

**Commencement Bancorp, Inc. and Subsidiary**

**Financial Report**

December 31, 2025 and 2024

Commencement  
Bancorp, Inc. and Subsidiary

**Financial  
Report**

December 31

2025  
and  
2024

## Contents

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<b>Independent Auditor's Report .....</b>	<b>1-2</b>
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### **Consolidated Financial Statements**

Consolidated Balance Sheets.....	3
Consolidated Statements of Income.....	4
Consolidated Statements of Comprehensive Income (Loss).....	5
Consolidated Statements of Stockholders' Equity .....	6
Consolidated Statements of Cash Flows.....	7-8
Notes to Consolidated Financial Statements .....	9-38
Supplemental Information.....	40-43

# FORTNER BAYENS, PC

Accountants and Advisors

## Independent Auditor's Report

Board of Directors  
Commencement Bancorp, Inc. and Subsidiary  
Tacoma, Washington

### ***Opinion***

We have audited the consolidated financial statements of Commencement Bancorp, Inc. and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Commencement Bancorp, Inc. and its subsidiary as of December 31, 2025 and 2024, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Commencement Bancorp, Inc. and Subsidiary, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Commencement Bancorp, Inc.'s ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Commencement Bancorp, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Commencement Bancorp, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information on pages 40 through 43 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Fortner Bayens, PC*

Denver, Colorado  
March 25, 2026

**Consolidated  
Financial  
Statements**

## Consolidated Balance Sheets

(Dollars in Thousands)

Commencement Bancorp, Inc. and Subsidiary  
December 31, 2025 and 2024

	2025	2024
<b>Assets</b>		
Cash and due from banks	\$ 8,580	\$ 10,564
Interest-bearing deposits in other financial institutions	10,205	47,757
Federal funds sold	13,065	5,779
Cash and cash equivalents	31,850	64,100
Time deposits in other financial institutions	1,526	-
Investment securities available for sale, at fair value, net (amortized cost of \$93,613 and \$105,127 at December 31, 2025 and 2024, respectively)	82,845	90,055
Nonmarketable equity securities	1,976	1,904
Loans receivable	524,350	467,319
Allowance for credit losses on loans	(6,292)	(5,590)
Loans receivable, net	518,058	461,729
Premises and equipment, net	13,309	6,872
Bank owned life insurance	17,418	14,558
Accrued interest receivable	2,308	1,778
Goodwill	1,214	1,214
Prepaid expenses and other assets	12,519	7,482
Total assets	<u>\$ 683,023</u>	<u>\$ 649,692</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits		
Non-interest bearing deposits	\$ 179,046	\$ 166,394
Savings and non-maturity interest-bearing	362,234	341,618
Time certificates	69,037	83,981
Total deposits	610,317	591,993
Accrued interest payable	492	499
Other liabilities	12,010	5,778
Total liabilities	622,819	598,270
<b>Commitments and contingencies (Note 12)</b>		
<b>Stockholders' Equity</b>		
Preferred stock; authorized 100,000 shares; no shares issued or outstanding at December 31, 2025 and 2024	-	-
Common stock (par value: \$1); authorized 50,000,000 shares; 3,726,859 and 3,814,068 shares issued and outstanding at December 31, 2025 and 2024, respectively	3,727	3,814
Additional paid-in capital	41,152	41,905
Retained earnings	24,174	17,466
Accumulated other comprehensive loss	(8,849)	(11,763)
Total stockholders' equity	60,204	51,422
Total liabilities and stockholders' equity	<u>\$ 683,023</u>	<u>\$ 649,692</u>

See notes to consolidated financial statements

## Consolidated Statements of Income

(Dollars in Thousands, except share information)

Commencement Bancorp, Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

	2025	2024
<b>Interest and Dividend Income</b>		
Interest and fees on loans	\$ 30,172	\$ 26,514
Interest on interest-bearing deposits and federal funds sold	1,822	811
Interest on investment securities	2,603	2,368
Dividends on nonmarketable equity securities	127	122
Total interest income and dividend	34,724	29,815
<b>Interest Expense</b>		
Deposits	9,016	10,185
Borrowings	178	134
Total interest expense	9,194	10,319
Net interest income	25,530	19,496
Provision for (reversal of) credit losses	944	(442)
Net interest income after provision for credit losses	24,586	19,938
<b>Noninterest Income</b>		
Service charges and other fees	255	262
Interest rate swap fees	188	43
Loss on sale of investment securities	-	(944)
Other income	1,512	1,231
Total noninterest income	1,955	592
<b>Noninterest expense</b>		
Compensation and employee benefits	11,813	10,781
Occupancy and equipment	1,765	1,489
Data processing	581	438
Marketing	362	449
Professional services	1,870	1,851
Other expense	1,805	1,892
Total noninterest expense	18,196	16,900
Income before income taxes	8,345	3,630
Income tax expense	1,637	618
Net income	\$ 6,708	\$ 3,012
Basic earnings per share	\$ 1.78	\$ 0.78
Diluted earnings per share	\$ 1.75	\$ 0.77

See notes to consolidated financial statements

## Consolidated Statements of Comprehensive Income (Loss)

(Dollars in Thousands)

Commencement Bancorp, Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

	2025	2024
Net Income	\$ 6,708	\$ 3,012
Other Comprehensive Income (Loss)		
Change in fair value of investment securities available for sale, net of tax of \$775 and (\$67), respectively	2,914	(253)
Reclassification adjustment for net loss from sale of investment securities available for sale included in income, net of tax effect of \$0 and \$198, respectively	-	746
Total other comprehensive income (loss)	2,914	493
Total Comprehensive Income (Loss)	\$ 9,622	\$ 3,505

*See notes to consolidated financial statements*

## Consolidated Statements of Stockholders' Equity

(Dollars in Thousands, Except Share Information)

Commencement Bancorp, Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance at December 31, 2023</b>	3,973,250	\$ 3,973	\$ 43,151	\$ 15,241	\$ (12,256)	\$ 50,109
Net income	-	-	-	3,012	-	3,012
Other comprehensive income	-	-	-	-	493	493
Stock option expense	-	-	119	-	-	119
Restricted stock unit expense	-	-	277	-	-	277
Restricted stock unit vesting, net of shares withheld for recipient tax liabilities	14,502	15	(56)	-	-	(41)
Employee Stock Purchase Plan	7,266	7	70	-	-	77
Stock options exercised, net of cashless exercise amounts	480	-	-	-	-	-
Directors Equity Plan	4,570	5	44	-	-	49
Dividend	-	-	-	(787)	-	(787)
Stock repurchased	(186,000)	(186)	(1,700)	-	-	(1,886)
<b>Balance at December 31, 2024</b>	3,814,068	3,814	41,905	17,466	(11,763)	51,422
Net income	-	-	-	6,708	-	6,708
Other comprehensive income	-	-	-	-	2,914	2,914
Stock option expense	-	-	104	-	-	104
Restricted stock unit expense	-	-	500	-	-	500
Restricted stock unit vesting, net of shares withheld for recipient tax liabilities	20,289	20	(121)	-	-	(101)
Employee Stock Purchase Plan	4,372	4	54	-	-	58
Directors Equity Plan	3,630	4	45	-	-	49
Stock repurchased	(115,500)	(115)	(1,335)	-	-	(1,450)
<b>Balance at December 31, 2025</b>	3,726,859	3,727	41,152	24,174	(8,849)	60,204

See notes to consolidated financial statements

## Consolidated Statements of Cash Flows

(Dollars in Thousands)

Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

	2025	2024
<b>Cash Flows for Operating Activities</b>		
Net income	\$ 6,708	\$ 3,012
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	944	(442)
Depreciation and amortization	518	405
Amortization of right-of-use asset	562	478
Stock-based compensation expense	604	396
Net amortization of premium on investment securities available for sale	77	268
Increase in cash surrender value of life insurance	(731)	(660)
Loss on sale of available for sale investment securities	-	944
Loss on sale of premises and equipment	-	20
Change in fair value of derivatives	(20)	5
Deferred federal income tax expense (benefit)	212	39
(Increase) decrease in accrued interest receivable	(530)	288
(Decrease) increase in accrued interest payable	(7)	131
Other	(6,605)	(106)
Net cash provided by operating activities	1,732	4,778
<b>Cash Flows from Investing Activities</b>		
Net change in time deposits in other financial institutions	(1,526)	996
Activity in investment securities available for sale:		
Maturities, prepayments and calls	11,436	10,500
Sales	-	12,359
Purchases	-	(12,394)
Purchase of nonmarketable equity securities	(747)	(7,014)
Sale of nonmarketable equity securities	675	6,998
Increase in loans made to customers, net of principal collections	(57,161)	(23,834)
Purchases of premises and equipment	(1,427)	(1,329)
Purchases of Bank owned life insurance	(2,129)	-
Proceeds from sale of premise and equipment	17	-
Surrender of Bank owned life insurance	-	535
Net cash used in investing activities	(50,862)	(13,183)
<b>Cash Flows from Financing Activities</b>		
Net increase in deposits	18,324	60,799
Advances on FHLB borrowings	-	140,605
Paydowns on FHLB borrowings	-	(140,605)
Withholding taxes paid on vested restricted stock units	(101)	(41)
Stock issued	107	126
Common Stock cash dividends paid	-	(787)
Repurchase of common stock	(1,450)	(1,886)
Net cash provided by financing activities	16,880	58,211
<b>Net change in cash and cash equivalents</b>	(32,250)	49,806
<b>Cash and cash equivalents at beginning of period</b>	64,100	14,294
<b>Cash and cash equivalents at end of period</b>	\$ 31,850	\$ 64,100

See notes to consolidated financial statements

## Consolidated Statements of Cash Flows Continued

(Dollars in Thousands)

Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

	2025	2024
<b>Supplemental Disclosures of Cash Flow Information</b>		
Interest paid	\$ 9,201	\$ 10,188
Income taxes paid	1,761	802
<b>Supplemental Non-cash Disclosures of Cash Flow Information</b>		
Right-of-use assets obtained in exchange for new operating lease right-of-use liabilities	\$ 6,107	\$ 1,428
Transfer of <i>Bank owned life insurance</i> to <i>Prepaid expenses and other assets</i> due to surrender amounts receivable	-	1,124

See notes to consolidated financial statements

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

### Note 1 - Nature of Operations, Basis of Presentation, and Summary of Significant Accounting Policies

#### (a) Nature of Operations

Commencement Bancorp, Inc. was incorporated July 20, 2020, for the purpose of becoming a bank holding company of Commencement Bank. Commencement Bank (the Bank), opened December 11, 2006, and operates five branches in Tacoma, Enumclaw, Auburn, Olympia, and Gig Harbor, Washington. The Bank provides loan and deposit services to customers, who are predominately individuals and small and midsized businesses in western Washington. On July 20, 2020, the shareholders of Commencement Bank exchanged their stock in the Bank for stock of the Bancorp and the Bank became a wholly-owned subsidiary of the Bancorp.

