



## Commencement Bank (CBWA) Reports 2018 Record Net Income

Commencement Bank (OTCQX:CBWA) reported net income of \$5,036,000 and \$1.34 per share for 2018, compared to \$2,120,000 and \$0.55 per share for 2017. Throughout 2018, the Bank continued to benefit from efficiencies and economies of scale from the 2016 merger with Thurston First Bank along with the decreased corporate tax rate from 34% to 21%.

The Bank's total assets grew 9% to \$357.5 million at year-end 2018 as compared to \$327.8 million for 2017. Total loans at year-end 2018 increased to \$268.1 million as compared to \$254.7 million one-year earlier. Total deposits increased to \$311.9 million as compared to \$283.7 million for 2017. Additionally, the Bank paid its first-ever stock dividend of 10% per share on February 15, 2018

### **2018 Financial Highlights:**

- Total assets increased 9% to \$357.5 million as compared to \$327.8 million as of December 31, 2017.
- Total loans grew 5% to \$268.1 million as compared to \$254.7 million for the same period 2017.
- Total deposits increased by 10% to \$311.9 million as compared to \$283.7 million as of year-end 2017.
- Net interest margin was 4.72% for the year as compared to 4.23% for the same period in 2017.
- Tangible book value per share increased to \$10.76 from \$9.46 one-year earlier.
- The efficiency ratio decreased to 56.7% for the year as compared to 62.1% for the same period in 2017.
- The Texas Ratio, a measurement of nonperforming assets to capital, was 0.00% for 2018 compared to 0.01% the prior year.
- All capital ratios continued to exceed regulatory requirements.

"We could not be more pleased with the Bank's performance in 2018, as we experienced growth and record earnings. In addition to our financial performance, we enhanced our leadership structure by elevating existing managers to the senior management team. This transition helped to strengthen our position by incorporating new perspectives on the future growth and direction of the Bank," said H.R. "Hal" Russell, Chief Executive Officer.

Commencement Bank's 2018 Annual Meeting will be held on Tuesday, April 23, 2019.

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For further discussion, please contact the following:

H.R. "Hal" Russell – Chief Executive Officer Direct Phone: (253)284-1801

John E. Manolides – President and Chief Operating Officer Direct Phone: (253)284-1802

Tom Dhamers – Executive Vice President and Chief Financial Officer Direct Phone: (253)284-1803

### **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.commencementbank.com](http://www.commencementbank.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)

	For Year Ended		One Year Change
	December 31, 2018	December 31, 2017	
<b>Interest Income</b>			
Loans	\$ 15,100	\$ 13,244	14%
Interest bearing deposits in banks	723	663	9%
Securities available for sale	399	349	14%
Total interest income	16,222	14,256	14%
<b>Interest Expense</b>			
Deposits	1,528	1,059	44%
Federal Home Loan Bank borrowings	51	105	-51%
Total interest expense	1,579	1,164	36%
<b>Net Interest Income</b>	14,643	13,092	12%
Provision for credit losses	285	660	100%
Net interest income after provision for credit losses	14,358	12,432	15%
<b>Non-Interest Income</b>			
Service charges on deposit accounts	160	191	-16%
Other non-interest income	501	451	11%
Total non-interest income	661	642	3%
<b>Non-Interest Expense</b>			
Salaries and employee benefits	4,810	4,624	4%
Occupancy and equipment expenses	923	906	2%
Other operating expenses	2,945	2,993	-2%
Total non-interest expense	8,678	8,523	2%
Net Income Before Income Tax	6,341	4,551	39%
Provision for Income Tax	1,305	2,431	-46%
<b>Net Income</b>	<b>\$ 5,036</b>	<b>\$ 2,120</b>	<b>138%</b>

**STATEMENTS OF INCOME (Unaudited)**

(Dollars in thousands)

	Quarter Ended December 31, 2018	Quarter Ended September 30, 2018	Three Month	Quarter Ended December 31, 2017	One Year Change
<b>Interest Income</b>					
Loans	\$ 3,655	\$ 3,904	-6%	\$ 3,599	2%
Interest bearing deposits in banks	229	124	85%	144	59%
Securities available for sale	120	124	-3%	101	19%
Total interest income	4,004	4,152	-4%	3,844	4%
<b>Interest Expense</b>					
Deposits	508	423	20%	258	97%
Federal Home Loan Bank borrowings	8	10	-20%	22	-64%
Total interest expense	516	433	19%	280	84%
<b>Net Interest Income</b>					
	3,488	3,719	-6%	3,564	-2%
Provision for credit losses	40	170	-76%	390	-90%
Net interest income after provision for credit losses	3,448	3,549	-3%	3,174	9%
<b>Non-Interest Income</b>					
Service charges on deposit accounts	44	40	10%	57	-23%
Other non-interest income	131	129	2%	100	31%
Total non-interest income	175	169	4%	157	11%
<b>Non-Interest Expense</b>					
Salaries and employee benefits	1,129	1,236	-9%	1,121	1%
Occupancy and equipment expenses	241	228	6%	258	-7%
Other operating expenses	724	545	33%	616	18%
Total non-interest expense	2,094	2,009	4%	1,995	5%
Net Income Before Income Tax	1,529	1,709	-11%	1,336	14%
Provision for Income Tax	326	348	-6%	1,379	-76%
<b>Net Income</b>	<b>\$ 1,203</b>	<b>\$ 1,361</b>	<b>-12%</b>	<b>\$ (43)</b>	<b>-2898%</b>

