



Commencement Bank Announces Third Quarter 2018 Results

Commencement Bank (OTCQX:CBWA) reported record quarterly net income of \$1.36 million or \$0.36 per share for the quarter ending September 30, 2018, compared to \$925 thousand or \$0.25 per share for third quarter 2017.

Total loans at the end of the third quarter increased to \$272 million from \$257 million the previous year. The Bank's loan portfolio remained diversified at 30% commercial, 67% commercial real estate, and 3% consumer.

Total deposits were steady at \$277 million as compared to \$274 million in third quarter 2017. The deposit mix at quarter-end was 30% non-interest-bearing, 49% interest bearing checking, savings, and money market, and 21% time deposit.

"Each quarter this year continues to outperform our expectations and deliver positive results for our stakeholders. As we move into the fourth quarter, we are positioned to continue this momentum and prepared to accommodate future growth," said H.R. "Hal" Russell, Chief Executive Officer.

2018 Third Quarter Financial Highlights:

- Record quarterly net income of \$1.36 million.
- Net interest margin was 4.76% for the quarter as compared to 4.32% for the same period 2017.
- Earnings per share of \$0.36 for the quarter versus \$0.25 the prior year.
- Tangible book value per share increased to \$10.39 from \$9.49 one year earlier.
- Return on average equity increased to 13.36% from 9.86% the previous year.
- Return on average assets increased to 1.64% from 1.11% as compared to the third quarter 2017.
- The efficiency ratio was 51.65% for the quarter as compared to 58.60% in third quarter 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. For information related to the trading of CBWA, please visit 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 September 30, 2018	Quarter Ended June 30, 2018	Three Month	Quarter Ended September 30, 2017	One Year Change
Interest Income					
Loans	\$ 3,904	\$ 4,092	-5%	\$ 3,396	15%
Interest bearing deposits in banks	124	125	-1%	165	-25%
Securities available for sale	124	122	2%	101	23%
Total interest income	4,152	4,339	-4%	3,662	13%
Interest Expense					
Deposits	423	343	23%	258	64%
Federal Home Loan Bank borrowings	10	12	-17%	26	-62%
Total interest expense	433	355	22%	284	52%
Net Interest Income					
	3,719	3,984	-7%	3,378	10%
Provision for credit losses	170	75	127%	90	89%
Net interest income after provision for credit losses	3,549	3,909	-9%	3,288	8%
Non-Interest Income					
Service charges on deposit accounts	40	38	5%	44	-9%
Gain (Loss) on sale of other real estate owned	-	-	0%	-	0%
Other non-interest income	129	124	4%	116	11%
Total non-interest income	169	162	4%	160	6%
Non-Interest Expense					
Salaries and employee benefits	1,236	1,217	2%	1,149	8%
Occupancy and equipment expenses	228	234	-3%	216	6%
Other operating expenses	545	985	-45%	709	-23%
Total non-interest expense	2,009	2,436	-18%	2,074	-3%
Net Income Before Income Tax	1,709	1,635	5%	1,374	24%
Provision for Income Tax	348	344	1%	449	-22%
Net Income	\$ 1,361	\$ 1,291	5%	\$ 925	47%

BALANCE SHEETS (Unaudited)

(Dollars in thousands)

	September 30, 2018	June 30, 2018	Three Month Change	September 30, 2017	One Year Change
Assets					
Cash and due from banks	\$ 5,507	\$ 6,075	-9%	\$ 5,839	-6%
Interest bearing deposits in banks	10,824	14,880	-27%	28,010	-61%
Securities available for sale	15,357	16,168	-5%	15,604	-2%
Federal funds sold	3,144	20,264	-84%	4	78500%
FHLB, FRB and PCBB stock	1,686	1,696	-1%	1,860	-9%
Loans	271,820	260,302	4%	256,664	6%
Allowance for loan losses	(2,913)	(2,730)	7%	(2,273)	28%
Net Loans	268,907	257,572	4%	254,391	6%
Premises and fixed assets	2,352	2,374	-1%	2,498	-6%
Accrued interest receivable	779	710	10%	719	8%
Intangible assets	1,482	1,506	-2%	1,586	-7%
Other assets	11,786	10,885	8%	10,756	10%
Total Assets	\$ 321,824	\$ 332,130	-3%	\$ 321,267	0%
Liabilities and Shareholders' Equity					
Deposits					
Demand, non-interest bearing	\$ 81,751	\$ 93,550	-13%	\$ 87,870	-7%
Savings and interest bearing demand	136,484	138,824	-2%	129,728	5%
Time	58,851	56,363	4%	56,256	5%
Total Deposits	277,086	288,737	-4%	273,854	1%
Federal Home Loan Bank borrowings	1,098	1,352	-19%	7,892	-86%
Accrued interest payable	29	28	4%	30	-3%
Other liabilities	2,591	2,263	14%	1,940	34%
Total Liabilities	280,804	292,380	-4%	283,716	-1%
Shareholders' Equity					
Common stock ⁽¹⁾	3,805	3,802	0%	3,446	10%
Additional paid in capital	31,542	31,531	0%	31,415	0%
Retained Earnings	6,133	4,771	29%	2,707	127%
Other Comprehensive income	(460)	(354)	30%	(17)	-2606%
Total Shareholders' Equity	41,020	39,750	3%	37,551	9%
Total Liabilities and Shareholders' Equity	\$ 321,824	\$ 332,130	-3%	\$ 321,267	0%

⁽¹⁾ \$1 par value, shares authorized 11,000,000, issued and outstanding 3,805,365

	Quarterly					Year Ended	
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	December 31, 2017	December 31, 2016
Financial Ratios							
Return on Average Assets	1.64%	1.61%	1.48%	-0.07%	1.11%	0.63%	0.54%
Return on Average Equity	13.36%	13.27%	12.62%	-0.64%	9.86%	5.70%	4.63%
Efficiency Ratio	51.65%	58.77%	59.31%	53.60%	58.60%	62.06%	78.79%
Yield on Earning Assets	5.31%	5.75%	5.00%	4.94%	4.68%	4.52%	4.38%
Cost of Funds	0.61%	0.51%	0.39%	0.38%	0.38%	0.40%	0.59%
Net Interest Margin	4.76%	5.28%	4.63%	4.38%	4.32%	4.23%	3.95%
Tangible Book Value per Share	\$ 10.39	\$ 10.06	\$ 9.73	\$ 9.46	\$ 9.49	\$ 9.46	\$ 8.85
Earnings per Share	\$ 0.36	\$ 0.34	\$ 0.33	\$ (0.02)	\$ 0.25	\$ 0.55	\$ 0.44
Loan to Deposits	98.1%	90.2%	88.0%	89.7%	93.7%	89.7%	77.6%
Tangible Equity to Tangible Assets	12.3%	11.6%	11.3%	11.0%	11.3%	11.0%	10.3%
Asset Quality							
Allowance for Loan Losses to Total Loans	1.07%	1.05%	1.08%	1.05%	0.89%	1.05%	0.86%
Texas Ratio	0.00%	0.00%	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%