The Company is not a filer with the Securities and Exchange Commission; however, the Company has listed its voting common stock on OTC Markets' OTCQX exchange, which trades under the symbol "CBWA".

#### (b) Basis of Presentation

The accompanying consolidated financial statements include the consolidated totals of Commencement Bancorp, Inc. and its wholly-owned subsidiary, Commencement Bank. These entities are collectively referred to as "the Company". All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America and practices within the banking industry requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the date of the balance sheet, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the valuation of deferred tax assets, management's evaluation of goodwill impairment and management's estimate of the fair value of financial instruments.

All dollar amounts are stated in thousands in these footnotes, except for per share information.

#### (c) Significant Accounting Policies

##### **Cash Equivalents and Cash Flows**

The Company considers all amounts included in the balance sheet captions *Cash and due from banks*, *Interest-bearing deposits in other financial institutions*, and *Federal funds sold* to be cash equivalents. Cash flows from loans, deposits and short-term borrowings are reported net. At times, cash balances on deposit in other financial institutions exceed FDIC insurance limits; however, the Company has not experienced any losses on its cash and cash equivalents.

##### **Time Deposits in Other Financial Institutions**

Time deposits in other financial institutions are carried at cost and fully covered by federal deposit insurance limits where applicable.

##### **Investment Securities**

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and are recorded at amortized cost. Debt securities not classified as held to maturity are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

The amortized cost of debt securities classified as held to maturity or available for sale is adjusted for amortization of purchase premiums and accretion of purchase discounts. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are determined using the specific identification method.

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

The accrual of interest on debt securities is discontinued at the time any principal or interest payments become significantly delinquent. Additionally, securities are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful. When placing a security on nonaccrual status, interest accrued to date is reversed and is charged against the current year's interest income. Payments received on a security on nonaccrual status are applied against the balance of the security. A security is returned to accrual status when principal and interest are no longer past due and collectability is no longer doubtful.

For available for sale investment securities, management evaluates all investments in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value and the entire loss is recorded in earnings. If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income.

Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss when management believes an available for sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. As of December 31, 2025, there was no allowance for credit loss related to the available for sale portfolio.

### Nonmarketable Equity Securities

The Company, as a member of the Federal Home Loan Bank of Des Moines ("FHLB"), is required to maintain an investment in capital stock of the FHLB. The recorded amount of the FHLB stock equals its fair value because the shares can be redeemed only by the FHLB at the \$100 per share par value. The Company views its investment in the FHLB stock as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value rather than recognizing temporary declines in value. The determination of whether a decline affects the ultimate recovery is influenced by criteria such as: 1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount and length of time a decline has persisted; 2) impact of legislative and regulatory changes on the FHLB; and 3) the liquidity position of the FHLB.

The Company, as a member of the Federal Reserve Bank of San Francisco (FRB), is required to subscribe to Federal Reserve Stock. Although the par value of the stock is \$100 per share, banks pay only \$50 per share at the time of purchase, with the understanding that the other half of the subscription amount is subject to call at any time. The recorded amount of the FRB stock equals its fair value because the shares can be redeemed only by the FRB at the par value.

Investment in Pacific Coast Bankers' Bancshares Stock is recorded at cost of \$47.50 per share, as no ready market exists for such stock, quoted market value for this stock does not exist. The Company has no obligation to hold the stock as a member of Pacific Coast Bankers' Bancshares.

No ready market exists for these stocks, and they have no quoted market value. For reporting purposes, such stock is considered restricted and is carried at cost under the caption *Nonmarketable equity securities*.

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

### Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at their outstanding principal balances and adjusted for any charge-offs, the allowance for credit losses, any deferred fees or costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income.

Past due loans are any loans for which payments of interest, principal or both have not been received within the timeframes designated by the loan agreements. Loans with payments in arrears but for which borrowers have resumed making scheduled payments are considered past due until arrearages are brought current. Loans that experience insignificant payment delays or payment shortfalls generally are not considered past due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. Additionally, loans are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful. When placing a loan on nonaccrual status, interest accrued to date is generally reversed and is charged against the current year's interest income. Payments received on a loan on nonaccrual status are applied against the balance of the loan. A loan is returned to accrual status when principal and interest are no longer past due and collectability is no longer doubtful.

Financial difficulty modification loans are loans containing concessions in terms as a result of the borrower experiencing financial difficulty. Generally, concessions granted to customers include lower interest rates and modification of the payment stream to lower or defer payments. Interest on financial difficulty modification loans is accrued under the new terms if the loans are performing and full collection of principal and interest is expected. However, interest accruals are discontinued on financial difficulty modification loans that meet the Company's nonaccrual criteria. A loan may be considered a financial difficulty modification loan regardless of whether it is considered a continuation of an existing loan or a new loan that replaces an existing loan.

Generally, loans are charged off in whole or in part after they become significantly past due. Charge off amounts are determined based upon the carrying amount of loans and the amount estimated to be collectible as determined by analyses of expected future cash flows and the liquidation of loan collateral.

The quality of the Company's loan portfolio is assessed as a function of the levels of past due loans, nonaccrual loans, and internal credit quality ratings. The ratings on the Company's internal credit scale are established at origination of the loan, and changes are considered at the time new information about the performance of a loan becomes available, including the receipt of updated financial information from the borrower or results of loan reviews. The ratings on the Company's internal credit scale are broadly grouped into the categories "non-classified" and "classified," with detailed ratings as follows:

#### Non-Classified

*Pass* - Loans with minimal to average identified credit risk. These loans have borrowers considered creditworthy who have the ability to repay the debt in the normal course of business. Borrowers have a sound primary and secondary repayment source, with sufficient cash generation to meet ongoing debt service requirements. Loans are typically fully secured with marketable, margined collateral.

*Watch* - The grade is intended to be utilized on a temporary basis for pass grade borrowers where a potential significant risk-modifying action is anticipated in the near term and are considered Pass grade for reporting purposes.

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

*Special mention* - Loans with potential credit weaknesses which deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of repayment prospects or the Company's credit position at some future date. These loans exhibit characteristics such as declining or stressed financial condition of the borrower, and declining or narrow collateral coverage.

### Classified

*Substandard* - Loans inadequately protected by the current financial condition and paying capacity of the borrower or the collateral pledged, if any. These loans have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. These loans are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. In some instances, though not all, the weakness or weaknesses in these loans will necessitate nonaccrual treatment.

*Doubtful* - Loans in this category have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. The probability of loss is extremely high, but because of certain important and reasonably specific factors that may work to the advantage and strengthening of the loans, classification as a Loss is deferred until more exact status may be determined. All doubtful loans necessitate nonaccrual treatment.

*Loss* - Loans considered loss are considered uncollectable and of such little value that their continuance as a bankable asset, even with a valuation allowance, is not warranted. This does not mean the loans have no recovery or salvage value, but rather it is not practical or desirable to defer a charge-off even though a partial recovery may be effected in the future. Loans classified as a Loss are charged-off in the period they are deemed uncollectible.

## **Allowance for Credit Losses on Loans**

### General Accounting Policies

The allowance for credit losses is a valuation account that is deducted from the loans' amortized costs basis to present the net amount expected to be collected on loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Changes in the allowance for credit losses, other than charge offs and recoveries, are recorded as credit loss expense (or reversal).

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as current and future expected economic conditions, the nature and volume of the loan portfolio – including internal credit ratings, the volume and severity of past due loans, credit concentrations, lending policies, management experience, collateral values, loan review systems and other relevant factors.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Loans that do not share similar risk characteristics are evaluated on an individual basis, and collateral-dependent loans are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation.

When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, the loans are considered collateral-dependent and any expected losses are based on the fair value of collateral at the reporting date, adjusted for selling costs as appropriate.

For purposes of collective evaluation, the Company classifies its loan portfolio by loan type, with classification types aggregated into broader segments for certain disclosure purposes. Loan classifications and segments are described in Note 4 to the financial statements. For purposes of specific evaluation, the Company evaluates nonaccrual loans and all collateral-dependent loans, as well as any other loan that management determines has sufficiently unique risk

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

characteristics. Although the allowance is determined through collective evaluation by loan type and through specific evaluation, the entire allowance is available for any loan that, in management's judgment, should be charged off.

### Allowance for Credit Losses Methodology

The allowance analysis is prepared at least quarterly. For each loan pool type, the Company uses a discounted cash flow method, which projects the cash flows expected to be received over the life of each loan pool based on several inputs that are determined by a combination of historical results and expected forecasts. The inputs and assumptions in the calculation include contractual maturity dates or remaining term to maturity, contractual payments, prepayment speeds, interest rates, probability of default rates, loss given default rates, recovery delay, and an overall discount rate. In total the projected discounted expected losses in combination with any additional qualitative risk characteristic adjustments deemed appropriate by management will determine the collective credit loss amount. This amount is added to any credit loss determined on individually evaluated loans. Adjustments to life-of-loan historical loss rates for the effect of loan risk characteristics are inherently subjective and subject to significant revision as expectations about future conditions change. Certain discounted cash flow inputs and assumptions are also subject to significant revision as conditions change.

