



## Commencement Bancorp, Inc. Announces 2020 Results

### 2020 Financial Highlights:

- Total assets increased \$140 million, or 36%, to \$528 million at December 31, 2020 from \$388 million at December 31, 2019. \$97 million of the asset increase consists of Paycheck Protection Program (PPP) loans, for a net gain of \$43 million, or 11%.
- Deposits grew 40% in 2020, improving non-interest bearing balances to 30%.
- Net income of \$4 million for the year ended December 31, 2020, despite over \$1 million in provisions to the Allowance for Loan and Lease Losses (ALLL).
- Tangible book value per share increased to \$12.05 at December 31, 2020, an increase of 9% from \$11.03 at December 31, 2019.
- Return on average assets of 1.02% for the fourth quarter, reflecting positive momentum.
- No additions to nonperforming assets, totaling 0.60% at the end of the year.
- ALLL increased to 1.13%, or 1.57% effectively, considering guaranteed loans.
- Received shareholder approval to form bank holding company, Commencement Bancorp, Inc.
- Announced stock repurchase plan effective November 2, 2020.

Commencement Bancorp, Inc. (OTCQX:CBWA) reported a consolidated net income of \$4.0 million or \$0.97 per share for 2020, compared to \$4.8 million or \$1.17 per share for 2019. Net interest income after provisions for credit losses was \$14.3 million and was in-line with net interest income for 2019. Contributions to the ALLL totaled \$1.15 million compared to \$290,000 the prior year. No additional non-performing loans were identified; however, allocations were made in response to the economic uncertainty resulting from the COVID-19 pandemic. Total assets were \$528 million, an increase of 36% from one year earlier and reflects the success of our participation in the PPP loan program. Capital ratios continued to exceed regulatory requirements.

Total loans at the end of 2020 were \$409.3 million, an increase of 39% from \$294.5 million the prior year. Nonperforming assets to total assets at year-end were .60% and the Bank's Texas Ratio, a measurement of problem loans and bank-owned properties to capital, was 4.7%. Paycheck Protection Program loans reached a total of \$114.5 million during 2020 and the Bank began to receive forgiveness payments during the fourth quarter. The Bank's loan portfolio remained diversified at 43% commercial, 54% commercial real estate, and 3% consumer and other.

Net interest margin decreased in the second and third quarters. This was in response to the Federal Open Market Committee's (FOMC) emergency rate decreases in March 2020, along with PPP loans yielding 1%. These margins began to improve in the fourth quarter as processing fees were fully recognized on PPP loans that were forgiven. Improvements in reducing cost of funds were realized continually on a quarter by quarter basis.

Total deposits at the end of 2020 were \$469.7 million, an increase of 40% from \$334.4 million in 2019. The deposit mix at quarter-end was 30% non-interest bearing, 47% interest bearing (checking, savings, and money market), and 23% time deposit.



Despite the economic consequences caused by COVID-19, Commencement realized growth in assets and remained steady with overall net interest income. Successful participation in the Paycheck Protection Program provided the Bank with new relationships based on the efforts made to support our clients and the community in general.

“Commencement, along with the rest of the industry, faced a challenging year with the onset of the COVID-19 pandemic. However, even with a large portion of our workforce working from home, the Bank experienced growth and was resilient throughout the year. The Bank’s philosophy of maintaining a diversified loan portfolio, once again supported strong asset quality and limited the effects of the economic shutdown. I could not be prouder of our team for supporting our clients and community throughout this health and economic emergency, while balancing a multitude of changes brought on by the pandemic,” 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](http://www.commencementbank.com). For information related to the trading of CBWA, please visit [www.otcm Markets.com](http://www.otcm Markets.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, 2020	Quarter Ended September 30, 2020	Three Month	Quarter Ended December 31, 2019	One Year Change
<b>Interest Income</b>					
Loans	\$ 4,633	\$ 4,225	10%	\$ 3,650	27%
Interest bearing deposits in banks	135	176	-23%	279	-52%
Securities	124	107	16%	119	4%
Total interest income	4,892	4,508	9%	4,048	21%
<b>Interest Expense</b>					
Deposits	497	576	-14%	699	-29%
Other borrowings	0	5	-100%	0	0%
Total interest expense	497	581	-14%	699	-29%
<b>Net Interest Income</b>					
	4,395	3,927	12%	3,349	31%
Provision for credit losses	150	250	-40%	-	100%
Net interest income after provision for credit losses	4,245	3,677	15%	3,349	27%
<b>Non-Interest Income</b>					
Service charges on deposit accounts	32	34	-6%	41	-22%
Other non-interest income	385	329	17%	221	74%
Total non-interest income	417	363	15%	262	59%
<b>Non-Interest Expense</b>					
Salaries and employee benefits	1,609	1,479	9%	1,205	34%
Occupancy and equipment expenses	317	325	-2%	327	-3%
Other operating expenses	1,097	725	51%	637	72%
Total non-interest expense	3,023	2,529	20%	2,169	39%
Net Income Before Income Tax	1,639	1,511	8%	1,442	14%
Provision for Income Tax	343	302	14%	294	17%
<b>Net Income</b>	<b>\$ 1,296</b>	<b>\$ 1,209</b>	<b>7%</b>	<b>\$ 1,148</b>	<b>13%</b>



**STATEMENTS OF INCOME** (Unaudited)

(Dollars in thousands)

