



Commencement Bancorp, Inc. Announces 2021 Results

2021 Financial Highlights:

- Total assets increased \$3.5 million, or 1%, to \$531.3 million on December 31, 2021, from \$527.8 million on December 31, 2020.
- Deposits remained stable in 2021, improving the portfolio mix to 31% non-interest bearing, 54% interest bearing, and 15% time deposit.
- Net income of \$4.2 million was recorded for the year ending 2021.
- Tangible book value per share increased to \$12.82 on December 31, 2021, from \$12.05 on December 31, 2020.
- Second Stock Repurchase Plan approved in 2021.
- Return on average assets of 0.75% for 2021.
- Nonperforming assets to total assets was a modest 0.53% at the end of the year.
- Interest expense decreased 44% from year-end 2020 from \$498 thousand to \$281 thousand at year-end 2021.
- Earnings per share of \$1.00 for 2021.

Commencement Bancorp, Inc. (OTCQX:CBWA) reported a consolidated net income of \$4.2 million or \$1.00 per share for 2021, compared to \$4.0 million or \$0.97 per share for 2020. Net interest income after provisions for credit losses was \$15.3 million, an 8% increase from 2020. Contributions to the allowance for loan and lease losses (ALLL) totaled \$2.4 million compared to \$1.15 million the prior year. The increased allocation to the ALLL was determined by a single defaulted credit in mid-2021. The Bank is pursuing collection efforts and is hopeful for a recovery. Capital ratios continued to exceed regulatory requirements.

Liquidity was abundant in 2021 with deposit balances remaining consistent with the previous year. Effects of the Paycheck Protection Program (PPP) forgiveness and national fiscal policy were reflected on the balance sheet in 2020 and 2021. Commencement allocated excess funds to investments to generate a return on otherwise inefficient balances.

Total loans at the end of 2021 were \$341.6 million, a decrease of 17%, which was anticipated as a result of PPP forgiveness. Production of core loan growth was \$15.2 million, and 5% year-over-year. Nonperforming assets to total assets at year-end was 0.53% and the Bank's Texas Ratio, a measurement of problem loans and bank-owned properties to capital, was 4.8% and consistent with the previous year. The Bank's loan portfolio remained diversified at 26% commercial, 70% commercial real estate, and 4% consumer and other.

Net interest margin decreased to 3.39% for the year ended December 31, 2021. Total deposits at the end of 2021 were \$472 million, remaining steady with 2020. The deposit mix at quarter-end was 31% non-interest bearing, 54% interest bearing (checking, savings, and money market), and 15% time deposit.



"The economic uncertainties of 2020, along with PPP forgiveness, braced us for a static year in 2021. While fiscal policy and status of the economy played a role in the financial outcome of many industries, we remained attentive to managing the balance sheet, navigating the interest rate environment, and reducing interest expense. Although one large loan affected the Bank's overall net income, we are pleased to record a \$4.2 million profit and a stable and diversified deposit mix and loan portfolio. We remain very optimistic about the opportunities in 2022 and committed to serving our clients and communities," said John Manolides, President and CEO.

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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, 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.otcmartets.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 Bancorp, Inc.'s and 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. Neither Commencement Bancorp, Inc. nor Commencement Bank undertakes any 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, 2021	Quarter Ended September 30, 2021	Three Month	Quarter Ended December 31, 2020	One Year Change
Interest Income					
Loans	\$ 3,954	\$ 4,346	-9%	\$ 4,635	-15%
Interest bearing deposits in banks	91	108	-16%	135	-33%
Securities	299	233	28%	124	141%
Total interest income	4,344	4,687	-7%	4,894	-11%
Interest Expense					
Deposits	281	334	-16%	498	-44%
Other borrowings	0	0	0%	0	0%
Total interest expense	281	334	-16%	498	-44%
Net Interest Income	4,063	4,353	-7%	4,396	-8%
Provision for credit losses	0	0	0%	150	-100%
Net interest income after provision for credit losses	4,063	4,353	-7%	4,246	-4%
Non-Interest Income					
Service charges on deposit accounts	29	31	-6%	35	-17%
Other non-interest income	189	207	-9%	379	-50%
Total non-interest income	218	238	-8%	414	-47%
Non-Interest Expense					
Salaries and employee benefits	1,506	1,531	-2%	1,602	-6%
Occupancy and equipment expenses	307	307	0%	335	-8%
Other operating expenses	974	930	5%	1,086	-10%
Total non-interest expense	2,787	2,768	1%	3,023	-8%
Net Income Before Income Tax	1,494	1,823	-18%	1,637	-9%
Provision for Income Tax	298	366	-19%	343	-13%
Net Income	\$ 1,196	\$ 1,457	100%	\$ 1,294	-8%



STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands)