For individually evaluated loans for which repayment is expected solely from the collateral, the allowance for credit losses is measured based on the fair value of the collateral. For other individually evaluated loans, the allowance for credit losses may be measured based on the fair value of the collateral or expected future cash flows determined through an analysis of the borrower's current and future expected financial condition and other relevant factors. Individually evaluated loans are assessed at least quarterly, though certain underlying information such as collateral appraisals and tax returns could be updated more infrequently depending on particular circumstances of the loan and type of information.

The Company has elected not to estimate an allowance for credit losses on accrued interest receivable and records losses against current year interest income when loans are placed on nonaccrual.

### **Premises and Equipment**

Premises and equipment are stated at cost, less accumulated depreciation, which is computed on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvement, whichever is less. Asset lives range from three to ten years. Gains or losses on dispositions are reflected in earnings.

The assets are reviewed for impairment annually, or when events indicate their carrying value may not be recoverable. If management determines impairment exists, the asset is reduced with an offsetting charge to expense. For leased premises, at lease inception the Company records a lease liability equal to the present value of fixed lease payments not yet paid and also records a corresponding right-of-use asset. Over the lease term, the right-of-use asset is amortized and interest on the lease liability is recorded, with amortization and interest charged to rent expense. The lease liability is reduced by the principal component of the fixed lease payments.

The combination of amortization on the right-of-use-asset and interest on the lease liability results in straight-line lease expense over the lease term. Variable lease costs, such as pass-through operating costs of lessors, are expensed as incurred. For leases with terms of under 12 months, no right-of-use asset or lease liability is recorded and rent expense is recorded when paid. Right-of-use assets and lease liabilities are also not recorded for equipment leases on the basis of immateriality.

The Company carries the right-of-use asset related to its leases as a component of *Premises and Equipment*, net and the lease liability is carried as a component of *Other liabilities*.

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

### Bank Owned Life Insurance

The Company has purchased single premium life insurance policies for certain officers. The value of the policies is recorded at the amount that would be received if the policies were surrendered. Increases or decreases in the cash value of the policies are recognized as income or expense in the period of change. The Company entered into a Split Dollar Life insurance agreement with certain officers and key employees on these policies.

### Income Taxes

Deferred tax assets and liabilities result from differences between the financial statement carrying amounts and the tax bases of assets and liabilities, and are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. The deferred tax provision represents the difference between the net deferred tax asset and liability at the beginning and end of the year (excluding deferred tax assets and liabilities related to other comprehensive income). Deferred tax assets are reduced by a valuation allowance, when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with the presumption that a tax examination will occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely to be realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

### Noninterest Income

Noninterest income is substantially comprised of service charges on deposit accounts, ATM and debit card income. Service charges on deposit accounts consist of monthly account fees, stop payment charges, and charges for deposit items returned for non-sufficient funds or paid as an overdraft (net of fees waived or refunded). ATM and debit card income is comprised of ATM charges for non-customer use of Company ATMs and debit card interchange income. In all instances, noninterest income is recognized concurrent with the Company's satisfaction of the underlying performance obligation, which typically occurs at a single point in time as a transaction or statement cycle is completed. Charges for deposit accounts continuously overdrawn are equivalent to interest and included as a component of *Interest and fees on loans*.

### Advertising

The Company expenses advertising costs as incurred.

### Stock-Based Compensation

The Company has a stock-based compensation plan which is described more fully in Note 15. The cost of stock-based compensation is the grant-date fair value of the instruments issued and is recorded as expense over the vesting period of the award. Forfeitures are accounted at the time they occur.

### Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income. Other comprehensive income (loss) consists of unrealized holding gains and losses on available for sale investment securities, net of related tax effects.

### Derivatives - Interest Rate Swap Agreements

Interest rate swap agreements are derivative financial instruments. At inception of a derivative contract, the Company designates the derivative as one of three types, including fair value hedge, cash flow hedge, or non-designated derivative, based on the Company's intentions and belief as to the likely effectiveness as a hedge.

Interest rate swap agreements are recognized as assets or liabilities at fair value. For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged items attributable to the hedged risk, are recognized in current earnings as fair value changes. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

transaction affects earnings. Changes in the fair value of derivatives not designated are reported currently in earnings, as noninterest income.

Accrued settlements on interest rate swap agreements are recorded in interest income or interest expense, based on the item being hedged. All contracts settle monthly. In addition, the Company or the counterparty might obtain collateral above certain thresholds of the fair value of its derivative based.

The Company formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are designated are highly effective in offsetting changes in fair values or cash flows of the hedged item. The Company is exposed to losses if a counterparty fails to make its payment under a contract in which the Company is in the net receiving position. The Company anticipates that the counterparty will be able to fully satisfy their obligations under the agreements.

### Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, excluding transaction costs. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

When measuring fair value, entities should maximize the use of observable inputs and minimize the use of unobservable inputs. The following describes the three levels of inputs that may be used to measure fair value:

- *Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- *Level 2 Inputs* - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- *Level 3 Inputs* - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

### (d) Recently Issued or Adopted Accounting Pronouncements

**FASB ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures***, was issued in December 2023. The amendments in this ASU requires a public business entity to disclose, on an annual basis, a tabular rate reconciliation using both percentages and currency amounts, broken out into specified categories with certain reconciling items further broken out by nature and jurisdiction to the extent those items exceed a specified threshold. In addition, all entities are required to disclose income taxes paid, net of refunds received disaggregated by federal, state/local, and foreign and by jurisdiction if the amount is at least 5% of total income tax payments, net of refunds received. The new standard is effective for annual periods beginning after December 15, 2024, with early adoption permitted. An entity may apply the amendments in this ASU prospectively by providing the revised disclosures for the period ending December 31, 2025 and continuing to provide the pre-ASU disclosures for the prior periods, or may apply the amendments retrospectively by providing the revised disclosures for all periods presented. The adoption of this amendment only impacted the disclosure requirements in Note 11 and did not have a material impact on its business operations or Consolidated Statements of Financial Condition for the year ended December 31, 2025.

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

**FASB ASU 2024-03**, *Disaggregation of Income Statement Expenses*, was issued in November 2024. This accounting standards update will require public companies to disclose, in the notes to financial statements, specified information about certain costs and expenses at each interim and annual reporting period. The amendments in this ASU are effective for fiscal years beginning after December 15, 2026, with early adoption permitted. The Company does not expect the adoption of this ASU to have a material impact on its business operations or Consolidated Statements of Financial Condition.

### Note 2 – Investment Securities

Debt securities have been classified according to management's intent. The Company did not hold any investment securities classified as trading or held to maturity as of December 31, 2025 or 2024.

The amortized cost of the Company's investment securities available for sale and their approximate fair value are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>December 31, 2025</b>				
U.S. government agency securities	\$ 9,797	\$ -	\$ (700)	\$ 9,097
Collateralized mortgage obligations	57,756	77	(8,195)	49,638
Mortgage-backed securities	20,060	26	(1,976)	18,110
Corporates	6,000	-	-	6,000
Total	\$ 93,613	\$ 103	\$ (10,871)	\$ 82,845
<b>December 31, 2024</b>				
U.S. government agency securities	\$ 11,430	\$ -	\$ (1,008)	\$ 10,422
Collateralized mortgage obligations	62,559	4	(10,933)	51,630
Mortgage-backed securities	23,138	-	(3,135)	20,003
Corporates	8,000	-	-	8,000
Total	\$ 105,127	\$ 4	\$ (15,076)	\$ 90,055

Collateralized mortgage obligations ("CMOs") and mortgage-backed securities ("MBS") in the tables above are comprised entirely of securities issued by Ginnie Mae, Fannie Mae, and Freddie Mac. U.S. government agency securities are pass-through loan pools issued by the Small Business Administration. Corporate securities are comprised entirely of subordinated debentures and other bonds issued by bank and financial holding companies, and are generally unrated.

## Notes to Consolidated Financial Statements

Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

The amortized cost and fair value of debt securities available for sale at December 31, 2025, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because obligors may have the right to call or prepay obligations, and for mortgage-backed securities the repayment of the securities occurs on a monthly basis based on the repayment of the loans underlying the securities:

	Amortized Cost	Fair Value
Due in 1 year or less	\$ -	\$ -
Due after 1 year through 5 years	-	-
Due after 5 years through 10 years	12,049	11,482
Due after 10 years	3,748	3,615
Subtotal	15,797	15,097
CMOs and MBS	77,816	67,748
Total	\$ 93,613	\$ 82,845

The following tables present the gross unrealized losses and fair value of investment securities available for sale aggregated by the length of time the individual securities have been in a continuous unrealized loss position at December 2025 and 2024:

	Less than 12 months		12 months or more	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2025</b>				
U.S. government agency securities	\$ -	\$ -	\$ 9,056	\$ (700)
Collateralized mortgage obligations	4,593	(71)	40,444	(8,124)
Mortgage-backed securities	-	-	15,884	(1,976)
<b>December 31, 2024</b>				
U.S. government agency securities	\$ -	\$ -	\$ 10,366	\$ (1,008)
Collateralized mortgage obligations	7,192	(218)	41,922	(10,715)
Mortgage-backed securities	2,339	(131)	17,664	(3,004)

At December 31, 2025, unrealized losses are due to differences in market yields as compared to yields available at the time investment securities were purchased. Management has performed analyses of investment credit quality and cash flows on securities with unrealized losses and does not believe that any securities are impaired due to reasons of credit quality. The Company has the ability and intent to hold investment securities for a period of time sufficient for a recovery of cost, and credit loss analysis has not identified the need to record an allowance for credit losses on securities available for sale.

