



## Commencement Bank Announces First Quarter 2020 Results

### 2020 First Quarter Financial Highlights:

- Total assets increased \$40.9 million, or 12%, to \$395.4 million at March 31, 2020 from \$354.5 million for the period ending March 31, 2019. Assets increased \$7 million, or 2%, from the \$388.4 million recorded at December 31, 2019.
- Net income of \$947 thousand, or \$0.23 per share, was recorded for the quarter ended March 31, 2020 versus \$1.07 million, or \$0.28 per share, in first quarter 2019.
- Total loans exceeded growth expectations and increased 14% compared to one year prior.
- Total deposits increased by 11% from first quarter 2019.
- Opened our newest branch in King County in the industrial center of Auburn.
- Tangible book value per share increased to \$11.34 for the quarter from \$9.98 one year earlier.
- Nonperforming assets to total assets of 0.7%.

Commencement Bank (OTCQX: CBWA) reported quarterly net income of \$947 thousand or \$0.23 per share for the quarter ending March 31, 2020, compared to \$1.07 million and \$0.28 per share for first quarter 2019. Net interest income decreased by 3% compared to one year prior. Total assets increased 12% from \$354.5 million in first quarter 2019 to \$395.4 million in first quarter 2020.

Total loans at the end of the first quarter 2020 increased 14% to \$301.8 million compared to \$268.2 million in first quarter 2019. The Bank's loan portfolio remained well-diversified at 66% commercial real estate, 30% commercial, and 4% consumer and other. Nonperforming assets were 0.7% and the Bank's Texas Ratio, a measurement of problem loans and bank-owned properties to capital, was 5.1%.

Total deposits increased 11% to \$340.1 million as compared to \$307.5 million the previous period. The deposit mix at quarter-end was 29% non-interest-bearing, 43% interest bearing checking, savings, and money market, and 28% time deposit.

Recent levels of loan and deposit growth support the increasing franchise value of Commencement Bank. The organic growth and penetration in our markets is increasingly evident. The expansion of our Auburn location into a beautiful, full-service branch enhances our market presence in a strategic location.

Interest income, despite the growth in loans and assets, was unchanged due to the ongoing impact of the Fed Funds rate reductions in late 2019 and first quarter 2020. Over this period, the industry was affected by five rate reductions from 2.25% down to 0.25%. Interest expense decreased to \$662 thousand from \$699 thousand one quarter earlier, also reflecting the initial effects of the emergency Fed Funds rate decreases in first quarter 2020.

Since the end of March 2020, and in the first round of the Small Business Administration’s Paycheck Protection Program (PPP) funding, Commencement processed over 260 applications for existing and new clients totaling approximately \$62 million. To support the effectiveness of this program, the Federal Reserve Bank established a PPP Liquidity Facility to match fund these loans, offering liquidity and regulatory capital concessions to financial institutions in order to increase capacity for the program.

“As we wrap up the first quarter of 2020, I am pleased with the continued success of the Bank’s financial performance. We have a dedicated team with a clear vision of our strategy, and we are well-positioned to handle the challenges in the coming months. We continue to focus on growth while maintaining stability and are making the necessary allowances to serve our customers and community during these challenging times,” said John Manolides, President & Chief Executive Officer.

Shareholders were notified of Commencement Bank’s annual meeting date change from April 28, 2020 to June 16, 2020 at 3 PM. Due to the on-going risks associated with COVID-19, the meeting will be held in virtual format.

###

For further discussion, please contact the following:

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

Tom Dhamers – Executive Vice President & 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)

	Quarter Ended March 31, 2020	Quarter Ended December 31, 2019	Three Month	Quarter Ended March 31, 2019	One Year Change
<b>Interest Income</b>					
Loans	\$ 3,652	\$ 3,650	0%	\$ 3,576	2%
Interest bearing deposits in banks	233	279	-16%	294	-21%
Securities	111	119	-7%	130	-15%
Total interest income	3,996	4,048	-1%	4,000	0%
<b>Interest Expense</b>					
Deposits	662	699	-5%	570	16%
Federal Home Loan Bank borrowings	0	0	0%	6	-100%
Total interest expense	662	699	-5%	576	15%
<b>Net Interest Income</b>	3,334	3,349	0%	3,424	-3%
Provision for credit losses	0	0	0%	0	0%
Net interest income after provision for credit losses	3,334	3,349	0%	3,424	-3%
<b>Non-Interest Income</b>					
Service charges on deposit accounts	38	41	-7%	34	12%
Other non-interest income	239	221	8%	165	45%
Total non-interest income	277	262	6%	199	39%
<b>Non-Interest Expense</b>					
Salaries and employee benefits	1,330	1,205	10%	1,351	-2%
Occupancy and equipment expenses	331	327	1%	249	33%
Other operating expenses	773	637	21%	724	7%
Total non-interest expense	2,434	2,169	12%	2,324	5%
Net Income Before Income Tax	1,177	1,442	-18%	1,299	-9%
Provision for Income Tax	230	294	-22%	232	-1%
<b>Net Income</b>	<b>\$ 947</b>	<b>\$ 1,148</b>	<b>-18%</b>	<b>\$ 1,067</b>	<b>-11%</b>

