



Commencement Bank Announces 2019 Results

2019 Financial Highlights:

- Total assets increased \$30.9 million, or 9%, to \$388.4 million at December 31, 2019 from \$357.5 million at December 31, 2018. Assets increased \$13 million, or 3%, from the \$375.4 million recorded at September 30, 2019.
- Net income of \$1.148 million, or \$0.27 per share for the quarter ended December 31, 2019 compared to \$1.203 million, or \$0.29 per share for the quarter ended December 31, 2018.
- Tangible book value per share increased to \$11.03 at December 31, 2019, an increase of 12.8% from December 31, 2018.
- Return on average assets of 1.19% for the fourth quarter.
- Nonperforming assets of 0.70% at the end of the year.
- Efficiency ratio was 60.07% for the quarter ending December 31, 2019 versus 57.17% for the same period in 2018.

Commencement Bank (OTCQX:CBWA) reported a net income of \$4.79 million or \$1.17 per share for 2019, compared to \$5.04 million or \$1.23 per share for 2018. Net interest income after provision for credit loss decreased slightly to \$14.29 million compared to \$14.36 million one year prior.

Total assets were \$388.4 million, an increase of 9% 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 2019 were \$297.7 million, an increase of 11% from \$268.1 million the prior year. Nonperforming assets to total assets at year-end were 0.70% and the Bank's Texas Ratio, a measurement of problem loans and bank-owned properties to capital, was 5.2%. The Bank's loan portfolio remained diversified at 31% commercial, 65% commercial real estate, and 4% consumer.

Total deposits at the end of 2019 were \$334.4 million, an increase of 7.2% from \$311.9 million in 2018. The deposit mix at quarter-end was 29% non-interest-bearing, 44% interest bearing (checking, savings, and money market), and 27% time deposit.

"We experienced another year of growth in 2019 with an increase in both loans and deposits. We also added a new full-service branch to the Auburn market which accompanies our goal of expanding our high-touch service and community focus to South King County. In addition to financial and physical growth, we also plan to increase our service-lines starting with the implementation of a government guaranteed lending division in 2020. Since the Bank's inception, we've specialized in small business lending and having this dedicated department will allow us to better serve businesses across the Puget Sound," said John Manolides, President and CEO.

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. 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 December 31, 2019	Quarter Ended September 30, 2019	Three Month	Quarter Ended December 31, 2018	One Year Change
Interest Income					
Loans	\$ 3,650	\$ 4,582	-20%	\$ 3,655	0%
Interest bearing deposits in banks	279	311	-10%	229	22%
Securities	119	118	1%	120	-1%
Total interest income	4,048	5,011	-19%	4,004	1%
Interest Expense					
Deposits	699	762	-8%	508	38%
Federal Home Loan Bank borrowings	-	2	-100%	8	-100%
Total interest expense	699	764	-9%	516	35%
Net Interest Income					
	3,349	4,247	-21%	3,488	-4%
Provision for credit losses	-	-	-	40	-100%
Net interest income after provision for credit losses	3,349	4,247	-21%	3,448	-3%
Non-Interest Income					
Service charges on deposit accounts	41	41	0%	44	-7%
Other non-interest income	221	237	-7%	131	69%
Total non-interest income	262	278	-6%	175	50%
Non-Interest Expense					
Salaries and employee benefits	1,205	1,617	-25%	1,129	7%
Occupancy and equipment expenses	327	279	17%	241	36%
Other operating expenses	637	762	-16%	724	-12%
Total non-interest expense	2,169	2,658	-18%	2,094	4%
Net Income Before Income Tax	1,442	1,867	-23%	1,529	-6%
Provision for Income Tax	294	332	-11%	326	-10%
Net Income	\$ 1,148	\$ 1,535	-25%	\$ 1,203	-5%

STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands)

