



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

Commencement Bank (OTCQX:CBWA) reported quarterly net income of \$1.07 million or \$0.28 per share for the quarter ending March 31, 2019, compared to \$1.18 million and \$0.30 per share for first quarter 2018. Net interest income remained consistent, even in a rising loan rate environment which was offset by rising deposit costs. Deposit costs rose after first quarter 2018, with first quarter 2019 reflecting four quarters of rising rates.

Total loans at the end of the first quarter 2019 increased to \$268.2 million compared to \$247.8 million in first quarter 2018. The Bank's loan portfolio remained well-diversified at 71.3% real estate, 22.4% commercial, and 6.3% consumer and other. Total deposits also increased to \$307.5 million as compared to \$281.7 million the previous period. The deposit mix at quarter-end was 29.5% non-interest-bearing, 50.6% interest bearing checking, savings, and money market, and 19.9% time deposit.

"Our team has worked extremely hard to produce consistent growth and earnings for the Bank. We are seeing positive organic growth in loans and deposits and are looking forward to the opportunities available throughout 2019," said Hal Russell, Chief Executive Officer.

### **2019 First Quarter Financial Highlights:**

- Quarterly net income of \$1.07 million. Fifth consecutive quarter of \$1 million+ in net income.
- Paid second 10% stock dividend to shareholders of record as of March 15, 2019.
- Net interest margin was 4.24% for the quarter as compared to 4.63% for the same period 2018. One of the factors contributing to the reduction was an increased cost of funds as competition for funding increased.
- Earnings per share was \$0.28 for first quarter 2019 versus \$0.30 in first quarter 2018.
- Total assets and loans increased by 8% from first quarter 2018.
- Total deposits increased by 9% from first quarter 2018.
- Shareholder equity increased by 14% to \$43.7 million.
- Return on average assets stands at 1.25% compared to 1.48% for first quarter 2018.
- Return on average equity was 10.06% from 12.62% the previous year.
- Tangible book value per share increased to \$10.76 from \$8.85 one year earlier.
- Nonperforming assets to total assets remained at 0%.

For further discussion, please contact the following:

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.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 March 31, 2019	Quarter Ended December 31, 2018	Three Month	Quarter Ended March 31, 2018	One Year Change
<b>Interest Income</b>					
Loans	\$ 3,576	\$ 3,655	-2%	\$ 3,450	4%
Interest bearing deposits in banks	294	229	28%	154	91%
Securities available for sale	130	120	8%	123	6%
Total interest income	4,000	4,004	0%	3,727	7%
<b>Interest Expense</b>					
Deposits	570	508	12%	254	124%
Federal Home Loan Bank borrowings	6	8	-25%	21	-71%
Total interest expense	576	516	12%	275	109%
<b>Net Interest Income</b>					
Provision for credit losses	0	40	-100%	0	0%
Net interest income after provision for credit losses	3,424	3,448	-1%	3,452	-1%
<b>Non-Interest Income</b>					
Service charges on deposit accounts	34	44	-23%	38	-11%
Other non-interest income	165	131	26%	117	41%
Total non-interest income	199	175	14%	155	28%
<b>Non-Interest Expense</b>					
Salaries and employee benefits	1,351	1,129	20%	1,235	9%
Occupancy and equipment expenses	249	241	3%	220	13%
Other operating expenses	723	724	0%	684	6%
Total non-interest expense	2,323	2,094	11%	2,139	9%
Net Income Before Income Tax	1,300	1,529	-15%	1,468	-11%
Provision for Income Tax	232	326	-29%	287	-19%
<b>Net Income</b>	<b>\$ 1,068</b>	<b>\$ 1,203</b>	<b>-11%</b>	<b>\$ 1,181</b>	<b>-10%</b>

