



FOR IMMEDIATE RELEASE

Commencement Bancorp, Inc. Announces Fourth Quarter and Annual 2024 Results

2024 Fourth Quarter Financial Highlights:

- Net income was \$539,000 compared to \$959,000 for the third quarter of 2024.
- Results include a pre-tax loss on sale of securities of \$944,000, or \$0.20 per share on an after-tax basis.
- Deposits increased \$23.9 million, or 4.2%, from the third quarter of 2024. Annual deposit growth of 11.4%.
- Loans receivable increased \$1.4 million, or 0.3%, from the third quarter of 2024. Annual loan growth of 5.6%.
- Net interest margin increased 36 basis points (“bps”) to 3.74% from 3.38% during the third quarter of 2024.
- Total cost of deposits decreased 26 bps to 1.67% from 1.93% for the third quarter of 2024.
- The Bank had no nonperforming assets during the fourth quarter of 2024.
- Capital ratios remained well above regulatory requirements.
- Recognized as one of the top-performing companies on the OTCQX Best 50 list.

TACOMA, WASH. – Commencement Bancorp, Inc. (OTCQX: CBWA) (the “Company”, “we,” or “us”), the parent company of Commencement Bank (the “Bank”), reported net income of \$539,000, or \$0.14 per share, for the fourth quarter of 2024, compared to \$959,000, or \$0.25 per share, for the third quarter of 2024 and \$845,000, or \$0.21 per share, for the fourth quarter of 2023.

In December 2024, the Bank incurred a pre-tax loss of \$944,000 on the sale of investment securities due to the strategic repositioning of its balance sheet. The Bank sold securities with par value of \$13.3 million and an estimated weighted average book yield of 2.57%. Proceeds were used to purchase \$12.4 million of securities with a weighted average book yield of 5.00%. The after-tax impact of the transaction for the quarter was \$0.20 per share. The estimated earn back is just under 2.5 years.

In the fourth quarter of 2024, the Bank executed an interest rate swap with notional value of \$40.0 million to hedge against interest rate risk and to complement its restructured investment securities portfolio. The financial instrument swaps a fixed rate of approximately 3.82% for the daily Secured Overnight Financing Rate (“SOFR”). The swap was effective December 10, 2024 and matures December 10, 2027.

In December 2024, the Bank initiated a restructuring of its Bank-Owned Life Insurance (“BOLI”) portfolio in which \$1.7 million of policies on non-current employees with weighted average pre-tax yield of 1.91% were surrendered. Subsequent to year end, the proceeds were used to purchase new BOLI policies on current bank management of \$2.1 million with weighted average pre-tax yield of 4.15%. As a result of the surrender, the Bank recognized tax expense and exchange charges of \$104,000 during the fourth quarter of 2024. The after-tax impact of the transaction for the quarter was \$0.03 per share. The estimated earn back is less than 2.5 years.

Adjusting for these fourth quarter strategic measures, the Company’s quarterly adjusted ratios are as follows:

Financial Ratios	Adjusted Quarter Ended December 31, 2024
Return on average assets ⁽¹⁾	0.61%
Return on average equity ⁽¹⁾	7.51%
Efficiency ratio	72.69%
Non-interest expense to average assets ⁽¹⁾	2.73%
Earnings per share	\$0.36

“We are very pleased with our core financial results for the fourth quarter and the full year. Due to the hard work of our bankers and our loyal client base, we were able to exceed plan for loan and deposit growth in 2024 while simultaneously improving our cost of funds and net interest margin. Excluding the costs of the balance sheet restructure in Q4, we were able to increase earnings per share by more than 31% when compared to 2023. Our balance sheet repositioning supported our long-term objectives and will further enhance our earnings in the future,” said John E. Manolides, Chief Executive Officer.

“We are very proud of our team’s performance in the fourth quarter. Our loan and deposit growth reflect their steadfast hard work and will be the catalyst for continued momentum, positioning us for a successful 2025. I would like to thank our dedicated bankers for their commitment to our bank and customers this past year. Despite the ongoing challenges in the market, we are very optimistic about the future of Commencement and our continued focus on our growth plan initiatives,” said Nigel L. English, President and Chief Operating Officer.

Balance Sheet

Interest earning deposits increased \$20.8 million to \$47.8 million at December 31, 2024 compared to \$26.9 million at September 30, 2024 primarily due to an increase in customer deposits.

Investment securities available for sale decreased \$5.1 million, or 5.4%, to \$90.2 million at December 31, 2024 from \$95.3 million at September 30, 2024 due to an increase in unrealized losses of \$2.3 million, and principal payments and amortization of \$2.8 million. The increase in



market rates during the quarter caused the increase in unrealized losses. As previously mentioned, in December 2024, the Bank sold investment securities with par value of \$13.3 million for a pre-tax loss of \$944,000. Proceeds of \$12.4 million were reinvested in securities earning higher yield. In addition, the execution of the interest rate swap previously discussed is anticipated to earn margins in the current market environment. The repositioning is expected to be incremental to all performance metrics in future periods.

