



2023 Annual Report

Purpose Statement

Our brand purpose, Responsive, Relationship Banking, is how we compete, how we prosper, and how we differentiate ourselves.

Core Values

Integrity
Excellence
Leadership
Communication
Reality
Accountability
Teamwork
Consideration

Awards



We have been rated 5-stars by BauerFinancial
for 25 consecutive quarters (March 2018 – March 2024)

Mountain Commerce Bancorp Financial / Earnings Overview

Financial Overview (\$000's, Except Percentages and Per Share Data) as of December 31

	2019	2020	2021	2022	2023
Total assets	\$906,688	\$1,109,970	\$1,334,929	\$1,600,059	\$1,737,770
Loans receivable	807,440	935,482	1,070,532	1,316,883	1,452,871
Allowance for loan losses	5,833	13,313	10,524	12,645	13,034
Real estate owned	4,973	-	-	-	-
Deposits	757,932	921,896	1,107,854	1,346,499	1,472,034
Senior debt	15,987	13,994	11,998	10,000	19,994
Subordinated debt	-	9,778	9,828	9,864	9,924
Equity	91,024	103,841	121,061	117,271	122,787
Nonperforming assets (NPAs)	\$6,653	\$1,801	\$1,859	\$1,277	\$1,607
Nonperforming assets to assets	0.73%	0.16%	0.14%	0.08%	0.09%
Allowance for credit losses to loans	0.72%	1.42%	0.98%	0.96%	0.90%
Allowance for credit losses to nonperforming loans	88%	739%	566%	990%	811%
Shares outstanding	6,249,053	6,286,003	6,285,714	6,361,494	6,352,725
Tangible book value per share	\$14.57	\$16.52	\$19.26	\$18.43	\$19.33
Closing market price	\$22.10	\$20.50	\$30.75	\$27.75	\$18.50
Price to book ratio	152%	124%	160%	151%	96%
Tangible common equity to tangible assets	10.04%	9.36%	9.07%	7.33%	7.07%
Deposits per branch	151,586	184,379	221,571	224,417	245,339
Bank regulatory leverage ratio	11.54%	10.11%	9.75%	9.45%	9.45%

Earnings Overview (\$000's, Except Per Share Data) For the Year Ended December 31

	2019	2020	2021	2022	2023
Interest income	\$41,089	\$44,248	\$47,471	\$59,148	\$82,342
Interest expense	12,419	8,804	3,888	10,659	49,524
Net interest income	28,670	35,444	43,583	48,489	32,818
Provision for (recovery of) loan losses	(538)	7,500	(2,625)	2,210	998
Noninterest income	2,731	1,877	2,592	1,174	1,445
Noninterest expense	15,350	16,739	18,429	23,627	24,544
Income before income taxes	16,589	13,082	30,371	23,826	8,721
Income taxes	4,235	2,912	6,749	5,386	1,807
Net income	\$12,354	\$10,170	\$23,622	\$18,440	\$6,914
Diluted earnings per share	\$1.97	\$1.62	\$3.78	\$2.96	\$1.11
Pre-tax, pre-provision earnings	\$16,051	\$20,582	\$27,746	\$26,036	\$9,719
Return on average assets	1.42%	0.93%	1.93%	1.25%	.41%
Return on average equity	14.72%	10.45%	20.86%	15.78%	5.74%
Noninterest expense to average assets	1.76%	1.53%	1.51%	1.61%	1.44%
Net interest margin	3.44%	3.39%	3.74%	3.57%	2.17%

The President's Address

Dear Shareholders, Clients & Friends of MCB:

In 2023, many experienced bank management teams faced challenges due to increased funding costs, online competition, and associated bank failures. It was a difficult year, but we are grateful that it's now behind us. We look forward to a more stable economic and interest-rate environment in the future. As we remain committed to being a reliable and consistent partner for our clients, shareholders, employees, and communities, we thank you for your continued support.

