



Commencement Bank Announces Second Quarter 2020 Results

Commencement Bank (OTCQX: CBWA) reported a net income of \$580,000 or \$0.14 per share for the quarter ending June 30, 2020. The significant factor in the reduction in net income was due to an additional contribution to the reserve for potential loan losses. At this point, no loans have defaulted due to the pandemic; however, it is logical to assume that the near stoppage of economic activity through the COVID-19 pandemic could have an impact on future loan losses.

During second quarter 2020, the Bank's balance sheet grew to unprecedented numbers as a result of our Paycheck Protection Program (PPP) activities. Commencement processed over 500 loans for approximately \$115 million, servicing existing clients that requested a loan along with many other businesses that were left unserved by their previous banks. Federal Funds Sold grew appreciably from the additional deposits of the PPP loan fundings, additional deposit inflows from newly acquired clients, and the proceeds of the Paycheck Protection Program Liquidity Facility (PPPLF).

As a reflection of the PPP below market interest rate loans and effects of the emergency rate decreases implemented by the Federal Open Market Committee in March, net interest margin remained under pressure. Cost of funds were reduced during the quarter with further improvement expected in the third quarter. Margins are anticipated to increase as the PPP loans are forgiven and constitute a smaller percentage of the loan portfolio. The forgiveness process will also allow for increased recognition of processing fees, which are currently being amortized over the life of the PPP loans.

Despite the increase in asset size, capital remained very strong and significantly above regulatory definitions of well-capitalized.

In June, Commencement Bank shareholders approved the formation of a new bank holding company, Commencement Bancorp, Inc. Effective during third quarter 2020, Commencement Bancorp, Inc. began trading under the Bank's former ticker symbol CBWA on the OTC Markets premium trading platform, OTCQX. It is anticipated that this will aid the organization in its strategic growth initiatives and provide better access to capital markets.

"This has been an unprecedented quarter due to the impact COVID-19 has had on our economy. I am extremely proud of the dedication our team has shown as they truly embraced the essence of a community bank and provided over 500 Paycheck Protection Program loans to existing clients as well as many businesses whose banks failed to provide them with one. I admire the effort made by our staff as they assisted small businesses, their employees, and families through a time of great uncertainty," said John Manolides, President & Chief Executive Officer.

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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. 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 June 30, 2020	Quarter Ended March 31, 2020	Three Month	Quarter Ended June 30, 2019	One Year Change
Interest Income					
Loans	\$ 4,126	\$ 3,652	13%	\$ 3,834	8%
Interest bearing deposits in banks	219	233	-6%	243	-10%
Securities	91	111	-18%	121	-25%
Total interest income	4,436	3,996	11%	4,198	6%
Interest Expense					
Deposits	659	662	0%	636	4%
Other borrowings	21	-	100%	3	600%
Total interest expense	680	662	3%	639	6%
Net Interest Income					
	3,756	3,334	13%	3,559	6%
Provision for credit losses	750	0	100%	290	159%
Net interest income after provision for credit losses	3,006	3,334	-10%	3,269	-8%
Non-Interest Income					
Service charges on deposit accounts	31	38	-18%	41	-24%
Other non-interest income	146	239	-39%	173	-16%
Total non-interest income	177	277	-36%	214	-17%
Non-Interest Expense					
Salaries and employee benefits	1,352	1,330	2%	1,292	5%
Occupancy and equipment expenses	313	331	-5%	266	18%
Other operating expenses	789	773	2%	663	19%
Total non-interest expense	2,454	2,434	1%	2,221	10%
Net Income Before Income Tax	729	1,177	-38%	1,262	-42%
Provision for Income Tax	149	230	-35%	224	-33%
Net Income	\$ 580	\$ 947	-39%	\$ 1,038	-44%

BALANCE SHEETS (Unaudited)
(Dollars in thousands)

	June 30, 2020	March 31, 2020	Three Month Change	June 30, 2019	One Year Change
Assets					
Cash and due from banks	\$ 10,721	\$ 11,867	-10%	\$ 6,479	65%
Interest bearing deposits in banks	39,795	35,040	14%	19,657	102%
Securities available for sale	12,916	14,128	-9%	14,321	-10%
Federal funds sold	50,911	8,666	487%	18,061	182%
FHLB, FRB and PCBB stock	1,966	1,966	0%	1,939	1%
Loans	413,974	305,149	36%	287,744	44%
Allowance for loan losses	(4,257)	(3,337)	28%	(3,186)	34%
Net Loans	409,717	301,812	36%	284,558	44%
Premises and fixed assets	7,656	7,889	-3%	5,676	35%
Accrued interest receivable	1,631	998	63%	955	71%
Intangible assets	1,341	1,357	-1%	1,415	-5%
Other assets	11,812	11,633	2%	12,396	-5%
Total Assets	\$ 548,466	\$ 395,356	39%	\$ 365,457	50%
Liabilities and Shareholders' Equity					
Deposits					
Demand, non-interest bearing	\$ 155,848	\$ 97,676	60%	\$ 94,216	65%
Savings and interest bearing demand	197,274	147,323	34%	146,445	35%
Time	106,893	95,129	12%	73,412	46%
Total Deposits	460,015	340,128	35%	314,073	46%
Total Borrowing	32,978	0	100%	338	9657%
Accrued interest payable	66	59	12%	102	-35%
Other liabilities	5,893	6,219	-5%	6,031	-2%
Total Liabilities	498,952	346,406	44%	320,544	56%
Shareholders' Equity					
Common stock ⁽¹⁾	4,201	4,200	0%	4,191	0%
Additional paid in capital	39,562	39,513	0%	39,392	0%
Retained Earnings	5,577	4,996	12%	1,367	308%
Other Comprehensive income	174	241	-28%	(37)	570%
Total Shareholders' Equity	49,514	48,950	1%	44,913	10%
Total Liabilities and Shareholders' Equity	\$ 548,466	\$ 395,356	39%	\$ 365,457	50%

⁽¹⁾ \$1 par value, shares authorized 12,100,000, issued and outstanding 4,200,654

	Quarterly				
	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Financial Ratios					
Return on Average Assets	0.46%	0.98%	1.16%	1.60%	1.17%
Return on Average Equity	4.70%	7.88%	9.42%	13.27%	9.39%
Efficiency Ratio	62.60%	67.40%	60.69%	58.75%	58.89%
Yield on Earning Assets	3.74%	4.42%	4.45%	5.59%	5.07%
Cost of Funds	0.60%	0.79%	0.83%	0.93%	0.84%
Net Interest Margin	3.16%	3.68%	3.69%	4.73%	4.30%
Tangible Book Value per Share	\$ 11.47	\$ 11.34	\$ 11.03	\$ 10.76	\$ 10.38
Earnings per Share	\$ 0.14	\$ 0.23	\$ 0.27	\$ 0.37	\$ 0.25
Loan to Deposits	90.0%	89.7%	89.0%	88.8%	91.6%
Tangible Equity to Tangible Assets	9.4%	12.1%	12.0%	12.1%	12.0%
Asset Quality					
Allowance for Loan Losses to Total Loans	1.03%	1.09%	1.08%	1.12%	1.11%
Texas Ratio	4.90%	5.10%	5.20%	0.00%	0.00%
Nonperforming Assets to Assets	0.60%	0.70%	0.70%	0.00%	0.00%