Loans receivable increased \$1.4 million, or 0.3%, to \$467.3 million at December 31, 2024 from \$465.9 million at September 30, 2024 due primarily to funding of prior commitments and new originations, offset by principal payments. The Bank originated commitments of \$13.4 million during fourth quarter of 2024 compared to \$20.8 million during the third quarter of 2024 and \$13.1 million during the fourth quarter of 2023. Total commitments originated in 2024 were \$95.1 million compared to \$87.2 million in 2023, or a 9.1% increase.

Total deposits increased \$23.9 million, or 4.2%, to \$591.9 million at December 31, 2024 from \$568.1 million at September 30, 2024 due primarily to a single commercial business relationship which had an increase in activity before quarter end. The Bank expects most of this customer's balance to be distributed during the first quarter of 2025. Noninterest bearing deposits, as a percentage of total deposits, was 28.1% at December 31, 2024.

Credit Quality

The Bank had no nonperforming assets at December 31, 2024 compared to \$30,000 at September 30, 2024 due to the payoff of one nonaccrual loan during the fourth quarter of 2024. The allowance for credit losses to loans receivable remains strong at 1.20% at December 31, 2024.

The percentage of classified loans to loans receivable was 1.82% at December 31, 2024 compared to 1.72% at September 30, 2024 and 0.43% at December 31, 2023. Classified loans include loans rated Substandard or worse. The Bank had an owner-occupied commercial real estate loan of \$3.7 million classified as "Watch" at December 31, 2023 that transferred to "Substandard" during 2024. The Bank proactively downgrades loans if the borrower is experiencing financial difficulties.

Liquidity

The Bank has ample liquidity with both on- and off-balance sheet sources. Total on-balance sheet liquidity of \$139.3 million, or 21.4% of total assets at December 31, 2024, includes cash and cash equivalents and unencumbered investment securities. The Bank has access to Federal Home Loan Bank advances, Federal Reserve discount window, and Federal Funds lines with correspondent banks of \$233.4 million at December 31, 2024.

Income Statement

Net interest income increased \$766,000, or 15.8%, during the fourth quarter of 2024 compared to the third quarter of 2024 due to the increase in interest income of \$492,000 and the decrease in interest expense of \$274,000. Net interest margin increased 36 bps to 3.74% during the fourth quarter of 2024 from 3.38% during the third quarter of 2024. Net interest margin increased 10



bps to 3.44% for the year ended December 31, 2024 compared to 3.34% for the year ended December 31, 2023.

Interest on cash and cash equivalents increased \$258,000 during fourth quarter of 2024 compared to the third quarter of 2024 due to an increase in the average balance of interest earning deposits of \$22.9 million during the fourth quarter of 2024. The yield, however, decreased 51 bps due to decreases in the short-term market rates. Yield on interest earning deposits is generally 10 bps less than the short-term Federal Funds rate.

Interest income on loans increased \$214,000 during the fourth quarter of 2024 compared to the third quarter of 2024 due to an increase in average balances of \$5.8 million. Additionally, interest income on loans experienced an 11 bps increase in yield to 5.98% for the fourth quarter of 2024 from 5.87% for the third quarter of 2024. Loan yield increased four bps during the fourth quarter of 2024 due to a prepayment penalty and deferred fees recognized on significant loan payoffs during the period. Loan yield for the third quarter of 2024 was negatively impacted by four bps due to the recognition of a deferred cost true-up. Loan yields decreased during the fourth quarter 2024 due to decreases in short-term market rates. The quarterly average balance of variable loans tied to Prime was \$85.0 million. This decrease was offset by yields on loan originations and repricing higher than existing portfolio rates. Loan yield increased 45 bps to 5.86% for the year ended December 31, 2024 compared to 5.40% for the year ended December 31, 2023.

Interest expense on deposits decreased \$257,000 during the fourth quarter of 2024 compared to the third quarter of 2024 due to a decrease in costs of 34 bps, offset by an increase of average balances of \$14.2 million. Total cost of deposits decreased 26 bps to 1.67% for the fourth quarter of 2024 compared to 1.93% for the third quarter of 2024 due to the reduction of rates for exception-priced deposits commensurate with the decreases in the market rates. The cost of total deposits increased 37 bps to 1.85% for the year ended December 31, 2024 compared to 1.48% for the year ended December 31, 2023 due primarily to deposit exception pricing and the transfer of customer funds to higher cost products.

The Bank had no borrowings during the fourth quarter of 2024. The Bank recorded \$17,000 of interest expense on borrowings during the third quarter of 2024.

Total non-interest income decreased \$862,000, or 240.8%, during the fourth quarter of 2024 compared to the third quarter of 2024 due to the loss on sale of investments of \$944,000 recognized in the fourth quarter of 2024. Excluding the loss on sale, non-interest income increased \$82,000, or 22.9%, due to equity investment income and loan swap fee income.

Total non-interest expense increased \$396,000, or 9.8%, during the fourth quarter of 2024 compared to the third quarter of 2024 primarily due to the reversal of deferred benefits for an inactive employee of \$180,000 during third quarter of 2024. The Bank also recognized an increase in fraud-related charges of \$61,000 during the fourth quarter of 2024.