At December 31, 2025 and 2024 there are no securities on nonaccrual status and no securities for which principal or interest is past due.

There were no sales of securities during the year ended December 31, 2025. The Company sold securities of \$13,303 during the year ended December 31, 2024 for a pre-tax realized loss of \$944. The Company did not realize gains during the year ended December 31, 2024.

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

There were no pledged securities at December 31, 2025. The fair value of pledged securities totaled \$6,298 at December 31, 2024.

### Note 3 – Nonmarketable Equity Securities

The Company owns stock in the Federal Reserve Bank of San Francisco, the Federal Home Loan Bank of Des Moines and the Pacific Coast Bankers' Bank. The investments are recorded at cost, as follows at December 31:

	2025	2024
Federal Reserve Bank	\$ 1,381	\$ 1,362
Federal Home Loan Bank	405	352
Pacific Coast Bankers' Bank	190	190
Total	\$ 1,976	\$ 1,904

### Note 4 - Loans Receivable

The Company originates loans in the ordinary course of business and has also acquired loans through mergers and acquisitions. In addition to originating loans, the Company may also purchase loans through pool purchases, participation purchases and syndicated loan purchases. Accrued interest receivable and net deferred loan fees were excluded from disclosures presenting the Company's amortized cost of loans receivable as it was deemed insignificant.

#### (a) Loan Origination/Risk Management

The Company categorizes the individual loans in the total loan portfolio into three segments: commercial, real estate, and consumer. Within these segments are classes of loans for which management monitors and assesses credit risks.

Loans at December 31 consist of the following portfolio segments and classes:

	2025	2024
Commercial	\$ 149,285	\$ 119,556
Real estate		
Residential 1-4 family	60,796	62,843
Multi-family	39,149	38,913
Commercial	252,711	223,371
Construction and land	18,386	18,894
Total real estate	371,042	344,021
Consumer	4,718	4,164
Total outstanding loans receivable	525,045	467,741
Less: Net deferred loan fees	695	422
Loans receivable	\$ 524,350	\$ 467,319

The quality of the Company's loan portfolio is impacted by a number of risk factors that are considered by management in the development of the allowance for credit losses. For construction, land and land development loans, major risk factors include demand levels for residential and commercial development, and real estate prices. For mortgage loans secured by residential real estate, major risk factors include unemployment levels and real estate prices. For mortgage loans secured by commercial real estate, major risk factors include demand levels for products and services, rental rates and real estate prices. For commercial non-real estate loans, major risk factors include demand for products and

## Notes to Consolidated Financial Statements

Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

services, and general economic activity levels. Fluctuating interest rates and inflation are also pertinent risk factors across all loan segments.

In assessing the risk factors as of December 31, 2025, management considers current conditions to be stressed and future conditions to be uncertain with an economic downturn possible, which are similar assessments to December 31, 2024.

### (b) Credit Quality

As part of the on-going monitoring of the credit quality of the Company's loan portfolio, management tracks certain credit quality indicators, including trends in risk grade of the loan. The Company utilizes a risk grading matrix to assign a risk grade to each loan on a scale of 1 to 10. Grades 1 to 5 are considered "Pass". Grade 6 is "Watch" but is categorized as "Pass" for reporting purposes. Grade 7 is "Special Mention"; grade 8 is "Substandard"; grade 9 is "Doubtful" and grade 10 is "Loss".

The following tables present the outstanding balance of loans receivable by risk grade and origination year, at the dates indicated. The difference between outstanding balance and amortized cost basis is deemed not material.

	December 31, 2025						Revolving Loans	Total
	Term Loans Amortized Cost Basis by Origination Year							
	2025	2024	2023	2022	2021	Prior		
<b>Commercial</b>								
Pass	\$ 37,553	\$ 23,353	\$ 13,725	\$ 11,132	\$ 1,185	\$ 15,264	\$ 45,035	\$ 147,247
Substandard	-	725	-	93	121	-	1,099	2,038
Subtotal	37,553	24,078	13,725	11,225	1,306	15,264	46,134	149,285
<b>Residential 1-4 Family</b>								
Pass	4,204	3,118	5,233	8,580	5,649	6,281	26,669	59,734
Substandard	-	-	-	-	-	-	1,062	1,062
Subtotal	4,204	3,118	5,233	8,580	5,649	6,281	27,731	60,796
<b>Multifamily</b>								
Pass	1,914	1,542	484	7,406	12,646	15,157	-	39,149
Subtotal	1,914	1,542	484	7,406	12,646	15,157	-	39,149
<b>Commercial Real Estate</b>								
Pass	51,163	16,577	16,442	64,335	25,340	71,146	-	245,003
Substandard	-	-	-	6,139	-	-	1,569	7,708
Subtotal	51,163	16,577	16,442	70,474	25,340	71,146	1,569	252,711
<b>Construction and Land</b>								
Pass	11,169	2,826	3,000	1,138	253	-	-	18,386
Subtotal	11,169	2,826	3,000	1,138	253	-	-	18,386
<b>Consumer</b>								
Pass	201	372	505	270	86	11	3,273	4,718
Subtotal	201	372	505	270	86	11	3,273	4,718
<b>Loans Receivable</b>								
Pass	106,204	47,788	39,389	92,861	45,159	107,859	74,977	514,237
Substandard	-	725	-	6,232	121	-	3,730	10,808
Total	\$ 106,204	\$ 48,513	\$ 39,389	\$ 99,093	\$ 45,280	\$ 107,859	\$ 78,707	\$ 525,045

## Notes to Consolidated Financial Statements

Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

December 31, 2024							
Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans	Total
<b>Commercial</b>							
Pass	\$ 25,273	\$ 17,647	\$ 15,500	\$ 2,006	\$ 19,880	\$ 37,877	\$ 118,183
Substandard	-	-	139	413	21	800	1,373
Subtotal	25,273	17,647	15,639	2,419	19,901	38,677	119,556
<b>Residential 1-4 Family</b>							
Pass	9,839	5,872	12,814	5,927	6,866	21,525	62,843
Subtotal	9,839	5,872	12,814	5,927	6,866	21,525	62,843
<b>Multifamily</b>							
Pass	1,554	490	8,429	12,946	15,494	-	38,913
Subtotal	1,554	490	8,429	12,946	15,494	-	38,913
<b>Commercial Real Estate</b>							
Pass	14,226	18,363	71,226	26,800	86,037	-	216,652
Substandard	777	-	5,220	-	722	-	6,719
Subtotal	15,003	18,363	76,446	26,800	86,759	-	223,371
<b>Construction and Land</b>							
Pass	14,229	3,000	1,222	272	171	-	18,894
Subtotal	14,229	3,000	1,222	272	171	-	18,894
<b>Consumer</b>							
Pass	536	592	380	95	310	2,251	4,164
Subtotal	536	592	380	95	310	2,251	4,164
<b>Loans Receivable</b>							
Pass	65,657	45,964	109,571	48,046	128,758	61,653	459,649
Substandard	777	-	5,359	413	743	800	8,092
Total	\$ 66,434	\$ 45,964	\$ 114,930	\$ 48,459	\$ 129,501	\$ 62,453	\$ 467,741

The following tables present the gross charge-offs by loan segment and year of origination, for the periods indicated:

December 31, 2025								
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Total
Real estate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial	-	242	-	-	-	-	-	242
Consumer	-	-	-	5	-	3	-	8
Total	\$ -	\$ 242	\$ -	\$ 5	\$ -	\$ 3	\$ -	\$ 250

  

December 31, 2024							
	2024	2023	2022	2021	Prior	Revolving Loans	Total
Real estate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial	-	-	-	-	6	-	6
Consumer	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ 6

## Notes to Consolidated Financial Statements

Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

### (c) Nonaccrual Loans

Nonaccrual loans and related allocations of the allowance for loan credit losses at December 31, 2025 were as follows:

	December 31, 2025				
	Nonaccrual Loans With No Valuation Allowance	Nonaccrual Loans With A Valuation Allowance	Total Nonaccrual Loans	Valuation Allowance On Nonaccrual Loans	Net Carrying Amount of Nonaccrual Loans
Real estate	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial	1,288	-	1,288	-	1,288
Consumer	-	-	-	-	-
Total Nonaccrual	\$ 1,288	\$ -	\$ 1,288	\$ -	\$ 1,288

There were no nonaccrual loans at December 31, 2024.

Interest income on nonaccrual loans was immaterial in 2025 and 2024.

### (d) Past Due Loans

The following tables present the outstanding balance of loans by past due and performance status for the periods indicated:

	December 31, 2025				
	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans
Real estate	\$ 424	\$ -	\$ 424	\$ 370,618	\$ 371,042
Commercial	49	-	49	149,236	149,285
Consumer	1	-	1	4,717	4,718
Total	\$ 474	\$ -	\$ 474	\$ 524,571	\$ 525,045

	December 31, 2024				
	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans
Real estate	\$ 664	\$ -	\$ 664	\$ 343,357	\$ 344,021
Commercial	357	-	357	119,199	119,556
Consumer	24	-	24	4,140	4,164
Total	\$ 1,045	\$ -	\$ 1,045	\$ 466,696	\$ 467,741

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

*(e) Loan Modifications*

The Company may modify loans to borrowers in financial distress by providing modifications of loans which may include interest rate reductions, principal or interest forgiveness, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral.

At December 31, 2025, the Company has no loans modified in 2025 where the modification was deemed a financial difficulty modification. At December 31, 2024, the Company has no loans modified in 2024 where the modification was deemed a financial difficulty modification.