Selected highlights from 2023 included the following:

- Capital levels continue to be strong with the Bank ending the year with a leverage ratio of 9.45%
- Asset quality continues to be excellent with non-performing assets to total assets at 0.09% as of December 31, 2023, with no properties in real estate owned
- Reserve levels are strong with coverage of nonperforming loans exceeding 8 to 1 as of December 31, 2023
- Liquidity levels continue to be adequate with available funding sources exceeding the level of uninsured and uncollateralized deposits as of December 31, 2023
- Yields on taxable loans increased 76 bp from 4.75% in the fourth quarter of 2022 to 5.51% in the fourth quarter of 2023
- Loan balances increased by \$136.0 million or 10.3% during 2023 with good diversification across a wide range of industries and loan types
- Our financial center in middle Tennessee in the highly desirable Brentwood market grew to nearly \$200 million in loans as of December 31, 2023
- Deposit balances increased \$125.5 million or 9.3%
- Noninterest expenses to average asset levels dropped to 1.44%, which is among the best in the industry.

- The Company continued to pay a dividend, returning \$4.1 million of profits to shareholders in 2023
- We have implemented the much-awaited CECL accounting standard for calculating loan loss reserves.

During 2023, the Bank remained busy with various building projects:

- We completed the renovations and improvements on our newest financial center located in West Knoxville, which began operating on October 30, 2023. This financial center is not only located in a more visible and strategic area, but we also consolidated approximately 8,900 square feet of space that we previously leased for an annual cost of \$210 thousand into this building. As of December 31, 2023, this financial center is now supporting over \$250 million in deposits and over \$300 million in loans.
- Our financial center in Johnson City is currently under construction and we expect it to be completed by mid-2024. It will be a significant upgrade from our current single branch and separate corporate space. This location provides great visibility from I-26. We believe that opening this new location will help us improve our market share for deposits in Johnson City and the Tri-Cities area. We plan to consolidate around 8,300 square feet of leased space, which currently costs us \$170 thousand annually, into this building.



Despite the challenges and uncertainties we face, we are optimistic that we can navigate through these uncertain times and continue to provide you with the shareholder returns you have come to expect from us. We appreciate the trust, patience, and support you have given the Company over the years. Thank you.

Sincerely,

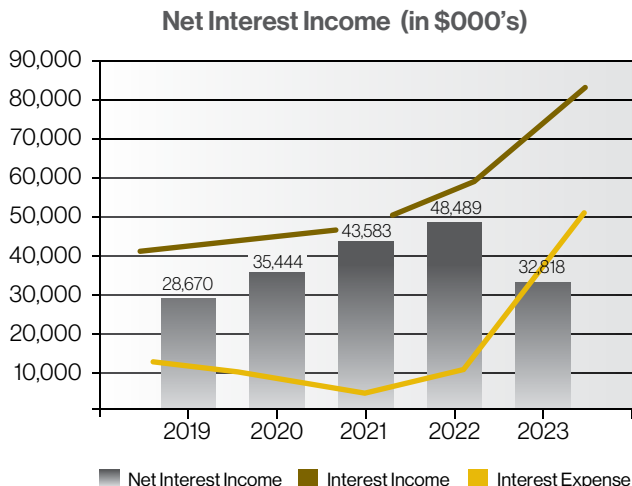
A handwritten signature in black ink, appearing to read "W. Edwards, III". The signature is written in a cursive, slightly stylized font.

William E. "Bill" Edwards, III
Founder, Vice-Chairman, President
and Chief Executive Officer

Net Interest Income Declined Despite a Significant Rise in Interest Income

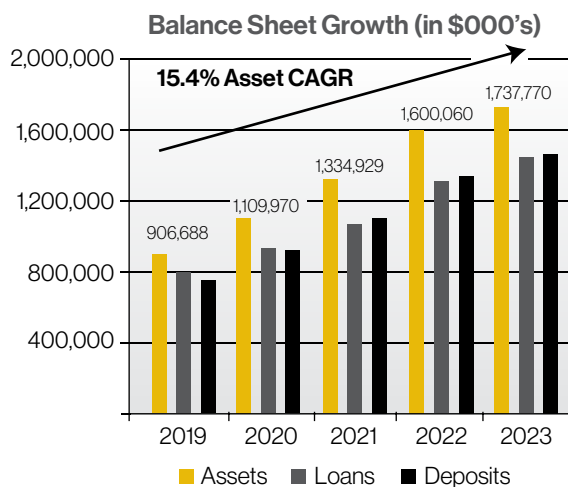
Net interest income decreased \$15.7 million, or 32.3%, from \$48.5 million for the twelve months ended December 31, 2022, to \$32.8 million for the same period in 2023. The decrease between the periods was primarily the net result of the following factors:

- Average interest-earning assets grew \$192.2 million, or 13.6%, from \$1.409 billion to \$1.601 billion, driven primarily by increases in loans.
- Average net interest-earning assets declined \$78.3 million, or 19.7%, from \$397.8 million to \$319.5 million, due primarily to a \$55.8 million decrease in noninterest bearing deposits and a \$26.2 million increase in noninterest earning assets - primarily higher levels of fixed assets.
- The average rate paid on interest-bearing liabilities increased 281 bp from 1.05% to 3.86%, while the average rate earned on interest-earning assets increased 94 bp from 4.32% to 5.26%, resulting in a decrease in tax-equivalent net interest margin from 3.57% to 2.17%. The increase in the average rate paid on



interest-bearing liabilities was due to the rising rate environment and competitive funding pressures in our markets, which resulted in customers seeking higher rates on certificates of deposit and other interest-bearing accounts and the Company's cost of wholesale funding rising significantly.

The Balance Sheet Grew to \$1.7 Billion



Total assets increased \$137.7 million, or 8.6%, from \$1.600 billion at December 31, 2022, to \$1.738 billion at December 31, 2023. Assets have grown at a compounded annual growth rate of over 15% from 2018 to the present.

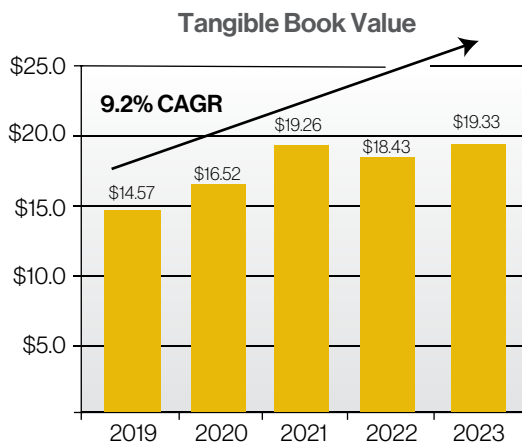
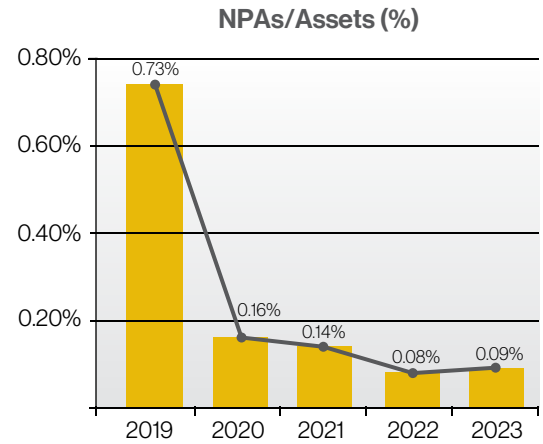
Loans receivable increased \$136.0 million, or 10.3%, from \$1.317 billion at December 31, 2022, to \$1.453 billion at December 31, 2023. Increases over that period in other construction, home equity, residential, multi-family, and owner and non-owner occupied commercial loans, offset a reduction in residential construction, farmland, commercial/industrial and consumer loans.

Total deposits increased \$125.5 million, or 9.3%, from \$1.346 billion at December 31, 2022, to \$1.472 billion at December 31, 2023. An increase in retail and wholesale time deposits offset decreases in non-interest bearing transaction accounts, NOW and money market and savings accounts. The Company believes that the shift in product mix out of non-interest bearing transaction accounts, money market and savings accounts and into retail time deposits is primarily a result of the higher interest rates that the Company has offered on retail time deposits. During the fourth quarter of 2023, the Company replaced \$52 million of FHLB short-term borrowings at a rate of 5.4% with \$49 million of 3-year wholesale time deposits at 4.50%.

