



Commencement Bank Announces First Quarter 2017 Results

Commencement Bank (OTCQX:CBWA) reported net income of \$569,000 or \$0.17 per share for the quarter ending March 31, 2017, compared to \$272,000 or \$0.12 per share for the first quarter of 2016. The recent merger with Thurston First Bank and stabilized operating expenses contributed to first quarter earnings.

Total loans at the end of the first quarter increased to \$234.5 million from \$151.7 million the previous year. The Bank's loan portfolio remained well-diversified at 30% commercial, 67% commercial real estate, 2% consumer, and 1% other.

Total deposits grew substantially to \$291.2 million as compared to \$150.5 million in first quarter 2016 due to the addition of the Thurston First Bank deposit portfolio. The Bank's deposit mix at quarter-end was 29% non-interest bearing checking, 18% interest bearing checking, 30% savings and money market, and 23% time deposits.

"This quarter was the first full reporting period following our merger with Thurston First Bank and I am extremely pleased with the strength and performance of the combined bank. I am confident that we will deliver consistent growth and superior performance throughout 2017," said H.R. "Hal" Russell, President and CEO.

2017 First Quarter Financial Highlights:

- Total loans grew 55% to \$234.5 million as compared to the same period the previous year.
- Net interest margin was 3.91% for the quarter as compared to 3.94% for the same period 2016.
- Tangible book value per share decreased to \$9.95 from \$10.28 one year earlier.
- Return on average equity increased to 6.41% from 4.80% the previous year.
- Return on average assets increased to 0.67% from 0.60% as compared to first quarter 2016.
- The efficiency ratio was 70.45% for the quarter as compared to 76.40% last year.
- Nonperforming assets to total assets were 0% compared to 0.23% one year earlier.
- Capital ratios continue to exceed regulatory requirements, with total risk-based capital substantially above well-capitalized regulatory requirements.

For further discussion, please contact the following:

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About Commencement Bank

Commencement Bank, headquartered in Tacoma, Washington, was formed in 2006 to provide traditional, reliable, and sustainable banking in Pierce County, South King County, Thurston County and the surrounding areas. The team of experienced banking experts focuses on personal attention, flexible service, and building strong relationships with customers through state of the art technology as well as traditional delivery systems. As a local bank, Commencement Bank is deeply committed to the community.

For more information, visit: www.commencementbank.com

Forward-Looking Statement Safe Harbor: This news release contains comments or information that constitutes forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Forward-looking statements describe Commencement Bank’s projections, estimates, plans and expectations of future results and can be identified by words such as “believe,” “intend,” “estimate,” “likely,” “anticipate,” “expect,” “looking forward,” and other similar expressions. They are not guarantees of future performance. Actual results may differ materially from the results expressed in these forward-looking statements, which because of their forward-looking nature, are difficult to predict. Investors should not place undue reliance on any forward-looking statement, and should consider factors that might cause differences including but not limited to the degree of competition by traditional and nontraditional competitors, declines in real estate markets, an increase in unemployment or sustained high levels of unemployment; changes in interest rates; greater than expected costs to integrate acquisitions, adverse changes in local, national and international economies; changes in the Federal Reserve’s actions that affect monetary and fiscal policies; changes in legislative or regulatory actions or reform, including without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act; demand for products and services; changes to the quality of the loan portfolio and our ability to succeed in our problem-asset resolution efforts; the impact of technological advances; changes in tax laws; and other risk factors. Commencement Bank undertakes no obligation to publicly update or clarify any forward-looking statement to reflect the impact of events or circumstances that may arise after the date of this release.

STATEMENTS OF INCOME (Unaudited)
(Dollars in thousands)

| | Quarter Ended | Quarter Ended | | Quarter Ended | |
|---|-------------------|----------------------|--------------------------|-------------------|--------------------|
| | March 31, 2017 | December 31, 2016 | Three Month Change | March 31, 2016 | One Year Change |
| Interest Income | | | | | |
| Loans | 3,055 | 2,764 | 11% | 1,823 | 68% |
| Interest bearing deposits in banks | 170 | 121 | 40% | 26 | 554% |
| Securities available for sale | 63 | 45 | 40% | 28 | 125% |
| Total interest income | 3,288 | 2,930 | 12% | 1,877 | 75% |
| Interest Expense | | | | | |
| Deposits | 273 | 271 | 1% | 180 | 52% |
| Federal Home Loan Bank borrowings | 29 | 23 | 26% | 7 | 314% |
| Total interest expense | 302 | 294 | 3% | 187 | 61% |
| Net Interest Income | | | | | |
| Provision for credit losses | 90 | - | 100% | - | 100% |
| Net interest income after provision for credit losses | 2,896 | 2,636 | 10% | 1,690 | 71% |
| Non-Interest Income | | | | | |
| Service charges on deposit accounts | 48 | 51 | -6% | 36 | 33% |
| Gain (Loss) on sale of other real estate owned | - | 136 | 0% | - | 0% |
| Other non-interest income | 106 | 79 | 34% | 63 | 68% |
| Total non-interest income | 154 | 266 | -42% | 99 | 56% |
| Non-Interest Expense | | | | | |
| Salaries and employee benefits | 1,246 | 1,149 | 8% | 813 | 53% |
| Occupancy and equipment expenses | 218 | 189 | 15% | 123 | 77% |
| Other operating expenses | 748 | 897 | -17% | 431 | 74% |
| Total non-interest expense | 2,212 | 2,235 | -1% | 1,367 | 62% |
| Income before Income Tax and Merger Expenses | 838 | 667 | 26% | 422 | 99% |
| Net Income Before Income Tax | 838 | 667 | 26% | 422 | 99% |
| Provision for Income Tax | 269 | 220 | 22% | 150 | 79% |
| Net Income | 569 | 447 | 27% | 272 | 109% |

