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Commencement Bancorp, Inc. Announces Second Quarter 2026 Results

2026 Second Quarter Financial Highlights:

- Quarterly net income of $1.8 million, or $0.48 earnings per share compared to $1.7 million, or $0.44 earnings per share, during the first quarter of 2026.
- Total assets of $739.8 million.
- Loans increased $16.8 million during the second quarter of 2026, or 12.5% annualized growth rate.
- Deposits increased $36.1 million during the second quarter of 2026, or 23.3% annualized growth rate.
- Net interest margin of 4.29% during the second quarter of 2026 compared to 4.20% during the first quarter of 2026 and 4.02% during the second quarter of 2025.
- Total cost of deposits of 1.37% during the second quarter of 2026 compared to 1.33% during the first quarter of 2026 and 1.53% during the second quarter of 2025.
- Capital ratios remained well above regulatory requirements.

TACOMA, WASH. – Commencement Bancorp, Inc. (OTCQX: CBWA) (the "Company", "we," or "us"), the parent company of Commencement Bank (the "Bank"), reported net income of $1.8 million, or $0.48 per share, for the second quarter of 2026 compared to $1.7 million, or $0.44 per share, for the first quarter of 2026. Comparable earnings were $1.5 million, or $0.40 per share, for the second quarter of 2025. The Bank recorded return on average assets of 1.01% for the second quarter of 2026, compared to 0.95% for the first quarter of 2026 and 0.91% for the second quarter of 2025. The return on average common equity was 11.39% for the second quarter of 2026 compared to 10.94% for the first quarter of 2026 and 11.14% for the second quarter of 2025.

"Our 20% year-over-year quarterly earnings increase, along with record loan, deposit, and total asset levels, reflects the strength and discipline of our organization. Over the past two years, we've built sustained momentum with increased profitability and stock performance that underscores the confidence our customers and shareholders place in us," said John E. Manolides, Chief Executive Officer.

"Our high-touch, community-first banking model continues to win significant market share, delivering strong quarterly earnings and building sustained shareholder value," stated Nigel L. English, President & Chief Operating Officer. "This growth is propelled by a clear market shift, as families and businesses increasingly prioritize local, transparent, and relationship-focused banking. This momentum highlights the flawless execution of our entire bank. Furthermore, the strategic additions of our new Health Care Banking Team and SBA lending manager have generated significant market enthusiasm, immediately accelerating our commercial loan and deposit pipelines."

Balance Sheet

Total assets increased $42.4 million to $739.8 million at June 30, 2026 from $697.5 million at March 31, 2026.

Federal funds sold increased $19.6 million to $37.4 million at June 30, 2026 due to the significant deposit growth during the second quarter of 2026. The Company actively monitors its liquidity for anticipated uses.

Investment securities available for sale decreased $2.3 million, or 3.1%, to $74.0 million at June 30, 2026 from $76.3 million at March 31, 2026. This decrease was due to principal payments of $2.2 million.

Loans receivable increased $16.8 million, or 12.5% annualized, to $556.6 million at June 30, 2026 from $539.8 million at March 31, 2026, due to loan originations, offset by scheduled loan payments. The Bank originated commitments of $60.0 million during second quarter of 2026 compared to $50.4 million during the first quarter of 2026 and $62.3 million during the second quarter of 2025.

Total deposits increased $36.1 million, or 23.3% annualized, to $659.6 million at June 30, 2026 from $623.5 million at March 31, 2026. Noninterest bearing deposits, as a percentage of total deposits was 30.2% at June 30, 2026.

On June 15, 2026, the Company raised $5.0 million of fixed-to-floating subordinated notes ("Notes") due June 30, 2036 to support organic growth while maintaining a strong capital position. The Notes are intended to qualify as Tier 2 capital for regulatory purposes.

Credit Quality

The Bank had nonperforming assets of $488,000, or 0.07% of total assets, at both June 30, 2026 and March 31, 2026. The Bank recorded provision for credit losses of $261,000 during the second quarter of 2026, and increase of $82,000 from the first quarter of 2026, to provide for its substantial loan growth. The provision total includes the provision for unfunded credit losses of $51,000 during the second quarter of 2026. The allowance for credit losses to loans receivable remains strong at 1.18% at both June 30, 2026 and March 31, 2026.

The percentage of classified loans (loans rated Substandard or worse) to loans receivable decreased to 0.89% at June 30, 2026 from 0.90% at March 31, 2026. There were no changes to the relationships identified as classified loans during the second quarter of 2026. The Bank proactively downgrades loans if the borrower is experiencing financial difficulties and upgrades loans if the borrower demonstrates sustained financial performance.