**BALANCE SHEETS (Unaudited)**

(Dollars in thousands)

	December 31, 2018	September 30, 2018	Three Month Change	December 31, 2017	One Year Change
<b>Assets</b>					
Cash and due from banks	\$ 8,112	\$ 5,507	47%	\$ 5,140	58%
Interest bearing deposits in banks	27,204	10,824	151%	23,243	17%
Securities available for sale	15,005	15,357	-2%	14,641	2%
Federal funds sold	23,966	3,144	662%	15,492	55%
FHLB, FRB and PCBB stock	1,676	1,686	-1%	1,850	-9%
Loans	268,132	271,820	-1%	254,725	5%
Allowance for loan losses	(2,976)	(2,913)	2%	(2,668)	12%
<b>Net Loans</b>	<b>265,156</b>	<b>268,907</b>	<b>-1%</b>	<b>252,057</b>	<b>5%</b>
Premises and fixed assets	3,237	2,352	38%	2,477	31%
Accrued interest receivable	801	779	3%	812	-1%
Intangible assets	1,456	1,482	-2%	1,556	-6%
Other assets	10,858	11,786	-8%	10,516	3%
<b>Total Assets</b>	<b>\$ 357,471</b>	<b>\$ 321,824</b>	<b>11%</b>	<b>\$ 327,784</b>	<b>9%</b>
<b>Liabilities and Shareholders' Equity</b>					
Deposits					
Demand, non-interest bearing	\$ 91,614	\$ 81,751	12%	\$ 94,425	-3%
Savings and interest bearing demand	164,009	136,484	20%	137,585	19%
Time	56,247	58,851	-4%	51,654	9%
<b>Total Deposits</b>	<b>311,870</b>	<b>277,086</b>	<b>13%</b>	<b>283,664</b>	<b>10%</b>
Federal Home Loan Bank borrowings	845	1,098	-23%	5,059	-83%
Accrued interest payable	34	29	17%	25	36%
Other liabilities	2,261	2,591	-13%	1,600	41%
<b>Total Liabilities</b>	<b>315,010</b>	<b>280,804</b>	<b>12%</b>	<b>290,348</b>	<b>8%</b>
<b>Shareholders' Equity</b>					
Common stock <sup>(1)</sup>	3,808	3,805	0%	3,447	10%
Additional paid in capital	34,320	31,542	9%	31,434	9%
Retained Earnings	4,632	6,133	-24%	2,664	74%
Other Comprehensive income	(299)	(460)	-35%	(109)	-174%
<b>Total Shareholders' Equity</b>	<b>42,461</b>	<b>41,020</b>	<b>4%</b>	<b>37,436</b>	<b>13%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 357,471</b>	<b>\$ 321,824</b>	<b>11%</b>	<b>\$ 327,784</b>	<b>9%</b>

<sup>(1)</sup> \$1 par value, shares authorized 11,000,000, issued and outstanding 3,808,115

	Quarterly					Year Ended	
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Financial Ratios</b>							
Return on Average Assets	1.39%	1.64%	1.61%	1.48%	-0.07%	1.53%	0.63%
Return on Average Equity	11.46%	13.36%	13.27%	12.62%	-0.64%	12.66%	5.70%
Efficiency Ratio	57.17%	51.65%	58.77%	59.31%	53.60%	56.70%	62.06%
Yield on Earning Assets	4.87%	5.31%	5.75%	5.00%	4.94%	5.23%	4.52%
Cost of Funds	0.69%	0.61%	0.51%	0.39%	0.38%	0.55%	0.40%
Net Interest Margin	4.24%	4.76%	5.28%	4.63%	4.38%	4.72%	4.23%
Tangible Book Value per Share	\$ 10.76	\$ 10.39	\$ 10.06	\$ 9.73	\$ 9.46	\$ 10.76	\$ 9.46
Earnings per Share	\$ 0.32	\$ 0.36	\$ 0.34	\$ 0.33	\$ (0.02)	\$ 1.34	\$ 0.55
Loan to Deposits	86.0%	98.1%	90.2%	88.0%	89.7%	86.0%	89.7%
Tangible Equity to Tangible Assets	11.5%	12.3%	11.6%	11.3%	11.0%	11.5%	11.0%
<b>Asset Quality</b>							
Allowance for Loan Losses to Total Loans	1.11%	1.07%	1.05%	1.08%	1.05%	1.11%	1.05%
Texas Ratio	0.00%	0.00%	0.00%	0.01%	0.01%	0.00%	0.01%
Nonperforming Assets to Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%