Problem Assets Continue Near All-Time Lows

Non-performing loans to total loans increased slightly from 0.10% at December 31, 2022 to 0.11% at December 31, 2023. Non-performing assets to total assets increased slightly from 0.08% at December 31, 2022 to 0.09% at December 31, 2023. Other real estate owned balances remained at \$0 at both December 31, 2022 and December 31, 2023. Net charge-offs of \$0.5 million were recognized during the year ended December 31, 2023, compared to \$89 thousand during the year ended December 31, 2022.

Charge-offs in 2023 consisted mainly of a loan to a borrower who is making forbearance payments as agreed. The allowance for credit losses to total loans declined to 0.90% at December 31, 2023 compared to 0.96% at December 31, 2022, primarily as a result of an improvement in projected economic factors. Coverage of non-performing loans by the allowance for credit losses was greater than 8 to 1 at December 31, 2023.

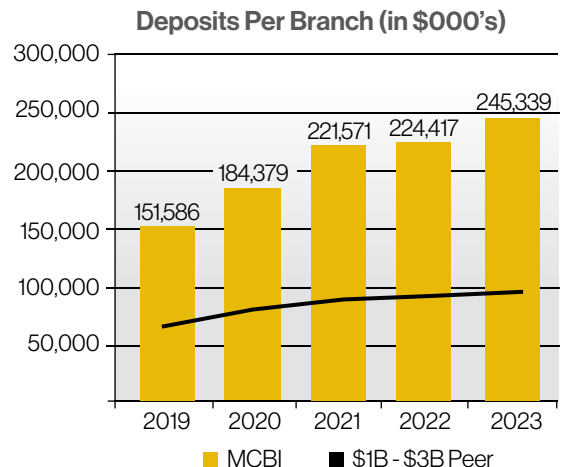


Tangible Book Value Remained Stable Despite Continued Unrealized Losses in Bond Portfolio

Total equity increased \$5.5 million, or 4.7%, from \$117.3 million at December 31, 2022 to \$122.8 million at December 31, 2023. The Company's tangible equity to tangible assets ratio declined to 7.07% at December 31, 2023 from 7.33% at December 31, 2022, primarily as the result of a decline in net income combined with continued asset growth and dividends. The Company continues to manage its equity levels through a combination of controlled growth, share repurchases and dividends. The Company and Bank both remain well capitalized at December 31, 2023, with the Bank maintaining a regulatory leverage ratio of 9.45% at December 31, 2023.

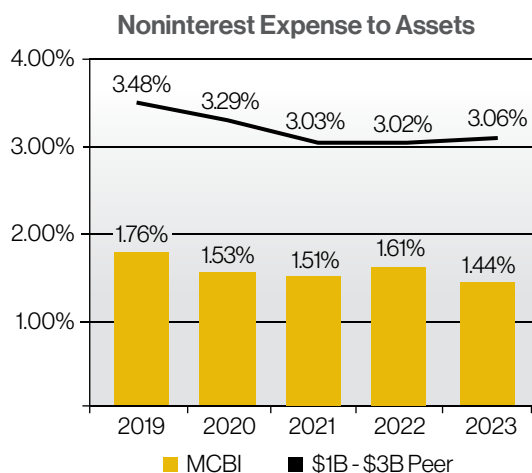
We Remain Committed to a Branch-Light, Relationship Banking Model

The banking industry is constantly changing and we believe that community banks are best suited to provide a personal banking experience to customers. As a result, our clients usually consist of business owners, professionals, real estate investors and high net-worth individuals who value the importance of a personal banking relationship. This model relies on the expertise and strength of relationship bankers, rather than the quantity of branches.



We Remain Focused on Operating Expenses

Our branch-light structure results in the Company enjoying a level of operating expenses that is among the best in its peer group. The chart below depicts noninterest expense to average assets as compared to the Company's peer group for the five years ending December 31, 2023.



We remain committed to being a reliable & consistent partner for our clients, shareholders, employees, and communities. We thank you for your continued support.

