



## **Commencement Bank Announces Second Quarter 2018 Results**

Commencement Bank (OTCQX:CBWA) reported record quarterly net income of \$1.29 million or \$0.34 per share for the quarter ending June 30, 2018, compared to \$669 thousand or \$0.17 per share for second quarter 2017.

Total loans at the end of the second quarter increased to \$260.3 million from \$243.5 million the previous year. The Bank's loan portfolio remained diversified at 31% commercial, 66% commercial real estate, and 3% consumer.

Total deposits were steady at \$288.7 million as compared to \$288.6 million in second quarter 2017. The deposit mix at quarter-end was 32% non-interest-bearing, 48% interest bearing checking, savings, and money market, and 20% time deposit.

"We continue to deliver record-breaking results as we progress through 2018 and feel confident in the Bank's performance and direction. Our strong financial position has allowed us to pursue new opportunities and support more of the organizations that enrich our communities," said H.R. "Hal" Russell, Chief Executive Officer.

### **2018 Second Quarter Financial Highlights:**

- Record quarterly net income of \$1.29 million.
- Net interest margin was 5.28% for the quarter as compared to 4.11% for the same period 2017.
- Earnings per share of \$0.34 for the quarter versus \$0.17 the prior year.
- Tangible book value per share increased to \$10.06 from \$9.25 one year earlier.
- Return on average equity increased to 13.27% from 7.37% the previous year.
- Return on average assets increased to 1.61% from 0.80% as compared to second quarter 2017.
- The efficiency ratio was 58.77% for the quarter as compared to 67.20% last year.
- Nonperforming assets to total assets remained at 0%.

For further discussion, please contact the following:

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### **About Commencement Bank**

Commencement Bank, headquartered in Tacoma, Washington, was formed in 2006 to provide traditional, reliable, and sustainable banking in Pierce County, South King County, Thurston County and the surrounding areas. The team of experienced banking experts focuses on personal attention, flexible service, and building strong relationships with customers through state of the art technology as well as traditional delivery systems. As a local bank, Commencement Bank is deeply committed to the community.

For more information, visit: [www.commcementbank.com](http://www.commcementbank.com). For information related to the trading of CBWA, please visit [www.otcmarkets.com](http://www.otcmarkets.com).

Forward-Looking Statement Safe Harbor: This news release contains comments or information that constitutes forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Forward-looking statements describe Commencement Bank's projections, estimates, plans and expectations of future results and can be identified by words such as "believe," "intend," "estimate," "likely," "anticipate," "expect," "looking forward," and other similar expressions. They are not guarantees of future performance. Actual results may differ materially from the results expressed in these forward-looking statements, which because of their forward-looking nature, are difficult to predict. Investors should not place undue reliance on any forward-looking statement, and should consider factors that might cause differences including but not limited to the degree of competition by traditional and nontraditional competitors, declines in real estate markets, an increase in unemployment or sustained high levels of unemployment; changes in interest rates; greater than expected costs to integrate acquisitions, adverse changes in local, national and international economies; changes in the Federal Reserve's actions that affect monetary and fiscal policies; changes in legislative or regulatory actions or reform, including without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act; demand for products and services; changes to the quality of the loan portfolio and our ability to succeed in our problem-asset resolution efforts; the impact of technological advances; changes in tax laws; and other risk factors. Commencement Bank undertakes no obligation to publicly update or clarify any forward-looking statement to reflect the impact of events or circumstances that may arise after the date of this release.

**STATEMENTS OF INCOME** (Unaudited)  
(Dollars in thousands)

	Quarter Ended	Quarter Ended		Quarter Ended	One Year Change
	June 30, 2018	March 31, 2018	Three Month Change	June 30, 2017	
<b>Interest Income</b>					
Loans	4,092	3,450	19%	3,194	28%
Interest bearing deposits in banks	125	154	-19%	184	-32%
Securities available for sale	122	123	-1%	84	45%
Total interest income	4,339	3,727	16%	3,462	25%
<b>Interest Expense</b>					
Deposits	343	254	35%	270	27%
Federal Home Loan Bank borrowings	12	21	-43%	28	-57%
Total interest expense	355	275	29%	298	19%
<b>Net Interest Income</b>					
Provision for credit losses	75	-	100%	90	-17%
Net interest income after provision for credit losses	3,909	3,452	13%	3,074	27%
<b>Non-Interest Income</b>					
Service charges on deposit accounts	38	38	0%	42	-10%
Gain (Loss) on sale of other real estate owned	-	-	0%	-	0%
Other non-interest income	124	117	6%	129	-4%
Total non-interest income	162	155	5%	171	-5%
<b>Non-Interest Expense</b>					
Salaries and employee benefits	1,217	1,235	-1%	1,108	10%
Occupancy and equipment expenses	234	220	6%	214	9%
Other operating expenses	985	684	44%	920	7%
Total non-interest expense	2,436	2,139	14%	2,242	9%
Net Income Before Income Tax	1,635	1,468	11%	1,003	63%
Provision for Income Tax	344	287	20%	334	3%
<b>Net Income</b>	<b>1,291</b>	<b>1,181</b>	<b>9%</b>	<b>669</b>	<b>93%</b>