	For Year Ended		One Year Change
	December 31, 2020	December 31, 2019	
<b>Interest Income</b>			
Loans	\$ 16,636	\$ 15,641	6%
Interest bearing deposits in banks	763	1,128	-32%
Securities available for sale	433	488	-11%
<b>Total interest income</b>	<b>17,832</b>	<b>17,257</b>	<b>3%</b>
<b>Interest Expense</b>			
Deposits	2,395	2,667	-10%
Federal Home Loan Bank borrowings	25	11	127%
<b>Total interest expense</b>	<b>2,420</b>	<b>2,678</b>	<b>-10%</b>
<b>Net Interest Income</b>	<b>15,412</b>	<b>14,579</b>	<b>6%</b>
Provision for credit losses	1,150	290	100%
<b>Net interest income after provision for credit losses</b>	<b>14,262</b>	<b>14,289</b>	<b>0%</b>
<b>Non-Interest Income</b>			
Service charges on deposit accounts	135	157	-14%
Other non-interest income	1,099	796	38%
<b>Total non-interest income</b>	<b>1,234</b>	<b>953</b>	<b>29%</b>
<b>Non-Interest Expense</b>			
Salaries and employee benefits	5,770	5,465	6%
Occupancy and equipment expenses	1,286	1,121	15%
Other operating expenses	3,384	2,786	21%
<b>Total non-interest expense</b>	<b>10,440</b>	<b>9,372</b>	<b>11%</b>
Net Income Before Income Tax	5,056	5,870	-14%
Provision for Income Tax	1,024	1,082	-5%
<b>Net Income</b>	<b>\$ 4,032</b>	<b>\$ 4,788</b>	<b>-16%</b>



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

	December 31, 2020	September 30, 2020	Three Month Change	December 31, 2019	One Year Change
<b>Assets</b>					
Cash and due from banks	\$ 8,874	\$ 10,856	-18%	\$ 8,626	3%
Interest bearing deposits in banks	31,871	37,861	-16%	34,521	-8%
Securities available for sale	22,032	17,104	29%	14,731	50%
Federal funds sold	28,885	941	2970%	12,201	137%
FHLB, FRB and PCBB stock	1,966	1,966	0%	1,925	2%
Loans	413,978	424,738	-3%	297,699	39%
Allowance for loan losses	(4,665)	(4,515)	3%	(3,216)	45%
<b>Net Loans</b>	<b>409,313</b>	<b>420,223</b>	<b>-3%</b>	<b>294,483</b>	<b>39%</b>
Premises and fixed assets	7,243	7,442	-3%	7,959	-9%
Accrued interest receivable	1,898	1,821	4%	995	91%
Intangible assets	1,308	1,325	-1%	1,374	-5%
Other assets	14,562	11,842	23%	11,569	26%
<b>Total Assets</b>	<b>\$ 527,952</b>	<b>\$ 511,381</b>	<b>3%</b>	<b>\$ 388,384</b>	<b>36%</b>
<b>Liabilities and Shareholders' Equity</b>					
Deposits					
Demand, non-interest bearing	\$ 138,587	\$ 142,589	-3%	\$ 97,843	42%
Savings and interest bearing demand	221,167	206,319	7%	147,964	49%
Time	109,954	106,080	4%	88,562	24%
<b>Total Deposits</b>	<b>469,708</b>	<b>454,988</b>	<b>3%</b>	<b>334,369</b>	<b>40%</b>
Total Borrowing	0	0	0%	0	0%
Accrued interest payable	38	45	-16%	112	-66%
Other liabilities	6,346	5,639	13%	6,207	2%
<b>Total Liabilities</b>	<b>476,092</b>	<b>460,672</b>	<b>3%</b>	<b>340,688</b>	<b>40%</b>
<b>Shareholders' Equity</b>					
Common stock <sup>(1)</sup>	4,181	4,205	-1%	4,199	0%
Additional paid in capital	44,956	39,608	14%	39,473	14%
Retained Earnings	2,557	6,786	-62%	4,050	-37%
Other Comprehensive income	166	110	51%	(26)	738%
<b>Total Shareholders' Equity</b>	<b>51,860</b>	<b>50,709</b>	<b>2%</b>	<b>47,696</b>	<b>9%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 527,952</b>	<b>\$ 511,381</b>	<b>3%</b>	<b>\$ 388,384</b>	<b>36%</b>

<sup>(1)</sup> \$1 par value, shares authorized 50,000,000, issued and outstanding 4,181,119



**Quarterly**

	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Financial Ratios</b>					
Return on Average Assets	1.02%	0.92%	0.46%	0.98%	1.16%
Return on Average Equity	10.43%	9.56%	4.70%	7.88%	9.42%
Efficiency Ratio	61.75%	58.94%	62.60%	67.40%	60.69%
Yield on Earning Assets	3.94%	3.62%	3.74%	4.42%	4.45%
Cost of Funds	0.42%	0.49%	0.60%	0.79%	0.83%
Net Interest Margin	3.54%	3.15%	3.16%	3.68%	3.69%
Tangible Book Value per Share	\$ 12.05	\$ 11.75	\$ 11.47	\$ 11.34	\$ 11.03
Earnings per Share	\$ 0.32	\$ 0.29	\$ 0.14	\$ 0.23	\$ 0.27
Loan to Deposits	88.1%	93.4%	90.0%	89.7%	89.0%
Tangible Equity to Tangible Assets	9.6%	9.7%	9.4%	12.1%	12.0%
<b>Asset Quality</b>					
Allowance for Loan Losses to Total Loans	1.13%	1.06%	1.03%	1.09%	1.08%
Texas Ratio	4.70%	4.80%	4.90%	5.10%	5.20%
Nonperforming Assets to Assets	0.60%	0.50%	0.60%	0.70%	0.70%