	For Year Ended		One Year Change
	December 31, 2021	December 31, 2020	
Interest Income			
Loans	\$ 17,936	\$ 16,638	8%
Interest bearing deposits in banks	443	763	-42%
Securities available for sale	800	433	85%
Total interest income	19,179	17,834	8%
Interest Expense			
Deposits	1,433	2,395	-40%
Federal Home Loan Bank borrowings	-	25	-100%
Total interest expense	1,433	2,420	-41%
Net Interest Income	17,746	15,414	15%
Provision for credit losses	2,400	1,150	109%
Net interest income after provision for credit losses	15,346	14,264	8%
Non-Interest Income			
Service charges on deposit accounts	120	138	-13%
Other non-interest income	825	1,093	-25%
Total non-interest income	945	1,231	-23%
Non-Interest Expense			
Salaries and employee benefits	6,166	5,763	7%
Occupancy and equipment expenses	1,249	1,304	-4%
Other operating expenses	3,670	3,373	9%
Total non-interest expense	11,085	10,440	6%
Net Income Before Income Tax	5,206	5,055	3%
Provision for Income Tax	1,014	1,024	-1%
Net Income	\$ 4,192	\$ 4,031	4%



BALANCE SHEETS (Unaudited)
(Dollars in thousands)

	December 31, 2021	September 30, 2021	Three Month Change	December 31, 2020	One Year Change
Assets					
Cash and due from banks	\$ 12,882	\$ 14,346	-10%	\$ 8,873	45%
Interest bearing deposits in banks	4,731	10,458	-55%	31,871	-85%
Securities available for sale	100,346	74,049	36%	22,032	355%
Federal funds sold	45,548	75,328	-40%	28,886	58%
FHLB, FRB and PCBB stock	2,140	2,140	0%	1,966	9%
Loans	346,318	352,436	-2%	413,978	-16%
Allowance for loan losses	(4,735)	(4,735)	0%	(4,665)	2%
Net Loans	341,583	347,701	-2%	409,313	-17%
Premises and fixed assets	6,372	6,600	-3%	7,292	-13%
Accrued interest receivable	1,079	1,092	-1%	1,898	-43%
Intangible assets	1,259	1,271	-1%	1,308	-4%
Other assets	15,332	15,062	2%	14,328	7%
Total Assets	\$ 531,272	\$ 548,047	-3%	\$ 527,767	1%
Liabilities and Shareholders' Equity					
Deposits					
Demand, non-interest bearing	\$ 145,640	\$ 147,080	-1%	\$ 138,587	5%
Savings and interest bearing demand	255,903	260,182	-2%	221,167	16%
Time	70,487	81,211	-13%	109,955	-36%
Total Deposits	472,030	488,473	-3%	469,709	0%
Total Borrowing	0	0	0%	0	0%
Accrued interest payable	21	22	-5%	38	-45%
Other liabilities	5,600	4,871	15%	6,208	-10%
Total Liabilities	477,651	493,366	-3%	475,955	0%
Shareholders' Equity					
Common stock ⁽¹⁾	4,084	4,195	-3%	4,181	-2%
Additional paid in capital	43,900	45,220	-3%	44,957	-2%
Retained Earnings	6,702	5,504	22%	2,508	167%
Other Comprehensive income	(1,065)	(238)	-347%	166	-742%
Total Shareholders' Equity	53,621	54,681	-2%	51,812	3%
Total Liabilities and Shareholders' Equity	\$ 531,272	\$ 548,047	-3%	\$ 527,767	1%

⁽¹⁾ \$1 par value, shares authorized 50,000,000, issued and outstanding 4,083,673



Quarterly

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Financial Ratios					
Return on Average Assets	0.86%	1.04%	-0.04%	1.16%	1.02%
Return on Average Equity	8.94%	10.77%	-0.46%	12.36%	10.43%
Efficiency Ratio	65.11%	60.29%	53.73%	58.95%	61.75%
Yield on Earning Assets	3.35%	3.56%	3.86%	3.89%	3.86%
Cost of Funds	0.23%	0.26%	0.30%	0.36%	0.42%
Net Interest Margin	3.13%	3.31%	3.57%	3.56%	3.47%
Tangible Book Value per Share	\$ 12.82	\$ 12.73	\$ 12.41	\$ 12.30	\$ 12.05
Earnings per Share	\$ 0.29	\$ 0.35	\$ (0.01)	\$ 0.38	\$ 0.30
Loan to Deposits	73.2%	72.1%	76.5%	79.9%	88.1%
Tangible Equity to Tangible Assets	9.7%	9.6%	9.2%	8.9%	9.6%
Asset Quality					
Allowance for Loan Losses to Total Loans	1.37%	1.34%	1.23%	1.12%	1.13%
Texas Ratio	4.80%	4.80%	5.60%	4.60%	4.70%
Nonperforming Assets to Assets	0.53%	0.51%	0.57%	0.46%	0.50%