Liquidity

The Bank has ample liquidity with both on-and off-balance sheet sources. Total on-balance sheet liquidity of $147.0 million, or 19.9% of total assets, at June 30, 2026, includes unencumbered cash, cash equivalents and investment securities. The Bank also had access to available Federal Home Loan Bank advances, Federal Reserve's discount window, and federal funds lines with correspondent banks of $227.7 million at June 30, 2026.

Income Statement

Net interest income increased $339,000, or 5.0%, to $7.1 million for the second quarter of 2026 compared to $6.8 million for the first quarter of 2026 due to the increase in interest income of $459,000, offset partially by an increase in interest expense of $120,000. Interest income increased from the increase of average interest earning assets of $11.0 million during the second quarter of 2026 compared to the first quarter of 2026. Net interest income increased $1.1 million, or 17.3%, compared to the second quarter ended 2025. Net interest income was impacted by the reduction of the federal funds rate of 75 basis points ("bps") in the latter half of 2025, reducing variable rate loans and new loan origination pricing. During the second quarter of 2026, the Company had average variable loans of $98.7 million.

Net interest margin ("NIM") increased nine bps to 4.29% during second quarter of 2026 from 4.20% during the first quarter of 2026 due to an increase in loan yields of 10 bps, offset partially by the increase in cost of total deposit of 4 bps. NIM increased 27 bps compared to 4.02% during the second quarter of 2025 due to the combination of a decrease in total cost of deposits of 16 bps and an increase in yield on loans of 14 bps.

Interest income on loans increased $549,000, or 7.0%, during the second quarter of 2026 compared to the first quarter of 2026 due primarily to an increase in average balances of $21.7 million. Interest income on loans increased $1.1 million compared to the second quarter of 2025 due to an increase in the average balance of loans of $57.0 million. The yield on net loans increased 9 bps to 6.25% for the second quarter of 2026 from 6.16% for the first quarter of 2026 due to higher yields on new loan originations and renewals, and higher repricing rates on the adjustable portfolio. Additionally, the Bank experienced elevated prepayment penalties during the second quarter of 2026 resulting in increase in loan yield of 4 bps.

Interest income on investments decreased $207,000 during the second quarter of 2026 compared to the second quarter of 2025 due to a decrease in average balances of $13.1 million due primarily to principal payments, including the early redemption of a security with significantly higher yield. In addition, the Bank experienced negative interest impacts of its interest rate swap given the lower rate environment during the second quarter of 2026 compared to 2025.

Interest expense on deposits increased $107,000, or 5.1%, during the second quarter of 2026 compared to the first quarter of 2026 due to an increase in average balance of $2.0 million, offset by a decrease in exception pricing rates. Total cost of deposits increased 4 bps to 1.37% for second quarter of 2026 compared to 1.33% for the first quarter of 2026. Total cost of deposits decreased 16 bps compared to 1.53% for the second quarter of 2025. Noninterest bearing demand deposits represent 30.2% of total deposits at June 30, 2026 compared to 30.4% at March 31, 2026.

Total non-interest income decreased $148,000, or 25.0%, during the second quarter of 2026 compared to the second quarter of 2025 due to recognition of interest rate swaps of $188,000 during 2025. There were no swap fees recognized during the second quarter of 2026.

Total non-interest expense increased $75,000, or 1.5%, during the second quarter of 2026 compared to the first quarter of 2026 due to an increase in total compensation, primarily related to the newly hired teams. Total non-interest expense increased $640,000 compared to the second quarter of 2025 due primarily to an increase in compensation and employee benefits related to employee merit increases, additional stock compensation expense from newly granted awards, payroll taxes, and the newly hired teams.

Income tax expense increased $50,000 during the second quarter of 2026 compared to the first quarter of 2026 due primarily to an increase in net income. The effective tax rate for the second quarter of 2026 was 17.6% compared to 16.9% during the first quarter of 2026 and 19.4% for the second quarter of 2025. The decrease in effective rate compared to 2025 related to a significant increase in tax-exempt loans proportionately to net income during 2026.

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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, Kitsap, 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*. For information related to the trading of CBWA, please visit* www.otcmarkets.com*.*

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COMMENCEMENT BANCORP, INC.