*(f) Related Party Loans*

In the ordinary course of business, the Company may grant loans to its executive officers, significant shareholders, directors, and parties affiliated with those persons (collectively, "related parties"). At December 31, 2025 and 2024, loan commitments to related parties totaled \$8,255 and \$7,191, respectively, and loans outstanding to related parties totaled \$2,166 and \$1,630, respectively.

### Note 5 – Allowance for Credit Losses on Loans

The following table details the activity in the allowance for credit losses by segment for the years ended December 31, 2025 and 2024:

	Real Estate	Commercial	Consumer	Total
<b>Balance at December 31, 2023</b>	\$ 4,201	\$ 1,456	\$ 33	\$ 5,690
Provision (reversal) for credit losses	(75)	(420)	(5)	(500)
Charge-offs	-	(6)	-	(6)
Recoveries	-	406	-	406
Net recoveries	-	400	-	400
<b>Balance at December 31, 2024</b>	4,126	1,436	28	5,590
Provision (reversal) for credit losses	187	637	7	831
Charge-offs	-	(242)	(8)	(250)
Recoveries	-	121	-	121
Net charge-offs	-	(121)	(8)	(129)
<b>Balance at December 31, 2025</b>	\$ 4,313	\$ 1,952	\$ 27	\$ 6,292

## Notes to Consolidated Financial Statements

Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

Components of the allowance for credit losses, and the related carrying amount of loans for which the allowance is determined, are as follows:

	December 31, 2025			
	Real Estate	Commercial	Consumer	Total
<b>Allocation of Allowance To:</b>				
Loans evaluated individually	\$ -	\$ -	\$ -	\$ -
Loans evaluated collectively	4,313	1,952	27	6,292
Total	\$ 4,313	\$ 1,952	\$ 27	\$ 6,292
<b>Carrying Amount In:</b>				
Loans evaluated individually	\$ 8,770	\$ 2,038	\$ -	\$ 10,808
Loans evaluated collectively	362,272	147,247	4,718	514,237
Total	\$ 371,042	\$ 149,285	\$ 4,718	\$ 525,045

  

	December 31, 2024			
	Real Estate	Commercial	Consumer	Total
<b>Allocation of Allowance To:</b>				
Loans evaluated individually	\$ -	\$ -	\$ -	\$ -
Loans evaluated collectively	4,126	1,436	28	5,590
Total	\$ 4,126	\$ 1,436	\$ 28	\$ 5,590
<b>Carrying Amount In:</b>				
Loans evaluated individually	\$ 6,720	\$ 1,373	\$ -	\$ 8,093
Loans evaluated collectively	337,301	118,183	4,164	459,648
Total	\$ 344,021	\$ 119,556	\$ 4,164	\$ 467,741

Activity of the Company's allowance for unfunded commitments is included in Note 12 - *Commitments and Contingencies*.

### Note 6 - Premises and Equipment, Net

Components of premises and equipment at December 31 are as follows:

	2025	2024
Land	\$ 212	\$ 212
Building	3,369	3,318
Leasehold improvements	2,363	1,885
Furniture and equipment	2,687	1,322
Software	70	70
Lease right-of-use assets	8,366	5,054
Fixed assets in-process	-	540
Total	17,067	12,401
Less: Accumulated depreciation and amortization	3,758	5,529
Premises and equipment, net	\$ 13,309	\$ 6,872

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

### Note 7 – Goodwill

Goodwill resulted from the Bank's merger with Thurston First Bank in 2016 and represents the excess of purchase price over the fair value of acquired tangible assets and liabilities and identified assets. Goodwill is assessed at least annually for impairment, or more frequently if deemed necessary, and any impairment losses are recognized in earnings in the period identified. No impairment loss was recognized during the year ended December 31, 2025 or 2024.

### Note 8 - Deposits

The composition of deposits at December 31 is as follows:

	2025	2024
Demand deposits, non-interest bearing	\$ 179,046	\$ 166,394
NOW and money market accounts	354,622	334,585
Savings deposits	7,612	7,033
Time certificates equal to or over \$250,000	43,831	48,219
Other time certificates	25,206	35,762
Total deposits	\$ 610,317	\$ 591,993

Scheduled maturities of time certificates of deposit for future years ending December 31 are as follows:

2026	\$ 67,664
2027	870
2028	249
2029	25
2030	229
Hereafter	-
Total	\$ 69,037

Certain related parties of the Company, principally directors and their affiliates, were deposit customers of the Company in the ordinary course of business during years ended December 31, 2025 and 2024. Deposits from related parties at December 31, 2025 and 2024 totaled \$43,315 and \$40,056, respectively.

### Note 9 - Borrowings

The Company has agreements providing long-term and short-term borrowings with the FHLB of Des Moines with total available credit on the lines of \$129,225 at December 31, 2025. The Company had \$15,000 in standby letters of credit outstanding on these lines and no borrowings at December 31, 2025. The Company has a blanket pledge of \$234,044 in loans as collateral for the FHLB borrowings at December 31, 2025.

In addition, the Company has pledged \$74,484 of loans as collateral for borrowings with the Federal Reserve Bank. Available borrowings through this facility are approximately \$54,559 at December 31, 2025.

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

The Company has agreements with commercial banks for lines of credit totaling \$34,000 at both December 31, 2025 and 2024, none of which was used at either December 31, 2025 or 2024. The federal funds lines are uncommitted, and funding requests made by the Company are subject to the lending institution's approval and funding availability at the time of request. Federal funds bear interest at variable daily rates established by the correspondent.

### Note 10 - Employee Benefits

#### *(a) 401(k) Plan*

The Company has a 401(k) profit sharing plan covering substantially all employees. Contributions to the 401(k) profit sharing plan consist of matching contributions, which match 100% of the employees' contributions up to 3% and then match 50% of the following 2%. The Company may also make profit sharing contributions which are at the discretion of its Board of Directors. There were \$249 and \$235 in contributions by the Company to this plan for the years ended December 31, 2025 and 2024, respectively.

#### *(b) Supplemental Executive Retirement Plan*

The Company established a non-qualified Supplemental Executive Retirement Plan ("SERP") to provide certain executive officers with supplemental retirement benefits. The periodic pension expense for the supplemental plan amounted to \$314 and \$163 for the years ended December 31, 2025 and 2024, respectively. The present value of the projected benefit obligation was \$2,198 and \$1,984 at December 31, 2025 and 2024, respectively, all of which is unfunded. A discount rate of 4.8% was used in determining the actuarial projected benefit at both December 31, 2025 and 2024. The Company made cash payments of \$100 related to the plan in both 2025 and 2024.

#### *(c) Director's Equity Program*

The Company offers Directors the option to receive their director's compensation in Company stock rather than cash. Under the Company's 2019 Equity Compensation Plan for Non-Employee Directors ("2019 Director Plan"), the Company may grant stock or stock awards for up to 50,000 shares of its common stock to Directors. There are 22,667 shares available for future issuance under the 2019 Director Plan as of December 31, 2025.

Each Director may make an election annually for the following calendar year to receive all the amounts of annual fees in the form of stock. No bargain purchase provisions are included in the program. Participation in the program defers monthly compensation payments for quarterly stock distributions prior to calendar quarter end. The shares are issued from authorized, unissued shares at the current market value. Current market value is determined as the Company's closing OTCQX market price on the day following the normally scheduled Board meeting in the last month of a calendar quarter. Any unused available cash is rolled into the balance available the following quarter. For the year ended December 31, 2025, Director deferrals totaling \$49 resulted in issuance of 3,630 shares. For the year ended December 31, 2024, Director deferrals totaling \$49 resulted in issuance of 4,570 shares.

#### *(d) Employee Stock Purchase Plan (ESPP)*

The Company initiated an ESPP in 2020. Employees are offered the opportunity to defer from their paycheck a whole percentage between 1% and 10%. Elections are made for four quarterly Offering Periods per year, beginning on March 16, June 16, September 16 and December 16, each period ending on the 15th of the month prior to the beginning of the next Offering Period. Changes to voluntary elections may be made at any time to either their rate of deferral or participation altogether. Cancellation of participation or termination of employment prior to the end of an Offering Period results in all cash withholdings not used for the prior purchase of shares to be returned in full to the participant. The pricing of shares purchased is determined as the lesser of the closing share price the first day of the Offering Period and the closing price on the last day of the Offering Period. This closing price is then discounted by 15% to determine the purchase price for shares issued that quarter. The shares are issued from authorized, unissued share balances available. For the year ended December 31, 2025, employee deferrals totaling \$46 resulted in the issuance of 4,372 shares. For the year ended December 31, 2024, employee deferrals totaling \$63 resulted in the issuance of 7,266 shares.

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

### Note 11 - Income Taxes

Allocation of income taxes between current and deferred portions is as follows:

	2025	2024
<b>Income Taxes</b>		
Current expense	\$ 1,425	\$ 579
Deferred expense	212	39
Total income taxes	\$ 1,637	\$ 618

Income tax expense relates primarily to federal income taxes as the state of Washington does not collect state income taxes. The reasons for the differences between the statutory federal income tax rate and the effective tax rate are summarized as follows:

	2025		2024	
	Amount	Percent	Amount	Percent
<b>Statutory federal tax rate</b>	1,752	21.0%	762	21.0%
Increase (decrease) resulting from:				
Tax exempt income	(259)	(3.1)	(218)	(6.0)
Bank owned life insurance redemption	-	-	69	1.9
Other	144	1.7	5	0.1
<b>Effective rate</b>	1,637	19.6%	618	17.0%

Tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities are included as a component of *Prepaid expenses and other assets*, and are as follows at December 31:

	2025	2024
<b>Deferred Tax Assets</b>		
Allowance for credit losses	\$ 1,321	\$ 1,174
Discount of acquired loans	19	30
SERP liabilities	462	417
Unrealized loss on securities available for sale	2,352	3,127
Other	85	60
Total deferred tax assets	4,239	4,808
<b>Deferred Tax Liabilities</b>		
Deferred loan costs	210	240
Premises and equipment	512	64
Total deferred tax liabilities	722	304
Net deferred tax assets	\$ 3,517	\$ 4,504

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

### Note 12 - Commitments and Contingencies

*(a) Commitments to Extend Credit and related Allowance for Credit Losses on Unfunded Commitments*

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the accompanying balance sheet.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. A summary of the Company's commitments at December 31 is as follows:

	2025	2024
Commitments to extend credit	\$ 125,178	\$ 105,636
Standby letters of credit	1,448	1,406

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the party. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate and income-producing commercial properties. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

The following table details the activity in the ACL on unfunded commitments during the periods indicated:

	2025	2024
Balance, beginning of period	\$ 287	\$ 229
Provision for credit losses on unfunded commitments	112	58
Balance, end of period	\$ 399	\$ 287

*(b) Legal Matters*

Because of the nature of its activities, the Company is subject to various pending and threatened legal actions which may arise in the ordinary course of business. In the opinion of management, liabilities arising from these claims, if any, will not have a material effect on the financial position of the Company. Management has not been informed of any such claims at December 31, 2025.