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

	March 31, 2019	December 31, 2018	Three Month Change	March 31, 2018	One Year Change
<b>Assets</b>					
Cash and due from banks	\$ 9,659	\$ 8,112	19%	\$ 5,870	65%
Interest bearing deposits in banks	24,234	27,204	-11%	18,511	31%
Securities available for sale	14,666	15,005	-2%	16,850	-13%
Federal funds sold	22,445	23,966	-6%	23,489	-4%
FHLB, FRB and PCBB stock	1,787	1,676	7%	1,822	-2%
Loans	268,162	268,132	0%	247,778	8%
Allowance for loan losses	(2,984)	(2,976)	0%	(2,673)	12%
<b>Net Loans</b>	<b>265,178</b>	<b>265,156</b>	<b>0%</b>	<b>245,105</b>	<b>8%</b>
Premises and fixed assets	3,369	3,237	4%	2,399	40%
Accrued interest receivable	860	801	7%	685	26%
Intangible assets	1,436	1,456	-1%	1,531	-6%
Other assets	10,857	10,858	0%	10,708	1%
<b>Total Assets</b>	<b>\$ 354,491</b>	<b>\$ 357,471</b>	<b>-1%</b>	<b>\$ 326,970</b>	<b>8%</b>
<b>Liabilities and Shareholders' Equity</b>					
Deposits					
Demand, non-interest bearing	\$ 90,844	\$ 91,614	-1%	\$ 92,832	-2%
Savings and interest bearing demand	155,490	164,009	-5%	140,930	10%
Time	61,147	56,247	9%	47,946	28%
<b>Total Deposits</b>	<b>307,481</b>	<b>311,870</b>	<b>-1%</b>	<b>281,708</b>	<b>9%</b>
Federal Home Loan Bank borrowings	591	845	-30%	4,805	-88%
Accrued interest payable	55	34	62%	24	129%
Other liabilities	2,705	2,261	20%	1,982	36%
<b>Total Liabilities</b>	<b>310,832</b>	<b>315,010</b>	<b>-1%</b>	<b>288,519</b>	<b>8%</b>
<b>Shareholders' Equity</b>					
Common stock <sup>(1)</sup>	4,190	3,808	10%	3,797	10%
Additional paid in capital	39,353	34,320	15%	31,474	25%
Retained Earnings	330	4,632	-93%	3,480	-91%
Other Comprehensive income	(214)	(299)	-28%	(300)	29%
<b>Total Shareholders' Equity</b>	<b>43,659</b>	<b>42,461</b>	<b>3%</b>	<b>38,451</b>	<b>14%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 354,491</b>	<b>\$ 357,471</b>	<b>-1%</b>	<b>\$ 326,970</b>	<b>8%</b>

<sup>(1)</sup> \$1 par value, shares authorized 12,100,000, issued and outstanding 4,190,145

	Quarterly					Year Ended	
	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2018	December 31, 2017
<b>Financial Ratios</b>							
Return on Average Assets	1.25%	1.39%	1.64%	1.61%	1.48%	1.53%	0.63%
Return on Average Equity	10.06%	11.46%	13.36%	13.27%	12.62%	12.66%	5.70%
Efficiency Ratio	64.12%	57.17%	51.65%	58.77%	59.31%	56.70%	62.06%
Yield on Earning Assets	4.95%	4.87%	5.31%	5.75%	5.00%	5.23%	4.52%
Cost of Funds	0.77%	0.69%	0.61%	0.51%	0.39%	0.55%	0.40%
Net Interest Margin	4.24%	4.24%	4.76%	5.28%	4.63%	4.72%	4.23%
Tangible Book Value per Share	\$ 10.76	\$ 9.78	\$ 9.45	\$ 9.15	\$ 8.85	\$ 9.78	\$ 8.60
Earnings per Share	\$ 0.28	\$ 0.29	\$ 0.33	\$ 0.31	\$ 0.30	\$ 1.19	\$ 0.55
Loan to Deposits	87.2%	86.0%	98.1%	90.2%	88.0%	86.0%	89.7%
Tangible Equity to Tangible Assets	12.0%	11.5%	12.3%	11.6%	11.3%	11.5%	11.0%
<b>Asset Quality</b>							
Allowance for Loan Losses to Total Loans	1.11%	1.11%	1.07%	1.05%	1.08%	1.11%	1.05%
Texas Ratio	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.01%
Nonperforming Assets to Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%