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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.otcmarkets.com.

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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 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 Bancorp, Inc. 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.



CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)

(Dollars in thousands, except shares)

	December 31, 2024	September 30, 2024	December 31, 2023
Assets			
Cash on hand and in banks	\$ 10,564	\$ 11,072	\$ 8,090
Interest earning deposits	47,757	26,917	4,771
Investment securities available for sale, at fair value	90,210	95,314	101,377
Federal funds sold	5,779	676	2,429
FHLB, FRB and PCBB stock	1,904	1,901	1,888
Loans receivable	467,319	465,879	443,085
Allowance for credit losses on loans	(5,590)	(5,543)	(5,690)
Loans receivable, net	461,729	460,336	437,395
Premises and equipment, net	6,332	6,240	5,018
Accrued interest receivable	1,778	1,665	2,066
Intangible assets	1,214	1,214	1,214
Other assets	22,498	21,826	21,804
Total Assets	\$ 649,765	\$ 627,161	\$ 586,052
Liabilities and Stockholders' Equity			
Non-interest bearing deposits	\$ 166,313	\$ 151,264	\$ 154,987
Interest bearing deposits	341,618	337,618	310,358
Certificates of deposit	83,981	79,178	65,810
Total Deposits	591,912	568,060	531,155
Borrowings	-	-	-
Accrued interest payable	499	439	367
Other liabilities	5,932	6,001	4,412
Total Liabilities	598,343	574,500	535,934
Stockholders' Equity			
Common stock ⁽¹⁾	3,814	3,825	3,973
Additional paid in capital	41,906	41,945	43,351
Retained Earnings	17,465	16,970	15,050
Accumulated other comprehensive loss, net	(11,763)	(10,079)	(12,256)
Total Stockholders' Equity	51,422	52,661	50,118
Total Liabilities and Stockholders' Equity	\$ 649,765	\$ 627,161	\$ 586,052
Shares Outstanding	3,814,068	3,825,414	3,973,250

⁽¹⁾ \$1 par value, shares authorized 50,000,000.



CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands)

	Quarter Ended			Year Ended	
	December 31, 2024	September 30, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Interest Income					
Interest and fees on loans	\$ 6,966	\$ 6,752	\$ 6,217	\$ 26,514	\$ 23,144
Interest on interest earning deposits	456	198	90	811	438
Interest and dividends on investments	618	598	705	2,490	2,821
Total interest income	8,040	7,548	7,012	29,815	26,403
Interest Expense					
Deposits	2,438	2,695	2,242	10,185	7,841
Borrowings	-	17	68	134	238
Total interest expense	2,438	2,712	2,310	10,319	8,079
Net Interest Income					
Net interest income	5,602	4,836	4,702	19,496	18,324
Provision for credit losses	-	-	-	(500)	-
Net interest income after provision for credit losses	5,602	4,836	4,702	19,996	18,324
Non-Interest Income					
Service charges and other fees	67	65	45	262	133
Loss on sale of investment securities, net	(944)	-	-	(944)	-
Other income	373	293	294	1,295	1,194
Total non-interest income	(504)	358	339	613	1,327
Non-Interest Expense					
Compensation and employee benefits	2,756	2,587	2,587	10,781	9,609
Occupancy and equipment	411	391	346	1,477	1,316
Other expense	1,258	1,051	1,125	4,755	5,046
Total non-interest expense	4,425	4,029	4,058	17,013	15,971
Income before income taxes	673	1,165	983	3,596	3,680
Income tax expense	134	206	138	584	630
Net Income	\$ 539	\$ 959	\$ 845	\$ 3,012	\$ 3,050



	Quarter Ended				
	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
Financial Ratios					
Return on average assets ⁽¹⁾	0.33%	0.62%	0.52%	0.51%	0.58%
Return on average equity ⁽¹⁾	4.11%	7.67%	6.86%	6.37%	7.60%
Efficiency ratio	86.80%	77.57%	82.12%	92.54%	80.50%
Non-interest expense to average assets ⁽¹⁾	2.75%	2.62%	2.80%	3.05%	2.76%
Yield on total interest earning assets ⁽¹⁾	5.37%	5.28%	5.32%	5.08%	5.10%
Yield on total interest bearing liabilities ⁽¹⁾	1.67%	1.94%	2.00%	1.87%	1.72%
Net interest margin ⁽¹⁾	3.74%	3.38%	3.36%	3.26%	3.42%
Tangible book value per share	\$13.16	\$13.45	\$12.52	\$12.29	\$12.31
Earnings per share	\$0.14	\$0.25	\$0.20	\$0.19	\$0.21
Loan to deposits	79.0%	82.0%	86.7%	83.4%	83.4%
Tangible equity to tangible assets	7.7%	8.2%	8.0%	8.2%	8.4%
Credit Quality Ratios					
Allowance for credit losses on loans to loans receivable	1.20%	1.19%	1.19%	1.17%	1.28%
Texas ratio	0.0%	0.1%	0.9%	0.9%	0.9%
Nonperforming assets to total assets	0.00%	0.00%	0.08%	0.09%	0.09%

⁽¹⁾ Annualized.