*(c) Leases*

The Company maintains various building and land noncancelable operating lease agreements related to its branch locations. The majority of the leases contain renewal options and provisions for increases in rental rates based on an agreed upon index or predetermined escalation clause. The Company's operating lease right-of-use asset is included as a component of *Premises and equipment, net*. The related operating lease right-of-use liability was \$7,997 and \$2,245 at December 31, 2025 and 2024, respectively, and is included as a component of *Other liabilities*. The Company does not have any leases designated as finance leases.

Total rent expense under these leases during the years ended December 31, 2025 and 2024 was \$947 and \$784, respectively, which includes operating lease costs and variable lease costs.

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

The following table presents the lease payment obligations as of December 31, 2025 as outlined in the Company's lease agreements for each of the next five years and thereafter:

2026	\$ 780
2027	891
2028	931
2029	957
2030	858
Thereafter	5,862
Total lease payments	10,279
Imputed Interest	2,282
Right-of-use liability	\$ 7,997

### Note 13 - Significant Concentrations of Credit Risk

Most of the Company's business activity is with customers located in the state of Washington. Loans are generally limited, by federal and state banking regulations, to 20 percent of the Company's stockholders' equity, excluding accumulated other comprehensive income plus allowance for credit losses.

### Note 14 – Equity

#### (a) Preferred Stock

The Company's Board of Directors has the continual authority to create one or more series of preferred stock from the 100,000 authorized shares, including designations, powers, preferences, rights, qualifications, limitations and restrictions. This includes voting rights, dividend and conversion rates, redemption prices and liquidation preferences. No preferred stock was issued or outstanding in 2025 and 2024.

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

*(b) Earnings Per Share*

The calculation of earnings per share and earnings per share assuming full dilution from all stock options is as follows:

	Year Ended December 31,	
	2025	2024
	(Dollars in thousands, except shares)	
Net income available to common stockholders	\$ 6,708	\$ 3,012
<b>Basic EPS</b>		
Weighted average common shares outstanding	3,761,722	3,864,333
<b>Diluted EPS</b>		
Basic weighted average common shares outstanding	3,761,722	3,864,333
Dilutive effect of all stock options and restricted stock units	60,732	29,507
Total diluted weighted average common shares outstanding	3,822,454	3,893,840
<b>Basic EPS</b>	\$ 1.78	\$ 0.78
<b>Diluted EPS</b>	\$ 1.75	\$ 0.77

*(c) Dividends*

The timing and amount of cash dividends paid on the Company's common stock depends on the Company's earnings, capital requirements, financial condition and other relevant factors. Dividends on common stock from the Company depend substantially upon receipt of dividends from the Bank, which is the Company's predominant source of income.

During the year ended December 31, 2025, the Company paid no cash dividends. During the year ended December 31, 2024, the Company paid special cash dividends of \$0.20 per share totaling \$787.

*(d) Stock Repurchase Program*

The Company has implemented various stock repurchase programs. The number, timing, and price of shares repurchased under the plans will depend on the business and market conditions and other factors, including opportunities to deploy the Company's capital. The stock repurchase program does not obligate the Company to repurchase any shares of its common stock. In addition to the stock repurchased under the stock repurchase plan, the Company repurchases shares to pay withholding taxes on the vesting of restricted stock units. The shares repurchased are not material.

In November 2023, the Company entered into a common stock repurchase plan ("2023 Purchase Plan") with an independent broker. The Company's Board of Directors authorized the repurchase of up to 5% of the Company's outstanding common shares, or 198,293 shares. The 2023 Purchase Plan expired in November 2024. During the year ended December 31, 2024, the total shares repurchased under the 2023 Purchase Plan was 186,000 with an average price of \$10.14.

In February 2025, the Company entered into a common stock repurchase plan ("2025 Purchase Plan") with an independent broker. The Company's Board of Directors authorized the repurchase of up to 5% of the Company's outstanding common shares, or 191,271 shares. The plan expires at the earlier of February 2026 or the repurchase of 191,271 shares. During the year ended December 31, 2025, the total shares repurchased under the Purchase Plan was 115,500 with an average price of \$12.55.

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

### Note 15 - Stock Compensation Plans

Under the Company's 2022 Equity Incentive Plan ("2022 Plan"), the Company may grant both incentive and nonqualified awards for up to 650,000 shares of its common stock to certain key employees or directors. The 2022 Plan permits the grant of options, restricted stock, restricted stock units, stock appreciation rights, or other equity-based awards and performance bonuses. There are 248,516 shares available for future issuance under the 2022 Plan as of December 31, 2025.

At December 31, 2025, stock-based compensation expense related to unvested stock options granted and unvested restricted stock units expected to be recognized is as follows:

2026	\$	504
2027		317
2028		60
2029		4
2030		-
Total	\$	885

#### (a) Employee Stock Options

The exercise price of each option equals the fair market value of the Company's stock on the date of grant, and an option's maximum term is ten years. Options vest ratably over five years.

There were no options granted during the year ended December 31, 2025.

The fair value of each option grant is estimated on the date of grant, based on the Black-Scholes option pricing model and using the following weighted-average assumptions at December 31, 2024:

	2024
Dividend Yield	0.00%
Expected Life	6.5 years
Risk-free interest rate	4.34%
Expected volatility	26.42%

At the time of the stock grant, there were no plans to issue a cash dividend in the near term; therefore, management assumed no dividend yield. The Company elected to apply the simplified method prescribed by guidance to calculate the expected life of the options. The Company utilized a five-year, risk-free yield rate for the interest rate utilized. The Company used historical data to determine expected volatility.

The Black-Scholes model used by the Company to calculate option values and other currently accepted option valuation models was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's stock option awards. These models require highly subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values.

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

A summary of the status of the Company's stock option plan as of December 31, 2025, along with activities during the year are presented below:

	Shares	Weighted Exercise Price, Per Share	Weighted-Average Grant Date Fair Value, Per Share	Weighted-Average Contractual Life (Years)
Outstanding at beginning of year	240,055	\$ 13.07	\$ 3.58	6.16
Options forfeited	(10,150)	13.26	3.73	
Outstanding at end of year	229,905	\$ 13.07	\$ 3.57	5.12
<b>Vested and exercisable at end of year</b>	<b>170,005</b>	<b>\$ 13.54</b>	<b>\$ 3.57</b>	<b>4.45</b>

At December 31, 2025, total outstanding options had an aggregate intrinsic value of \$826 and vested options had an aggregate intrinsic value of \$530. Aggregate intrinsic value is based on the difference between the exercise price of the underlying shares and the Company's end of year OTCQX closing price.

A summary of the status of the Company's stock option plan as of December 31, 2024, along with activities during the year are presented below:

	Shares	Weighted Exercise Price, Per Share	Weighted-Average Grant Date Fair Value, Per Share	Weighted-Average Contractual Life (Years)
Outstanding at beginning of year	260,255	\$ 13.63	\$ 3.55	6.51
Options granted	35,000	9.95	3.70	
Options exercised	(2,400)	9.00	2.78	
Options forfeited	(52,800)	13.92	3.57	
Outstanding at end of year	240,055	\$ 13.07	\$ 3.58	6.16
<b>Vested and exercisable at end of year</b>	<b>140,455</b>	<b>\$ 13.86</b>	<b>\$ 3.64</b>	<b>5.05</b>

For the years ended December 31, 2025 and 2024, the Company recognized stock option compensation expense of \$104 and \$119, respectively.

*(b) Employee Restricted Stock Units*

Company can award restricted stock units ("units") to certain employees under the 2022 Plan. Compensation expense is recognized over the vesting period of the units based on the fair value of the stock at issue date. The fair value of the units was determined by using the over-the-counter market "OTCQX", where the Company is listed. The units generally vest ratably over three or five years.

## Notes to Consolidated Financial Statements

Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

The following is a schedule of the Company's unit activity for the periods indicated:

	Units	Weighted- Average Grant Date Fair Value
Nonvested at December 31, 2023	57,300	\$ 12.27
Granted	39,000	10.07
Vested, gross of withholding	(18,629)	12.15
Canceled	(8,001)	11.30
Nonvested at December 31, 2024	69,670	\$ 11.18
Granted	51,250	13.73
Vested, gross of withholding	(28,030)	11.28
Canceled	(500)	13.70
Nonvested at December 31, 2025	92,390	\$ 12.55

For the years ended December 31, 2025 and 2024, the Company recognized restricted stock unit compensation expense of \$500 and \$277, respectively.

### Note 16 – Derivative Financial Instruments

The Company utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual swap agreements.

