



## Commencement Bank Announces Third Quarter 2019 Results

### 2019 Third Quarter Financial Highlights:

- Total assets increased \$53.6 million, or 17%, to \$375.4 million at September 30, 2019 from \$321.8 million for the period ended September 30, 2018. Assets increased \$9.9 million, or 3%, from the \$365.5 million recorded at June 30, 2019.
- Net income of \$1.54 million, or \$0.37 per share for the quarter ended September 30, 2019 compared to \$1.36 million, or \$0.33 per share for the quarter ended September 30, 2018.
- Tangible book value per share increased to \$10.76 for the quarter ended September 30, 2019, an increase of 13.9% from the quarter ended September 30, 2018.
- Return on average assets of 1.60% for the third quarter.
- Zero non-performing assets.
- Efficiency ratio of 58.75% for the quarter.

Commencement Bank (OTCQX:CBWA) reported quarterly net income of \$1.54 million or \$0.37 per share for the quarter ending September 30, 2019, compared to \$1.36 million or \$0.33 per share for third quarter 2018. Net interest income after provision for credit loss increased by 20% compared to one year prior.

Total assets were \$375.4 million, an increase of 17% in comparison to one year earlier. Capital ratios continued to exceed regulatory requirements, with total risk-based capital substantially above well-capitalized regulatory requirements.

Total loans at the end of third quarter were \$286.2 million, an increase of 5% from \$271.8 million the prior year. Nonperforming assets and the Bank's Texas Ratio, a measurement of problem loans and bank-owned properties to capital, remained at zero. The Bank's loan portfolio remained diversified at 33% commercial, 64% commercial real estate, and 3% consumer.

Total deposits at the end of third quarter were \$322.2 million, an increase of 16% from \$277.1 million in third quarter 2018. The deposit mix at quarter-end was 28% non-interest-bearing, 46% interest bearing (checking, savings, and money market), and 26% time deposit. Interest expense on deposits increased 20% to \$762K from \$636K one quarter earlier, while the difference from the prior year was more substantial at 80%. This reflects the increased pressure on deposit rates over the previous 18 months. Decreases in Fed Funds rates are expected to provide relief to cost of funds in the fourth quarter of 2019.

"We are pleased with our progress in 2019 as we continue to recognize operational benefits from our merger in late 2016 and increased sources of non-interest income, which was a priority for us this year. We also continue to focus on enhancing shareholder value through new opportunities for growth, innovation, and attention to the customer experience," said John Manolides, President and Chief Operating Officer.

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.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)

	Quarter Ended September 30, 2019	Quarter Ended June 30, 2019	Three Month	Quarter Ended September 30, 2018	One Year Change
<b>Interest Income</b>					
Loans	\$ 4,582	\$ 3,834	20%	\$ 3,904	17%
Interest bearing deposits in banks	311	243	28%	124	151%
Securities	118	121	-2%	124	-5%
Total interest income	5,011	4,198	19%	4,152	21%
<b>Interest Expense</b>					
Deposits	762	636	20%	423	80%
Federal Home Loan Bank borrowings	2	3	-33%	10	-80%
Total interest expense	764	639	20%	433	76%
<b>Net Interest Income</b>					
	4,247	3,559	19%	3,719	14%
Provision for credit losses	-	290	100%	170	-100%
Net interest income after provision for credit losses	4,247	3,269	30%	3,549	20%
<b>Non-Interest Income</b>					
Service charges on deposit accounts	41	41	0%	40	3%
Other non-interest income	237	173	37%	129	84%
Total non-interest income	278	214	30%	169	64%
<b>Non-Interest Expense</b>					
Salaries and employee benefits	1,617	1,292	25%	1,236	31%
Occupancy and equipment expenses	279	266	5%	228	22%
Other operating expenses	762	663	15%	545	40%
Total non-interest expense	2,658	2,221	20%	2,009	32%
Net Income Before Income Tax	1,867	1,262	48%	1,709	9%
Provision for Income Tax	332	224	48%	348	-5%
<b>Net Income</b>	<b>\$ 1,535</b>	<b>\$ 1,038</b>	<b>48%</b>	<b>\$ 1,361</b>	<b>13%</b>

