



**FOR IMMEDIATE RELEASE**

October 28, 2020

## **Commencement Bancorp, Inc. Announces Third Quarter Earnings**

### **2020 Third Quarter Financial Highlights:**

- Total assets increased \$136 million, or 36%, to \$511.4 million at September 30, 2020 from \$375.4 million for the period ending September 30, 2019.
- Net income of \$1.2 million, or \$0.29 per share, was recorded for the quarter ending September 30, 2020 versus \$1.5 million, or \$0.37 per share, in third quarter 2019.
- Total loans increased \$138.6 million, or 48%, compared to one year prior. SBA Paycheck Protection Program (PPP) loans totaled \$114.5 million.
- Total deposits increased by \$132.8 million, or 41%, from third quarter 2019. Funding of PPP loans, along with new banking relationships earned through participation in this program, accounted for the majority of overall growth.
- Tangible book value per share increased to \$11.75 for the quarter from \$10.76 one year earlier.
- Nonperforming assets to total assets remained stable at 0.5%.

TACOMA, WASH. – Commencement Bancorp, Inc. (OTCQX:CBWA) reported quarterly net income of \$1.2 million or \$0.29 per share for the quarter ending September 30, 2020, compared to \$1.5 million and \$0.37 per share for third quarter 2019. Net interest income after provision for credit losses decreased by 13% compared to one year prior. Contribution to the allowance for loan and lease losses (ALLL) were made in both second and third quarters of 2020. These contributions reflect increased risks to commercial loans as a result of COVID-19 rather than specifically identified credits. Total assets increased 36% from \$375.4 million in third quarter 2019 to \$511.4 million in third quarter 2020.

Total loans, aside from PPP loans, increased \$24.1 million, or 8%, to \$310.3 million compared to \$286.2 million in third quarter 2019. The SBA Paycheck Protection Program (PPP) loans totaled \$114.5 million. Nonperforming assets to total assets were 0.5% and the Bank's Texas Ratio, a measurement of problem loans and bank-owned properties to capital, decreased to 4.8%.

The Bank processed over 500 PPP loans for both existing and new clients. Net interest margin was impacted by the low yield of 1% on PPP loans. The Bank's lending practices remained conservative and asset quality remained strong. Traditionally, the Bank has not invested in the leisure/travel industry; therefore, the effects of COVID-19 on this specific industry has not negatively impacted the Bank. The Bank's loan portfolio remained well-diversified at 42%



commercial real estate, 54% commercial, and 4% consumer and other. Industry concentrations are also monitored and remained well-diversified. Through third quarter 2020, the portfolio remained healthy as requests for payment deferrals slowed significantly since the beginning of the pandemic. Management remains optimistic that borrowers are recovering from the early onset of COVID-19 and the economic shutdown.

The Bank has begun processing PPP forgiveness applications from borrowers and has started to receive forgiveness funds from the SBA. Management anticipates this activity to increase over the coming months. The balance of unearned processing fees will be recognized as PPP loan balances are forgiven.

Total deposits increased by \$132.8 million, or 41%, from third quarter 2019. New business relationships formed during the PPP loan process contributed to overall growth in deposits. The total number of business checking and money market accounts increased by 23% and 21%, respectively, when compared to year-end 2019. This growth also prompted an overall increase in online and electronic services.

“The Bank’s financial performance this quarter is a direct reflection of our organization’s commitment to serving our communities by supporting the needs of local businesses. The Paycheck Protection Program and the hard work and dedication of our staff has opened the door for us to secure new relationships with clients who were left underserved by their financial institutions. We are heading into the last quarter of 2020 with positive momentum and a strong operating strategy,” said John Manolides, President & Chief Executive Officer.

###

#### **About Commencement Bancorp, Inc.**

*Commencement Bancorp, Inc. is the holding company for Commencement Bank, headquartered in Tacoma, Washington. Commencement Bank was formed in 2006 to provide traditional, reliable, and sustainable banking in Pierce, King, and Thurston counties and the surrounding areas. Their 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, please 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).*

#### ***For further discussion, please contact the following:***

*John E. Manolides, President & Chief Executive Officer | 253-284-1802*

*Thomas L. Dhamers, Executive Vice President & Chief Financial Officer | 253-284-1803*