The following tables present the notional amounts and estimate fair value of the derivatives at the dates indicated:

	December 31, 2025	
	Notional Amount	Fair Value
<b>Included in Other liabilities :</b>		
Derivatives designated as hedging instruments:		
Interest rate swaps related to available for sale securities- MBS	\$ 40,000	\$ (418)
	December 31, 2024	
	Notional Amount	Fair Value
<b>Included in Prepaid expenses and other assets :</b>		
Derivatives designated as hedging instruments:		
Interest rate swaps related to available for sale securities- MBS	\$ 40,000	\$ 177

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

The following tables present the further information on the derivatives at the dates indicated:

	December 31, 2025	
	Carrying Amount of Hedged Asset	Cumulative Amount of Fair Value Hedging Adjustment included in the Carrying Amount of the Hedged Asset
Interest rate swaps related to available for sale securities- MBS	\$ 66,252	\$ 434

	December 31, 2024	
	Carrying Amount of Hedged Asset	Cumulative Amount of Fair Value Hedging Adjustment included in the Carrying Amount of the Hedged Asset
Interest rate swaps related to available for sale securities- MBS	\$ 73,102	\$ (182)

During the year ended December 31, 2025 and 2024 the Company recorded interest income related to the gain on fair value hedge relationship in the caption *Interest and dividend income on interest on investment securities* of \$192 and \$11, respectively.

The hedge was determined to be effective during all periods presented. The Company expects the hedges to remain effective during the remaining term of the swap.

### Note 17 - Regulatory Matters

Banks and bank holding companies are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines, and additionally for banks prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors.

Quantitative measures established by the Basel III Capital Rules to ensure capital adequacy require the maintenance of minimum amounts and ratios of common equity tier 1 capital, tier 1 capital and total capital (as defined in the regulations) to risk-weighted assets (as defined), and of tier 1 capital to quarterly average assets (as defined). The Basel III capital rules require the Bank to maintain a minimum ratio of common equity tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% common equity tier 1 capital ratio, effectively resulting in a minimum ratio of common equity tier 1 capital to risk-weighted assets of 7%). The Bank is also required to maintain a tier 1 capital to risk-weighted assets ratio of 6.0% (8.5% including the capital conservation buffer), a total capital to risk-weighted assets ratio of 8.0% (10.5% including the capital conservation buffer), and a tier 1 capital to quarterly average assets ratio of 4.0%.

The aforementioned capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with capital ratios above the base minimums but below the effective minimums (which include the buffer) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

The Bank's regulatory capital is comprised of the following: 1) Common equity tier 1 capital – consisting of common stock, related paid-in-capital and retained earnings; 2) Additional tier 1 capital – there are no components of tier 1 capital beyond common equity tier 1 capital; 3) Tier 2 capital - consisting of a permissible portion of the allowance for

## Notes to Consolidated Financial Statements

Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

credit losses; and 4) total capital - the aggregate of all tier 1 and tier 2 capital. In connection with the adoption of the Basel III Capital Rules, the Company elected to opt-out of the requirement to include most components of accumulated other comprehensive income in common equity tier 1 capital.

Capital amounts and ratios for the dates indicated are as follows:

	Actual		Adequately Capitalized		Well-Capitalized <1>				
<b>December 31, 2025</b>									
Total capital	\$	74,292	13.34%	\$	58,493	10.50%	\$	55,707	10.00%
Tier 1 capital		67,601	12.14		47,351	8.50		44,566	8.00
Common equity Tier 1 capital		67,601	12.14		38,995	7.00		36,210	6.50
Leverage Ratio		67,601	9.45		28,623	4.00		35,779	5.00
<b>December 31, 2024</b>									
Total capital	\$	67,551	13.70%	\$	51,790	10.50%	\$	49,324	10.00%
Tier 1 capital		61,674	12.50		41,925	8.50		39,459	8.00
Common equity Tier 1 capital		61,674	12.50		34,527	7.00		32,061	6.50
Leverage Ratio		61,674	9.49		26,001	4.00		32,502	5.00

<1> Well-capitalized under prompt corrective action regulations

Regulatory authorities can initiate certain mandatory actions if the Bank fails to meet the minimum capital requirements, which could have a direct and material effect on the Company's financial statements. Management believes, as of December 31, 2025 and 2024, that the Bank meets all capital adequacy requirements to which it is subject and that the Bank exceeds the minimum levels necessary to be considered "well-capitalized".

### Note 18 - Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. There are three levels of inputs that may be used to measure fair values: Level 1, Level 2, and Level 3.

#### (a) Recurring and Nonrecurring Basis

The following is a description of the Company's valuation methodologies to measure the fair value of certain assets and liabilities on a recurring and nonrecurring basis:

*Investment Securities Available for Sale* – The fair values of investment securities available for sale are determined by obtaining quoted prices on nationally recognized investment securities exchanges (Level 1) or matrix pricing, which is a mathematical technique used widely in the industry to value debt investment securities without relying exclusively on quoted prices for specific investment securities but rather by relying on the investment securities' relationship to other benchmark quoted investment securities (Level 2). At December 31 2025 and 2024, the Company held \$6,000 and \$8,000 in corporate securities included in level 3 assets, respectively. The amortized cost is estimated to be fair value for these securities.

## Notes to Consolidated Financial Statements

Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

*Collateral-Dependent Loans* – The Company does not record loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect an allowance for credit losses determined using the fair value of the collateral. In some cases, the properties for which market quotes or appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for collateral-dependent loans are obtained from real estate brokers or other third-party consultants (Level 3).

*Other Real Estate Owned* – The Company does not record other real estate owned at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these properties to reflect the current appraised value (less an estimate of cost to sell). In some cases, the properties for which appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for other real estate owned are obtained from independent appraisers (Level 3).

*Derivative Financial Instruments* – The Company obtains broker or dealer quotes to value its interest rate derivative contracts, which use valuation models using observable market data as of the measurement date (Level 1).

### Recurring Basis:

The following table summarizes the balances of assets and liabilities measured at fair value on a recurring basis at the dates indicated:

	As of December 31, 2025			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Securities available for sale				
U.S. government agency securities	\$ 9,097	\$ -	\$ 9,097	\$ -
Collateralized mortgage obligations	49,638	-	49,638	-
Mortgage-backed securities	18,110	-	18,110	-
Corporates	6,000	-	-	6,000
T total securities available for sale	82,845	-	76,845	6,000
<b>Liabilities</b>				
Derivative liability - interest rate swap	\$ 418	\$ 418	\$ -	\$ -
	As of December 31, 2024			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Securities available for sale				
U.S. government agency securities	\$ 10,422	\$ -	\$ 10,422	\$ -
Collateralized mortgage obligations	51,630	-	51,630	-
Mortgage-backed securities	20,003	-	20,003	-
Corporates	8,000	-	-	8,000
T total securities available for sale	90,055	-	82,055	8,000
Derivative asset - interest rate swap	177	177	-	-

There were no liabilities measured at fair value on a recurring basis at December 31, 2024. The change from 2024 to 2025 in Level 3 assets measured on a recurring basis above is related to calls of corporate debt securities.

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

*Nonrecurring Basis:*

The Company may be required to measure certain financial assets and liabilities at fair value on a nonrecurring basis. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets.

The Company held no collateral –dependent loans with valuation allowances or other real estate owned at December 31, 2025 and 2024.

*(b) Fair Value of Financial Instruments*

Broadly traded markets do not exist for most of the Company's financial instruments; therefore, the fair value calculations attempt to incorporate the effect of current market conditions at a specific time. These determinations are subjective in nature, involve uncertainties and matters of significant judgment and do not include tax ramifications; therefore, the results cannot be determined with precision, substantiated by comparison to independent markets and may not be realized in an actual sale or immediate settlement of the instruments. There may be inherent weaknesses in any calculation technique and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results. For all these reasons, the aggregation of the fair value calculations presented herein do not represent, and should not be construed to represent, the underlying value of the Company.

## Notes to Consolidated Financial Statements

Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

The estimated fair values of the Company's financial instruments for the periods indicated are as follows:

	As of December 31, 2025				
	Carrying		Fair Value Measurements Using:		
	Value	Fair Value	Level 1	Level 2	Level 3
<b>Financial Assets:</b>					
Cash and due from banks	\$ 8,580	\$ 8,580	\$ 8,580	\$ -	\$ -
Interest-bearing deposits in other financial institutions	10,205	10,205	10,205	-	-
Federal funds sold	13,065	13,065	13,065	-	-
Securities available for sale	82,845	82,845	-	76,845	6,000
Nonmarketable equity securities	1,976	1,976	1,786	-	190
Loans receivable, net	518,058	511,750	-	-	511,750
Cash surrender value of life insurance	17,418	17,418	17,418	-	-
Accrued interest receivable	2,308	2,308	15	192	2,101
<b>Financial Liabilities:</b>					
Non-maturity deposits	541,280	541,280	-	541,280	-
Certificate of deposit	69,037	68,977	-	-	68,977
Accrued interests payable	492	492	-	304	188
Derivative liability - interest rate swap	418	418	418	-	-

	As of December 31, 2024				
	Carrying		Fair Value Measurements Using:		
	Value	Fair Value	Level 1	Level 2	Level 3
<b>Financial Assets:</b>					
Cash and due from banks	\$ 10,564	\$ 10,564	\$ 10,564	\$ -	\$ -
Interest-bearing deposits in other financial institutions	47,757	47,757	47,757	-	-
Federal funds sold	5,779	5,779	5,779	-	-
Securities available for sale	90,055	90,055	-	82,055	8,000
Nonmarketable equity securities	1,904	1,904	1,714	-	190
Loans receivable, net	461,729	438,529	-	-	438,529
Cash surrender value of life insurance	14,558	14,558	14,558	-	-
Accrued interest receivable	1,778	1,778	2	241	1,535
Derivatives assets - interest rate swap	177	177	177	-	-
<b>Financial Liabilities:</b>					
Non-maturity deposits	508,012	508,012	-	508,012	-
Certificate of deposit	83,981	84,160	-	-	84,160
Accrued interests payable	499	499	-	139	360

## Notes to Consolidated Financial Statements

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Commencement Bancorp Inc. and Subsidiary  
For the Years Ended December 31, 2025 and 2024

### **Note 19 - Subsequent Events**

Management evaluates events occurring subsequent to the balance sheet date, through the date the financial statements are available to be issued, to determine whether the events require recognition or disclosure in the financial statements. If a subsequent event evidences conditions existing at the balance sheet date, the effects are recognized in the financial statements (recognized subsequent event). If a subsequent event evidences conditions arising after the balance sheet date, the effects are not recognized in the financial statements but rather disclosed in the notes to the financial statements (non-recognized subsequent events). The effects of subsequent events are only recognized if material, or disclosed if the financial statements would otherwise be misleading.