**BALANCE SHEETS** (Unaudited)

(Dollars in thousands)

	June 30, 2018	March 31, 2018	Three Month Change	June 30, 2017	One Year Change
<b>Assets</b>					
Cash and due from banks	6,075	5,870	3%	6,136	-1%
Interest bearing deposits in banks	14,880	18,511	-20%	26,045	-43%
Securities available for sale	16,168	16,850	-4%	11,748	38%
Federal funds sold	20,264	23,489	-14%	29,354	-31%
FHLB, FRB and PCBB stock	1,696	1,822	-7%	1,870	-9%
Loans	260,302	247,778	5%	243,506	7%
Allowance for loan losses	(2,730)	(2,673)	2%	(2,178)	25%
<b>Net Loans</b>	<b>257,572</b>	<b>245,105</b>	<b>5%</b>	<b>241,328</b>	<b>7%</b>
Premises and fixed assets	2,374	2,399	-1%	2,545	-7%
Accrued interest receivable	710	685	4%	870	-18%
Intangible assets	1,506	1,531	-2%	1,615	-7%
Other assets	10,885	10,708	2%	10,667	2%
<b>Total Assets</b>	<b>332,130</b>	<b>326,970</b>	<b>2%</b>	<b>332,178</b>	<b>0%</b>
<b>Liabilities and Shareholders' Equity</b>					
Deposits					
Demand, non-interest bearing	93,550	92,832	1%	99,603	-6%
Savings and interest bearing demand	138,824	140,930	-1%	130,016	7%
Time	56,363	47,946	18%	58,971	-4%
<b>Total Deposits</b>	<b>288,737</b>	<b>281,708</b>	<b>2%</b>	<b>288,590</b>	<b>0%</b>
Federal Home Loan Bank borrowings	1,352	4,805	-72%	5,566	-76%
Accrued interest payable	28	24	17%	34	-18%
Other liabilities	2,263	1,982	14%	1,338	69%
<b>Total Liabilities</b>	<b>292,380</b>	<b>288,519</b>	<b>1%</b>	<b>295,528</b>	<b>-1%</b>
<b>Shareholders' Equity</b>					
Common stock <sup>(1)</sup>	3,802	3,797	0%	3,445	10%
Additional paid in capital	31,531	31,474	0%	31,406	0%
Retained Earnings	4,771	3,480	37%	1,782	168%
Other comprehensive income	(354)	(300)	18%	17	2182%
<b>Total Shareholders' Equity</b>	<b>39,750</b>	<b>38,451</b>	<b>3%</b>	<b>36,650</b>	<b>8%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>332,130</b>	<b>326,970</b>	<b>2%</b>	<b>332,178</b>	<b>0%</b>

<sup>(1)</sup> \$1 par value, shares authorized 11,000,000, issued and outstanding 3,802,395

	Quarterly					Year Ended	
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	December 31, 2017	December 31, 2016
<b>Financial Ratios</b>							
Return on Average Assets	1.61%	1.48%	-0.07%	1.11%	0.80%	0.63%	0.54%
Return on Average Equity	13.27%	12.62%	-0.64%	9.86%	7.37%	5.70%	4.63%
Efficiency Ratio	58.77%	59.31%	53.60%	58.60%	67.20%	62.06%	78.79%
Yield on Earning Assets	5.75%	5.00%	4.94%	4.68%	4.40%	4.52%	4.38%
Cost of Funds	0.51%	0.39%	0.38%	0.38%	0.40%	0.40%	0.59%
Net Interest Margin	5.28%	4.63%	4.38%	4.32%	4.11%	4.23%	3.95%
Tangible Book Value per Share	\$ 10.06	\$ 9.73	\$ 9.46	\$ 9.49	\$ 9.25	\$ 9.46	\$ 8.85
Earnings per Share	\$ 0.34	\$ 0.33	\$ (0.02)	\$ 0.25	\$ 0.17	\$ 0.55	\$ 0.44
Loan to Deposits	90.2%	88.0%	89.7%	93.7%	84.4%	89.7%	77.6%
Tangible Equity to Tangible Assets	11.6%	11.3%	11.0%	11.3%	10.6%	11.0%	10.3%
<b>Asset Quality</b>							
Allowance for Loan Losses to Total Loans	1.05%	1.08%	1.05%	0.89%	0.89%	1.05%	0.86%
Texas Ratio	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%	0.00%
Nonperforming Assets to Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%