– Bill Edwards, President & CEO

Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank - Board of Directors

Ernest D. Campbell

General Contractor; Owner of Ernest Campbell Development, LLC
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

William E. "Bill" Edwards, III

Founder / Vice-Chairman / President / Chief Executive Officer
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Wade H. Farmer, CPA

Partner, Blackburn Childers and Steagall, PLC
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Dwight B. Ferguson, Jr., CPA (inactive)

Chairman of the Board
Retired since 2009; prior thereto President & CEO of Nuclear Fuel Services, Inc.
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Michael L. Hatcher, CPA (inactive)

Vice-Chairman
Commercial Developer; Owner of Hatcher Properties
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Kevin W. Horne

Executive Vice President / Chief Banking Officer / Chief Credit Officer
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Wendell C. Kirk, CPA (inactive)

Retired since 1990; prior thereto President & CEO of Heritage Federal Bank;
Consultant - Kirk and Associates
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Alvin J. Nance

Chief Executive Officer; LHP Development, LLC
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Tim A. Topham

Executive Vice President / Regional President
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Samuel L. Widener

Owner of Winco Tile and Wincrest Angus Farm; Partner, Wincrest Properties, LP
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Frank Wood

Owner & Chief Executive Officer of Holston Companies; includes Holston Distributing Co., Inc., Warehouse Central, LLC, Truck Central, LLC, Records Storage and Management Central, LLC
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Douglas A. Yoakley, CPA

Co-founded Pershing Yoakley and Associates, a CPA firm in Knoxville; serves as wealth management consultant for PYA Waltman Capital
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Locations

Bearden (Main Office)

6101 Kingston Pike
Knoxville, TN 37919
Phone: (865) 694-5725

Bristol Highway Branch

3122 Bristol Highway
Johnson City, TN 37601
Phone: (423) 232-5129

Erwin N Main Branch

400 North Main Avenue
Erwin, TN 37650
Phone: (423) 735-5331

Unicoi Branch

4200 Unicoi Drive
Unicoi, TN 37692
Phone: (423) 735-5380

Boone Ridge Administrative Offices (Closing in mid-2024)

121 Boone Ridge Drive, Suite 1002
Johnson City, TN 37615
Phone: (423) 262-5820

Brentwood Branch

5205 Maryland Way
Brentwood, TN 37027
Phone: (615) 283-5400

West Knoxville Financial Center

9950 Kingston Pike
Knoxville, TN 37922
Phone: (865) 694-5701

Johnson City Financial Center (Opening in mid-2024)

109 Memory Gardens Road
Johnson City, TN 37615
Phone: (423) 262-5820

Gray Commons Operations Center

50 Gray Commons Circle
Gray, TN 37615
Phone: (423) 262-5879

Corporate Information

Corporate Office

6101 Kingston Pike
PO Box 52942
Knoxville, TN 37919

Independent Public Accounting Firm

FORVIS, LLP
4350 Congress Street, Suite 900
Charlotte, NC 28209

Legal Counsel

Bass Berry & Sims PLC
150 Third Avenue South, Suite 2800
Nashville, TN 37201

Shareholder Inquiries

Mountain Commerce Bancorp, Inc.
Stock Investor Relations
Attn: David A. Bright, Executive Vice President /
Chief Financial Officer / Chief Administrative Officer
6101 Kingston Pike
Knoxville, TN 37919
Phone: (865) 694-5731
Email: ir@mcb.com

www.mcb.com

1-866-622-1910 (866-MCB-1910)

By mail, contact our Transfer Agent at the address below

As a Mountain Commerce Bancorp shareholder, we encourage you to access your account(s) online at www.shareowneronline.com. Here you can easily initiate a number of transactions and inquiries, as well as access important details about your portfolio and general stock transfer information.

- Update your mailing address
- Access statement information
- Print a duplicate 1099 tax form
- Consolidate accounts
- Download stock transfer forms
- Request a replacement dividend check

By mail, contact our Transfer Agent at the below address:

Transfer Agent & Registrar

EQ Shareowner Services
PO Box 64856
St Paul, MN 55164-9442

Online: www.equiniti.com
Phone: 800-356-5343

TDD for hearing impaired: 718-921-8386 | 866-703-9077
Foreign Shareowners: 718-921-8386 | 866-703-9077
TDD Foreign Shareowners: 866-703-9077 | 718-921-838



*Hometown Service
Smart Technology*