COMMENCEMENT BANK

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)
(Dollars in thousands, except shares)

	June 30, 2026	March 31, 2026	December 31, 2025
Assets			
Cash on hand and in banks	$ 9,791	$ 11,000	$ 8,580
Interest bearing deposits	25,799	15,811	11,731
Federal funds sold	37,357	17,728	13,065
Investment securities available for sale, at fair value	74,004	76,342	82,845
Loans receivable	556,568	539,758	524,350
Allowance for credit losses on loans	(6,547)	(6,343)	(6,292)
Loans receivable, net	550,021	533,415	518,058
Premises and equipment, net	13,268	13,505	13,309
Bank owned life insurance	17,791	17,602	17,418
Accrued interest receivable	2,401	2,520	2,308
Goodwill	1,214	1,214	1,214
Other assets	8,192	8,347	14,495
Total Assets	$ 739,838	$ 697,484	$ 683,023
Liabilities and Stockholders' Equity			
Non-interest bearing deposits	$ 199,161	$ 189,564	$ 179,046
Interest bearing deposits	401,064	370,833	362,234
Certificates of deposit	59,388	63,073	69,037
Total Deposits	659,613	623,470	610,317
Borrowings	-	-	-
Subordinated debentures	5,000	-	-
Accrued interest payable	369	443	492
Other liabilities	11,935	11,981	12,010
Total Liabilities	676,917	635,894	622,819
Stockholders' Equity			
Common stock, $1 par value, 50,000,000 shares authorized	3,723	3,767	3,727
Additional paid in capital	40,702	41,244	41,152
Retained Earnings	27,651	25,835	24,174
Accumulated other comprehensive loss, net	(9,155)	(9,256)	(8,849)
Total Stockholders' Equity	62,921	61,590	60,204
Total Liabilities and Stockholders' Equity	$ 739,838	$ 697,484	$ 683,023
Shares Outstanding	**3,722,831**	**3,767,228**	**3,726,859**

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(Dollars in thousands)

	Quarter Ended		
	June 30, 2026	March 31, 2026	June 30, 2025
Interest Income			
Interest and fees on loans	$ 8,423	$ 7,874	$ 7,364
Interest on investment securities	459	463	666
Interest on interest earning deposits and federal funds	435	516	359
Dividends and other interest	27	32	31
Total interest income	9,344	8,885	8,420
Interest Expense			
Deposits	2,196	2,089	2,224
Subordinated debentures	13	-	-
Borrowings	-	-	114
Total interest expense	2,209	2,089	2,338
Net Interest Income	7,135	6,796	6,082
Provision for credit losses	261	179	345
Net interest income after provision for credit losses	6,874	6,617	5,737
Non-Interest Income			
Service charges and other fees	49	83	62
BOLI income	186	184	183
Interest rate swap fees	-	12	188
Other income	209	143	159
Total non-interest income	444	422	592
Non-Interest Expense			
Compensation and employee benefits	3,393	3,284	2,971
Occupancy and equipment	476	461	442
Data Processing	179	82	147
Marketing	113	170	84
Professional Services	498	531	430
Other expense	455	511	400
Total non-interest expense	5,114	5,039	4,474
Income before income taxes	2,204	2,000	1,855
Income tax expense	388	338	359
Net Income	**$ 1,816**	**$ 1,662**	**$ 1,496**

SELECT QUARTERLY FINANCIAL STATISTICS (Unaudited)
(Dollars in thousands, except per share amounts)

	As of or for the Quarter Ended				
	June 30, 2026	March 31, 2026	December 31, 2025	September 30, 2025	June 30, 2025
Select Balance Sheet:					
Total assets	739,838	697,484	683,023	676,303	681,657
Loans receivable, net	550,021	533,415	518,058	505,989	505,796
Total deposits	659,613	623,470	610,317	605,994	599,892
Non-interest demand deposits	199,161	189,564	179,046	169,736	163,059
Stockholders' equity	62,921	61,590	60,204	57,697	54,473
Earnings					
Earnings per share	$0.48	$0.44	$0.55	$0.49	$0.40
Net income	1,816	1,662	2,047	1,850	1,496
Net interest income	7,135	6,796	6,889	6,824	6,082
Financial Ratios					
Return on average assets [1]	1.01%	0.95%	1.15%	1.06%	0.91%
Return on average equity [1]	11.39%	10.94%	13.69%	13.10%	11.14%
Efficiency ratio	67.48%	69.81%	62.41%	64.70%	67.04%
Non-interest expense to average assets [1]	2.85%	2.88%	2.60%	2.69%	2.73%
Yield on total interest earning assets [1]	5.61%	5.49%	5.54%	5.71%	5.57%
Cost of total deposits [1]	1.37%	1.33%	1.41%	1.51%	1.53%
Net interest margin [1]	4.29%	4.20%	4.17%	4.21%	4.02%
Financial Measures					
Tangible book value per share	$16.58	$16.03	$15.83	$15.17	$14.21
Tangible equity to tangible assets	8.35%	8.67%	8.65%	8.37%	7.83%
Loan to deposits	84.4%	86.6%	85.9%	84.5%	85.3%
Credit Quality Ratios					
Allowance for credit losses on loans to loans receivable	1.18%	1.18%	1.20%	1.24%	1.20%
Nonperforming assets to total assets	0.07%	0.07%	0.19%	0.00%	0.00%

[1] Quarterly amounts are annualized.