	For Year Ended		One Year Change
	December 31, 2019	December 31, 2018	
Interest Income			
Loans	\$ 15,641	\$ 15,100	4%
Interest bearing deposits in banks	1,128	633	78%
Securities available for sale	488	489	0%
Total interest income	17,257	16,222	6%
Interest Expense			
Deposits	2,667	1,528	75%
Federal Home Loan Bank borrowings	11	51	-78%
Total interest expense	2,678	1,579	70%
Net Interest Income	14,579	14,643	0%
Provision for credit losses	290	285	100%
Net interest income after provision for credit losses	14,289	14,358	0%
Non-Interest Income			
Service charges on deposit accounts	157	160	-2%
Other non-interest income	796	501	59%
Total non-interest income	953	661	44%
Non-Interest Expense			
Salaries and employee benefits	5,465	4,810	14%
Occupancy and equipment expenses	1,121	923	21%
Other operating expenses	2,786	2,945	-5%
Total non-interest expense	9,372	8,678	8%
Net Income Before Income Tax	5,870	6,341	-7%
Provision for Income Tax	1,082	1,305	-17%
Net Income	\$ 4,788	\$ 5,036	-5%

BALANCE SHEETS (Unaudited)

(Dollars in thousands)

	December 31, 2019	September 30, 2019	Three Month Change	December 31, 2018	One Year Change
Assets					
Cash and due from banks	\$ 8,626	\$ 8,474	2%	\$ 8,112	6%
Interest bearing deposits in banks	34,521	34,599	0%	27,204	27%
Securities available for sale	14,731	16,609	-11%	15,005	-2%
Federal funds sold	12,201	9,881	23%	23,966	-49%
FHLB, FRB and PCBB stock	1,925	1,925	0%	1,676	15%
Loans	297,699	286,174	4%	268,132	11%
Allowance for loan losses	(3,216)	(3,198)	1%	(2,976)	8%
Net Loans	294,483	282,976	4%	265,156	11%
Premises and fixed assets	7,959	5,937	34%	3,237	146%
Accrued interest receivable	995	930	7%	801	24%
Intangible assets	1,374	1,394	-1%	1,456	-6%
Other assets	11,569	12,669	-9%	10,858	7%
Total Assets	\$ 388,384	\$ 375,394	3%	\$ 357,471	9%
Liabilities and Shareholders' Equity					
Deposits					
Demand, non-interest bearing	\$ 97,843	\$ 90,050	9%	\$ 91,614	7%
Savings and interest bearing demand	147,964	147,956	0%	164,009	-10%
Time	88,562	84,193	5%	56,247	57%
Total Deposits	334,369	322,199	4%	311,870	7%
Federal Home Loan Bank borrowings	-	-	#DIV/0!	845	-100%
Accrued interest payable	112	109	3%	34	229%
Other liabilities	6,207	6,565	-5%	2,261	175%
Total Liabilities	340,688	328,873	4%	315,010	8%
Shareholders' Equity					
Common stock ⁽¹⁾	4,199	4,196	0%	3,808	10%
Additional paid in capital	39,473	39,439	0%	34,320	15%
Retained Earnings	4,050	2,902	40%	4,632	-13%
Other Comprehensive income	(26)	(16)	63%	(299)	91%
Total Shareholders' Equity	47,696	46,521	3%	42,461	12%
Total Liabilities and Shareholders' Equity	\$ 388,384	\$ 375,394	3%	\$ 357,471	9%

⁽¹⁾ \$1 par value, shares authorized 12,100,000, issued and outstanding 4,198,527

	Quarterly				
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Financial Ratios					
Return on Average Assets	1.19%	1.60%	1.17%	1.25%	1.39%
Return on Average Equity	9.64%	13.27%	9.39%	10.06%	11.46%
Efficiency Ratio	60.07%	58.75%	58.89%	64.12%	57.17%
Yield on Earning Assets	4.49%	5.59%	5.07%	4.95%	4.87%
Cost of Funds	0.84%	0.93%	0.84%	0.77%	0.69%
Net Interest Margin	3.71%	4.73%	4.30%	4.24%	4.24%
Tangible Book Value per Share	\$ 11.03	\$ 10.76	\$ 10.38	\$ 9.98	\$ 9.78
Earnings per Share	\$ 0.27	\$ 0.37	\$ 0.25	\$ 0.28	\$ 0.29
Loan to Deposits	89.0%	88.8%	91.6%	87.2%	86.0%
Tangible Equity to Tangible Assets	12.0%	12.1%	12.0%	12.0%	11.5%
Asset Quality					
Allowance for Loan Losses to Total Loans	1.08%	1.12%	1.11%	1.11%	1.11%
Texas Ratio	5.20%	0.00%	0.00%	0.00%	0.00%
Nonperforming Assets to Assets	0.70%	0.00%	0.00%	0.00%	0.00%