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

	March 31, 2020	December 31, 2019	Three Month Change	March 31, 2019	One Year Change
<b>Assets</b>					
Cash and due from banks	\$ 11,867	\$ 8,626	38%	\$ 9,659	23%
Interest bearing deposits in banks	35,040	34,521	2%	24,234	45%
Securities available for sale	14,128	14,731	-4%	14,666	-4%
Federal funds sold	8,666	12,201	-29%	22,445	-61%
FHLB, FRB and PCBB stock	1,966	1,925	2%	1,787	10%
Loans	305,149	297,699	3%	268,162	14%
Allowance for loan losses	(3,337)	(3,216)	4%	(2,984)	12%
<b>Net Loans</b>	<b>301,812</b>	<b>294,483</b>	<b>2%</b>	<b>265,178</b>	<b>14%</b>
Premises and fixed assets	7,889	7,959	-1%	3,369	134%
Accrued interest receivable	998	995	0%	860	16%
Intangible assets	1,357	1,374	-1%	1,436	-6%
Other assets	11,633	11,569	1%	10,857	7%
<b>Total Assets</b>	<b>\$ 395,356</b>	<b>\$ 388,384</b>	<b>2%</b>	<b>\$ 354,491</b>	<b>12%</b>
<b>Liabilities and Shareholders' Equity</b>					
Deposits					
Demand, non-interest bearing	\$ 97,676	\$ 97,843	0%	\$ 90,844	8%
Savings and interest bearing demand	147,323	147,964	0%	155,490	-5%
Time	95,129	88,562	7%	61,147	56%
<b>Total Deposits</b>	<b>340,128</b>	<b>334,369</b>	<b>2%</b>	<b>307,481</b>	<b>11%</b>
Federal Home Loan Bank borrowings	0	0	0%	591	-100%
Accrued interest payable	59	112	-47%	55	7%
Other liabilities	6,219	6,207	0%	2,705	130%
<b>Total Liabilities</b>	<b>346,406</b>	<b>340,688</b>	<b>2%</b>	<b>310,832</b>	<b>11%</b>
<b>Shareholders' Equity</b>					
Common stock <sup>(1)</sup>	4,200	4,199	0%	4,190	0%
Additional paid in capital	39,513	39,473	0%	39,353	0%
Retained Earnings	4,996	4,050	23%	330	1414%
Other Comprehensive income	241	(26)	-1027%	(214)	213%
<b>Total Shareholders' Equity</b>	<b>48,950</b>	<b>47,696</b>	<b>3%</b>	<b>43,659</b>	<b>12%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 395,356</b>	<b>\$ 388,384</b>	<b>2%</b>	<b>\$ 354,491</b>	<b>12%</b>

<sup>(1)</sup> \$1 par value, shares authorized 12,100,000, issued and outstanding 4,199,575

	Quarterly				
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
<b>Financial Ratios</b>					
Return on Average Assets	0.98%	1.16%	1.60%	1.17%	1.25%
Return on Average Equity	7.88%	9.42%	13.27%	9.39%	10.06%
Efficiency Ratio	67.40%	60.69%	58.75%	58.89%	64.12%
Yield on Earning Assets	4.42%	4.45%	5.59%	5.07%	4.95%
Cost of Funds	0.79%	0.83%	0.93%	0.84%	0.77%
Net Interest Margin	3.68%	3.69%	4.73%	4.30%	4.24%
Tangible Book Value per Share	\$ 11.34	\$ 11.03	\$ 10.76	\$ 10.38	\$ 9.98
Earnings per Share	\$ 0.23	\$ 0.27	\$ 0.37	\$ 0.25	\$ 0.28
Loan to Deposits	89.7%	89.0%	88.8%	91.6%	87.2%
Tangible Equity to Tangible Assets	12.1%	12.0%	12.1%	12.0%	12.0%
<b>Asset Quality</b>					
Allowance for Loan Losses to Total Loans	1.09%	1.08%	1.12%	1.11%	1.11%
Texas Ratio	5.10%	5.20%	0.00%	0.00%	0.00%
Nonperforming Assets to Assets	0.70%	0.70%	0.00%	0.00%	0.00%