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, 2020	Quarter Ended June 30, 2020	Three Month	Quarter Ended September 30, 2019	One Year Change
<b>Interest Income</b>					
Loans	\$ 4,225	\$ 4,126	2%	\$ 4,582	-8%
Interest bearing deposits in banks	176	219	-20%	311	-43%
Securities	107	91	18%	118	-9%
Total interest income	4,508	4,436	2%	5,011	-10%
<b>Interest Expense</b>					
Deposits	576	659	-13%	762	-24%
Other borrowings	5	21	-76%	2	150%
Total interest expense	581	680	-15%	764	-24%
<b>Net Interest Income</b>					
Provision for credit losses	3,927	3,756	5%	4,247	-8%
Provision for credit losses	250	750	-67%	-	100%
Net interest income after provision for credit losses	3,677	3,006	22%	4,247	-13%
<b>Non-Interest Income</b>					
Service charges on deposit accounts	34	31	10%	41	-17%
Other non-interest income	329	146	125%	237	39%
Total non-interest income	363	177	105%	278	31%
<b>Non-Interest Expense</b>					
Salaries and employee benefits	1,479	1,352	9%	1,617	-9%
Occupancy and equipment expenses	325	313	4%	279	16%
Other operating expenses	725	789	-8%	762	-5%
Total non-interest expense	2,529	2,454	3%	2,658	-5%
Net Income Before Income Tax	1,511	729	107%	1,867	-19%
Provision for Income Tax	302	149	103%	332	-9%
<b>Net Income</b>	<b>\$ 1,209</b>	<b>\$ 580</b>	<b>108%</b>	<b>\$ 1,535</b>	<b>-21%</b>



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

	September 30, 2020	June 30, 2020	Three Month Change	September 30, 2019	One Year Change
<b>Assets</b>					
Cash and due from banks	\$ 10,856	\$ 10,721	1%	\$ 8,474	28%
Interest bearing deposits in banks	37,861	39,795	-5%	34,599	9%
Securities available for sale	17,104	12,916	32%	16,609	3%
Federal funds sold	941	50,911	-98%	9,881	-90%
FHLB, FRB and PCBB stock	1,966	1,966	0%	1,925	2%
Loans	424,738	413,974	3%	286,174	48%
Allowance for loan losses	(4,515)	(4,257)	6%	(3,198)	41%
<b>Net Loans</b>	<b>420,223</b>	<b>409,717</b>	<b>3%</b>	<b>282,976</b>	<b>49%</b>
Premises and fixed assets	7,442	7,656	-3%	5,937	25%
Accrued interest receivable	1,821	1,631	12%	930	96%
Intangible assets	1,325	1,341	-1%	1,394	-5%
Other assets	11,842	11,812	0%	12,669	-7%
<b>Total Assets</b>	<b>\$ 511,381</b>	<b>\$ 548,466</b>	<b>-7%</b>	<b>\$ 375,394</b>	<b>36%</b>
<b>Liabilities and Shareholders' Equity</b>					
Deposits					
Demand, non-interest bearing	\$ 142,589	\$ 155,848	-9%	\$ 90,050	58%
Savings and interest bearing demand	206,319	197,274	5%	147,956	39%
Time	106,080	106,893	-1%	84,193	26%
<b>Total Deposits</b>	<b>454,988</b>	<b>460,015</b>	<b>-1%</b>	<b>322,199</b>	<b>41%</b>
Total Borrowing	-	32,978	-100%	-	0%
Accrued interest payable	45	66	-32%	109	-59%
Other liabilities	5,639	5,893	-4%	6,565	-14%
<b>Total Liabilities</b>	<b>460,672</b>	<b>498,952</b>	<b>-8%</b>	<b>328,873</b>	<b>40%</b>
<b>Shareholders' Equity</b>					
Common stock <sup>(1)</sup>	4,205	4,201	0%	4,196	0%
Additional paid in capital	39,608	39,562	0%	39,439	0%
Retained Earnings	6,786	5,577	22%	2,902	134%
Other Comprehensive income	110	174	-37%	(16)	788%
<b>Total Shareholders' Equity</b>	<b>50,709</b>	<b>49,514</b>	<b>2%</b>	<b>46,521</b>	<b>9%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 511,381</b>	<b>\$ 548,466</b>	<b>-7%</b>	<b>\$ 375,394</b>	<b>36%</b>

<sup>(1)</sup> \$1 par value, shares authorized 50,000,000, issued and outstanding 4,205,151



	Quarterly				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
<b>Financial Ratios</b>					
Return on Average Assets	0.92%	0.46%	0.98%	1.16%	1.60%
Return on Average Equity	9.56%	4.70%	7.88%	9.42%	13.27%
Efficiency Ratio	58.94%	62.60%	67.40%	60.69%	58.75%
Yield on Earning Assets	3.62%	3.74%	4.42%	4.45%	5.59%
Cost of Funds	0.49%	0.60%	0.79%	0.83%	0.93%
Net Interest Margin	3.15%	3.16%	3.68%	3.69%	4.73%
Tangible Book Value per Share	\$ 11.75	\$ 11.47	\$ 11.34	\$ 11.03	\$ 10.76
Earnings per Share	\$ 0.29	\$ 0.14	\$ 0.23	\$ 0.27	\$ 0.37
Loan to Deposits	93.4%	90.0%	89.7%	89.0%	88.8%
Tangible Equity to Tangible Assets	9.7%	9.4%	12.1%	12.0%	12.1%
<b>Asset Quality</b>					
Allowance for Loan Losses to Total Loans	1.06%	1.03%	1.09%	1.08%	1.12%
Texas Ratio	4.80%	4.90%	5.10%	5.20%	0.00%
Nonperforming Assets to Assets	0.50%	0.60%	0.70%	0.70%	0.00%