diversified with no undue concentrations with regards to industry, loan type or collateral. Loan balances increased \$57.4 million or 11% compared to the third quarter of 2023 and increased 3% on a linked-quarter basis. As of September 30, 2024, the average loan size was \$510,000 with an average yield of 6.95%.



# THIRD QUARTER FINANCIAL REPORT

## Total Deposits



Deposit balances totaled \$603.9 million as of September 30, 2024. This represents an increase of 14% compared to third-quarter 2023 balances and an increase of 8% on a linked-quarter basis. The deposit mix includes 64% in money market accounts and 16% in non-interest-bearing accounts.



# THIRD QUARTER FINANCIAL REPORT

## Balance Sheet (Unaudited)

(in thousands, except per share data)

	<b>Sept. 30,</b> <b>2024</b>	<b>Sept. 30,</b> <b>2023</b>	<b>Change</b>
Loans, net of unearned income	576,271	518,870	11%
Total assets	679,865	603,732	13%
Deposits	603,936	528,064	14%
Total equity	73,561	63,764	15%
Book value per share	\$ 15.06	\$ 13.11	15%

## Income Statement (Unaudited)

(in thousands)

	Quarter to Date			Year to Date		
	<b>Sept. 30,</b> <b>2024</b>	<b>Sept. 30,</b> <b>2023</b>	<b>Change</b>	<b>Sept. 30,</b> <b>2024</b>	<b>Sept. 30,</b> <b>2023</b>	<b>Change</b>
Net interest income	6,058	5,163	17%	17,041	15,856	7%
Provision for loan losses	(66)	608	NM	1,020	819	25%
Total non-interest income	171	119	44%	454	361	26%
Total non-interest expense	2,417	2,061	17%	6,938	6,320	10%
Net income	\$ 2,900	\$ 1,948	49%	\$ 7,118	\$ 6,743	6%



# THIRD QUARTER FINANCIAL REPORT

## Financial Ratios (Unaudited)

	Quarter to Date		Year to Date	
	<b>Sept. 30, 2024</b>	<b>Sept. 30, 2023</b>	<b>Sept. 30, 2024</b>	<b>Sept. 30, 2023</b>
Return on average assets	1.70%	1.32%	1.48%	1.57%
Return on average equity	16.14%	12.15%	13.76%	14.67%
Efficiency ratio	38.68%	38.87%	39.52%	38.83%
Earnings per share	\$ 0.59	\$ 0.40	\$ 1.46	\$ 1.39
Net Interest margin	3.56%	3.52%	3.55%	3.69%





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