With respect to the December 31, 2025 financial statements, management has considered subsequent events through March 25, 2026, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**Commencement Bancorp, Inc. and Subsidiary**

**CONSOLIDATING BALANCE SHEET**

December 31, 2025

	Commencement Bank	Commencement Bancorp, Inc.	Elimination	Consolidated
<b>Assets</b>				
Cash and due from banks	\$ 8,580	\$ 45	\$ (45)	\$ 8,580
Interest-bearing deposits in other financial institutions	10,205	-	-	10,205
Federal funds sold	13,065	-	-	13,065
Cash and cash equivalents	31,850	45	(45)	31,850
Investment in subsidiary	-	59,966	(59,966)	-
Time deposits in other financial institutions	1,526	-	-	1,526
Investment securities available for sale	82,845	-	-	82,845
Nonmarketable equity securities	1,976	-	-	1,976
Loans receivable	524,350	-	-	524,350
Allowance for credit losses on loans	(6,292)	-	-	(6,292)
Loans receivable, net	518,058	-	-	518,058
Premises and equipment, net	13,309	-	-	13,309
Bank owned life insurance	17,418	-	-	17,418
Accrued interest receivable	2,308	-	-	2,308
Goodwill	1,214	-	-	1,214
Prepaid expenses and other assets	12,326	193	-	12,519
<b>Total assets</b>	<b>\$ 682,830</b>	<b>\$ 60,204</b>	<b>\$ (60,011)</b>	<b>\$ 683,023</b>
<b>Liabilities and Stockholders' Equity</b>				
<b>Liabilities</b>				
Deposits				
Non-interest bearing deposits	\$ 179,091	\$ -	\$ (45)	\$ 179,046
Savings and non-maturity interest-bearing	362,234	-	-	362,234
Time certificates	69,037	-	-	69,037
<b>Total deposits</b>	<b>610,362</b>	<b>-</b>	<b>(45)</b>	<b>610,317</b>
Accrued interest payable	492	-	-	492
Other liabilities	12,010	-	-	12,010
<b>Total liabilities</b>	<b>622,864</b>	<b>-</b>	<b>(45)</b>	<b>622,819</b>
<b>Stockholders' Equity</b>				
Common stock	4,201	3,727	(4,201)	3,727
Additional paid-in capital	41,997	41,152	(41,997)	41,152
Retained earnings	22,617	24,174	(22,617)	24,174
Accumulated other comprehensive loss	(8,849)	(8,849)	8,849	(8,849)
<b>Total stockholders' equity</b>	<b>59,966</b>	<b>60,204</b>	<b>(59,966)</b>	<b>60,204</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 682,830</b>	<b>\$ 60,204</b>	<b>\$ (60,011)</b>	<b>\$ 683,023</b>

**Commencement Bancorp, Inc. and Subsidiary**

**CONSOLIDATING STATEMENT OF INCOME**

Year ended December 31, 2025

	Commencement Bank	Commencement Bancorp, Inc.	Elimination	Consolidated
<b>Interest and Dividend Income</b>				
Interest and fees on loans	\$ 30,172	\$ -	\$ -	\$ 30,172
Interest on interest-bearing deposits and federal funds sold	1,822	-	-	1,822
Interest on investment securities	2,603	-	-	2,603
Dividends on nonmarketable equity securities	127	-	-	127
Total interest income and dividend	34,724	-	-	34,724
<b>Interest Expense</b>				
Deposits	9,016	-	-	9,016
Borrowings	178	-	-	178
Total interest expense	9,194	-	-	9,194
Net interest income	25,530	-	-	25,530
Provision for (reversal of) credit losses	944	-	-	944
Net interest income after provision for credit losses	24,586	-	-	24,586
<b>Noninterest Income</b>				
Service charges and other fees	255	-	-	255
Dividend from subsidiary	-	1,455	(1,455)	-
Interest rate swap fees	188	-	-	188
Other income	1,501	11	-	1,512
Total noninterest income	1,944	1,466	(1,455)	1,955
<b>Noninterest expense</b>				
Compensation and employee benefits	11,813	-	-	11,813
Occupancy and equipment	1,765	-	-	1,765
Data processing	581	-	-	581
Marketing	362	-	-	362
Professional services	1,870	-	-	1,870
Other expense	1,786	19	-	1,805
Total noninterest expense	18,177	19	-	18,196
Income before income taxes and earnings of subsidiary	8,353	1,447	(1,455)	8,345
Undistributed net income of subsidiary	-	5,261	(5,261)	-
Income tax expense	1,637	-	-	1,637
Net Income	\$ 6,716	\$ 6,708	\$ (6,716)	\$ 6,708

Commencement Bancorp, Inc. and Subsidiary

CONSOLIDATING BALANCE SHEET

December 31, 2024

	Commencement Bank	Commencement Bancorp, Inc.	Elimination	Consolidated
<b>Assets</b>				
Cash and due from banks	\$ 10,564	\$ 149	\$ (149)	\$ 10,564
Interest-bearing deposits in other financial institutions	47,757	-	-	47,757
Federal funds sold	5,779	-	-	5,779
Cash and cash equivalents	64,100	149	(149)	64,100
Investment in subsidiary	-	51,125	(51,125)	-
Investment securities available for sale	90,055	-	-	90,055
Nonmarketable equity securities	1,904	-	-	1,904
Loans receivable	467,319	-	-	467,319
Allowance for credit losses on loans	(5,590)	-	-	(5,590)
Loans receivable, net	461,729	-	-	461,729
Premises and equipment, net	6,872	-	-	6,872
Bank owned life insurance	14,558	-	-	14,558
Accrued interest receivable	1,778	-	-	1,778
Goodwill	1,214	-	-	1,214
Prepaid expenses and other assets	7,331	155	(4)	7,482
<b>Total Assets</b>	<b>\$ 649,541</b>	<b>\$ 51,429</b>	<b>\$ (51,278)</b>	<b>\$ 649,692</b>
<b>Liabilities and Stockholders' Equity</b>				
<b>Liabilities</b>				
Deposits				
Non-interest bearing deposits	\$ 166,543	\$ -	\$ (149)	\$ 166,394
Savings and non-maturity interest-bearing	341,618	-	-	341,618
Time certificates	83,981	-	-	83,981
Total deposits	592,142	-	(149)	591,993
Accrued interest payable	499	-	-	499
Other liabilities	5,775	7	(4)	5,778
<b>Total liabilities</b>	<b>598,416</b>	<b>7</b>	<b>(153)</b>	<b>598,270</b>
<b>Stockholders' Equity</b>				
Common stock	4,201	3,814	(4,201)	3,814
Additional paid-in capital	41,330	41,905	(41,330)	41,905
Retained earnings	17,357	17,466	(17,357)	17,466
Accumulated other comprehensive loss	(11,763)	(11,763)	11,763	(11,763)
<b>Total stockholders' equity</b>	<b>51,125</b>	<b>51,422</b>	<b>(51,125)</b>	<b>51,422</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 649,541</b>	<b>\$ 51,429</b>	<b>\$ (51,278)</b>	<b>\$ 649,692</b>

**Commencement Bancorp, Inc. and Subsidiary**

**CONSOLIDATING STATEMENT OF INCOME**

Year ended December 31, 2024

	Commencement Bank	Commencement Bancorp, Inc.	Elimination	Consolidated
<b>Interest and Dividend Income</b>				
Interest and fees on loans	\$ 26,514	\$ -	\$ -	\$ 26,514
Interest on interest-bearing deposits and federal funds sold	811	-	-	811
Interest on investment securities	2,368	-	-	2,368
Dividends on nonmarketable equity securities	122	-	-	122
Total interest income and dividend	29,815	-	-	29,815
<b>Interest Expense</b>				
Deposits	10,185	-	-	10,185
Borrowings	134	-	-	134
Total interest expense	10,319	-	-	10,319
Net interest income	19,496	-	-	19,496
Provision for (reversal of) credit losses	(442)	-	-	(442)
Net interest income after provision for credit losses	19,938	-	-	19,938
<b>Noninterest income</b>				
Service charges and other fees	262	-	-	262
Dividend from subsidiary	-	2,765	(2,765)	-
Interest rate swap fees	43	-	-	43
Loss on sale of investment securities	(944)	-	-	(944)
Other income	1,189	42	-	1,231
Total noninterest income	550	2,807	(2,765)	592
<b>Noninterest expenses</b>				
Compensation and employee benefits	10,781	-	-	10,781
Occupancy and equipment	1,489	-	-	1,489
Data processing	438	-	-	438
Marketing	449	-	-	449
Professional services	1,851	-	-	1,851
Other expense	1,864	28	-	1,892
Total noninterest expense	16,872	28	-	16,900
Income before income taxes and earnings of subsidiary	3,616	2,779	(2,765)	3,630
Undistributed net income of subsidiary	-	233	(233)	-
Income tax expense	618	-	-	618
Net Income	\$ 2,998	\$ 3,012	\$ (2,998)	\$ 3,012