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

	September 30, 2019	June 30, 2019	Three Month Change	September 30, 2018	One Year Change
<b>Assets</b>					
Cash and due from banks	\$ 8,474	\$ 6,479	31%	\$ 5,507	54%
Interest bearing deposits in banks	34,599	19,657	76%	10,824	220%
Securities available for sale	16,609	14,321	16%	15,357	8%
Federal funds sold	9,881	18,061	-45%	3,144	214%
FHLB, FRB and PCBB stock	1,925	1,939	-1%	1,686	14%
Loans	286,174	287,744	-1%	271,820	5%
Allowance for loan losses	(3,198)	(3,186)	0%	(2,913)	10%
<b>Net Loans</b>	<b>282,976</b>	<b>284,558</b>	<b>-1%</b>	<b>268,907</b>	<b>5%</b>
Premises and fixed assets	5,937	5,676	5%	2,352	152%
Accrued interest receivable	930	955	-3%	779	19%
Intangible assets	1,394	1,415	-1%	1,482	-6%
Other assets	12,669	12,396	2%	11,786	7%
<b>Total Assets</b>	<b>\$ 375,394</b>	<b>\$ 365,457</b>	<b>3%</b>	<b>\$ 321,824</b>	<b>17%</b>
<b>Liabilities and Shareholders' Equity</b>					
Deposits					
Demand, non-interest bearing	\$ 90,050	\$ 94,216	-4%	\$ 81,751	10%
Savings and interest bearing demand	147,956	146,445	1%	136,484	8%
Time	84,193	73,412	15%	58,851	43%
<b>Total Deposits</b>	<b>322,199</b>	<b>314,073</b>	<b>3%</b>	<b>277,086</b>	<b>16%</b>
Federal Home Loan Bank borrowings	-	338	-100%	1,098	-100%
Accrued interest payable	109	102	7%	29	276%
Other liabilities	6,565	6,031	9%	2,591	153%
<b>Total Liabilities</b>	<b>328,873</b>	<b>320,544</b>	<b>3%</b>	<b>280,804</b>	<b>17%</b>
<b>Shareholders' Equity</b>					
Common stock <sup>(1)</sup>	4,196	4,191	0%	3,805	10%
Additional paid in capital	39,439	39,392	0%	31,542	25%
Retained Earnings	2,902	1,367	112%	6,133	-53%
Other Comprehensive income	(16)	(37)	-57%	(460)	97%
<b>Total Shareholders' Equity</b>	<b>46,521</b>	<b>44,913</b>	<b>4%</b>	<b>41,020</b>	<b>13%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 375,394</b>	<b>\$ 365,457</b>	<b>3%</b>	<b>\$ 321,824</b>	<b>17%</b>

<sup>(1)</sup> \$1 par value, shares authorized 12,100,000, issued and outstanding 4,196,168

	Quarterly				
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
<b>Financial Ratios</b>					
Return on Average Assets	1.60%	1.17%	1.25%	1.39%	1.64%
Return on Average Equity	13.27%	9.39%	10.06%	11.46%	13.36%
Efficiency Ratio	58.75%	58.89%	64.12%	57.17%	51.65%
Yield on Earning Assets	5.59%	5.07%	4.95%	4.87%	5.31%
Cost of Funds	0.93%	0.84%	0.77%	0.69%	0.61%
Net Interest Margin	4.73%	4.30%	4.24%	4.24%	4.76%
Tangible Book Value per Share	\$ 10.76	\$ 10.38	\$ 9.98	\$ 9.78	\$ 9.45
Earnings per Share	\$ 0.37	\$ 0.25	\$ 0.28	\$ 0.29	\$ 0.33
Loan to Deposits	88.8%	91.6%	87.2%	86.0%	98.1%
Tangible Equity to Tangible Assets	12.1%	12.0%	12.0%	11.5%	12.3%
<b>Asset Quality</b>					
Allowance for Loan Losses to Total Loans	1.12%	1.11%	1.11%	1.11%	1.07%
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%