



## **Commencement Bank Announces Second Quarter 2019 Results**

Commencement Bank (OTCQX:CBWA) reported quarterly net income of \$1.04 million or \$0.25 per share for the quarter ending June 30, 2019, compared to \$1.29 million or \$0.31 per share for second quarter 2018.

Total loans at the end of second quarter increased to \$287.7 million, an increase of 11% from \$260.3 million the prior year. The Bank's loan portfolio remained diversified at 35% commercial, 62% commercial real estate, and 3% consumer.

Total deposits at the end of second quarter increased to \$314.1 million, an increase of 9% from \$288.7 million in second quarter 2018. The deposit mix at quarter-end was 30% non-interest-bearing, 47% interest bearing checking, savings, and money market, and 23% time deposit. Total assets increased 10% in comparison to one year earlier.

"Our consistency in producing solid earnings gives us tremendous confidence as we continue to expand and evaluate new opportunities. This marks the sixth consecutive quarter of reported net income in excess of one million dollars," said H.R. "Hal" Russell, Chief Executive Officer.

### **2019 Second Quarter Financial Highlights:**

- Quarterly net income of \$1.04 million.
- Earnings per share of \$0.25 for the quarter versus \$0.31 the prior year.
- Tangible book value per share increased to \$10.38 from \$9.15 one year earlier.
- Return on average assets remained high at 1.17%.
- The efficiency ratio was 59% for the quarter.

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 June 30, 2019	Quarter Ended March 31, 2019	Three Month	Quarter Ended June 30, 2018	One Year Change
<b>Interest Income</b>					
Loans	\$ 3,834	\$ 3,576	7%	\$ 4,092	-6%
Interest bearing deposits in banks	243	294	-17%	125	94%
Securities	121	130	-7%	122	-1%
Total interest income	4,198	4,000	5%	4,339	-3%
<b>Interest Expense</b>					
Deposits	636	570	12%	343	85%
Federal Home Loan Bank borrowings	3	6	-50%	12	-75%
Total interest expense	639	576	11%	355	80%
<b>Net Interest Income</b>					
Provision for credit losses	290	0	100%	75	287%
Net interest income after provision for credit losses	3,269	3,424	-5%	3,909	-16%
<b>Non-Interest Income</b>					
Service charges on deposit accounts	41	34	21%	38	8%
Other non-interest income	173	165	5%	124	40%
Total non-interest income	214	199	8%	162	32%
<b>Non-Interest Expense</b>					
Salaries and employee benefits	1,292	1,351	-4%	1,217	6%
Occupancy and equipment expenses	266	249	7%	234	14%
Other operating expenses	663	724	-8%	985	-33%
Total non-interest expense	2,221	2,324	-4%	2,436	-9%
Net Income Before Income Tax	1,262	1,299	-3%	1,635	-23%
Provision for Income Tax	224	232	-3%	344	-35%
<b>Net Income</b>	<b>\$ 1,038</b>	<b>\$ 1,067</b>	<b>-3%</b>	<b>\$ 1,291</b>	<b>-20%</b>

**BALANCE SHEETS** (Unaudited)  
(Dollars in thousands)

	June 30, 2019	March 31, 2019	Three Month Change	June 30, 2018	One Year Change
<b>Assets</b>					
Cash and due from banks	\$ 6,479	\$ 9,659	-33%	\$ 6,075	7%
Interest bearing deposits in banks	19,657	24,234	-19%	14,880	32%
Securities available for sale	14,321	14,666	-2%	16,168	-11%
Federal funds sold	18,061	22,445	-20%	20,264	-11%
FHLB, FRB and PCBB stock	1,939	1,787	9%	1,696	14%
Loans	287,744	268,162	7%	260,302	11%
Allowance for loan losses	(3,186)	(2,984)	7%	(2,730)	17%
<b>Net Loans</b>	<b>284,558</b>	<b>265,178</b>	<b>7%</b>	<b>257,572</b>	<b>10%</b>
Premises and fixed assets	5,676	3,369	68%	2,374	139%
Accrued interest receivable	955	860	11%	710	35%
Intangible assets	1,415	1,436	-1%	1,506	-6%
Other assets	12,396	10,857	14%	10,885	14%
<b>Total Assets</b>	<b>\$ 365,457</b>	<b>\$ 354,491</b>	<b>3%</b>	<b>\$ 332,130</b>	<b>10%</b>
<b>Liabilities and Shareholders' Equity</b>					
Deposits					
Demand, non-interest bearing	\$ 94,216	\$ 90,844	4%	\$ 93,550	1%
Savings and interest bearing demand	146,445	155,490	-6%	138,824	5%
Time	73,412	61,147	20%	56,363	30%
<b>Total Deposits</b>	<b>314,073</b>	<b>307,481</b>	<b>2%</b>	<b>288,737</b>	<b>9%</b>
Federal Home Loan Bank borrowings	338	591	-43%	1,352	-75%
Accrued interest payable	102	55	85%	28	264%
Other liabilities	6,031	2,705	123%	2,263	167%
<b>Total Liabilities</b>	<b>320,544</b>	<b>310,832</b>	<b>3%</b>	<b>292,380</b>	<b>10%</b>
<b>Shareholders' Equity</b>					
Common stock <sup>(1)</sup>	4,191	4,190	0%	3,802	10%
Additional paid in capital	39,392	39,353	0%	31,531	25%
Retained Earnings	1,367	330	314%	4,771	-71%
Other Comprehensive income	(37)	(214)	-83%	(354)	90%
<b>Total Shareholders' Equity</b>	<b>44,913</b>	<b>43,659</b>	<b>3%</b>	<b>39,750</b>	<b>13%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 365,457</b>	<b>\$ 354,491</b>	<b>3%</b>	<b>\$ 332,130</b>	<b>10%</b>

<sup>(1)</sup> \$1 par value, shares authorized 12,100,000, issued and outstanding 4,190,701

	Quarterly				
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
<b>Financial Ratios</b>					
Return on Average Assets	1.17%	1.25%	1.39%	1.64%	1.61%
Return on Average Equity	9.39%	10.06%	11.46%	13.36%	13.27%
Efficiency Ratio	58.89%	64.12%	57.17%	51.65%	58.77%
Yield on Earning Assets	5.07%	4.95%	4.87%	5.31%	5.75%
Cost of Funds	0.84%	0.77%	0.69%	0.61%	0.51%
Net Interest Margin	4.30%	4.24%	4.24%	4.76%	5.28%
Tangible Book Value per Share	\$ 10.38	\$ 9.98	\$ 9.78	\$ 9.45	\$ 9.15
Earnings per Share	\$ 0.25	\$ 0.28	\$ 0.29	\$ 0.33	\$ 0.31
Loan to Deposits	91.6%	87.2%	86.0%	98.1%	90.2%
Tangible Equity to Tangible Assets	12.0%	12.0%	11.5%	12.3%	11.6%
<b>Asset Quality</b>					
Allowance for Loan Losses to Total Loans	1.11%	1.11%	1.11%	1.07%	1.05%
Texas Ratio	0.00%	0.00%	0.00%	0.00%	0.00%
Nonperforming Assets to Assets	0.00%	0.00%	0.00%	0.00%	0.00%