BALANCE SHEETS (Unaudited)
(Dollars in thousands)

| | March 31, 2017 | December 31, 2016 | Three Month Change | March 31, 2016 | One Year Change |
|---|-------------------|----------------------|--------------------------|-------------------|--------------------|
| Assets | | | | | |
| Cash and due from banks | 6,422 | 5,141 | 25% | 5,039 | 27% |
| Interest bearing deposits in banks | 25,768 | 31,723 | -19% | 10,610 | 143% |
| Securities available for sale | 9,957 | 8,113 | 23% | 3,298 | 202% |
| Federal funds sold | 42,649 | 50,817 | -16% | 5 | 852880% |
| FHLB, FRB and PCBB stock | 1,880 | 1,506 | 25% | 1,019 | 84% |
| Loans | 234,491 | 232,656 | 1% | 151,724 | 55% |
| Allowance for loan losses | (2,092) | (1,997) | 5% | (1,940) | 8% |
| Net Loans | 232,399 | 230,659 | 1% | 149,784 | 55% |
| Premises and fixed assets | 2,571 | 2,667 | -4% | 1,642 | 57% |
| Accrued interest receivable | 843 | 660 | 28% | 330 | 155% |
| Other real estate owned | - | - | 0% | 338 | -100% |
| Intangible assets | 1,644 | 1,676 | -2% | - | 100% |
| Other assets | 10,606 | 10,574 | 0% | 5,107 | 108% |
| Total Assets | 334,739 | 343,536 | -3% | 177,172 | 89% |
| Liabilities and Shareholders' Equity | | | | | |
| Deposits | | | | | |
| Demand, non-interest bearing | 83,742 | 81,332 | 3% | 29,719 | 182% |
| Savings and interest bearing demand | 139,559 | 141,866 | -2% | 62,225 | 124% |
| Time | 67,925 | 76,908 | -12% | 58,513 | 16% |
| Total Deposits | 291,226 | 300,106 | -3% | 150,457 | 94% |
| Federal Home Loan Bank borrowings | 5,819 | 6,073 | -4% | 3,200 | 82% |
| Accrued interest payable | 42 | 66 | -36% | 29 | 45% |
| Other liabilities | 1,726 | 1,942 | -11% | 648 | 166% |
| Total Liabilities | 298,813 | 308,187 | -3% | 154,334 | 94% |
| Shareholders' Equity | | | | | |
| Common stock ⁽¹⁾ | 3,445 | 3,445 | 0% | 2,219 | 55% |
| Additional paid in capital | 31,395 | 31,385 | 0% | 20,960 | 50% |
| Retained Earnings | 1,113 | 544 | 105% | (373) | 398% |
| Comprehensive income | (27) | (25) | 8% | 32 | -184% |
| Total Shareholders' Equity | 35,926 | 35,349 | 2% | 22,838 | 57% |
| Total Liabilities and Shareholders' Equity | 334,739 | 343,536 | -3% | 177,172 | 89% |

⁽¹⁾ \$1 par value, shares authorized 10,000,000, issued and outstanding 3,444,603

Quarterly

| | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 | March 31, 2016 |
|--|---------------------------|------------------------------|-------------------------------|--------------------------|---------------------------|
| Financial Ratios | | | | | |
| Return on Average Assets | 0.67% | 0.60% | 0.23% | 0.74% | 0.60% |
| Return on Average Equity | 6.41% | 5.63% | 1.97% | 5.80% | 4.80% |
| Efficiency Ratio | 70.45% | 77.03% | 90.92% | 72.06% | 76.40% |
| | | | | | |
| Yield on Earning Assets | 4.25% | 4.18% | 4.24% | 4.85% | 4.37% |
| Cost of Interest Bearing Liabilities | 0.58% | 0.60% | 0.59% | 0.60% | 0.59% |
| Net Interest Spread | 3.67% | 3.58% | 3.65% | 4.24% | 3.78% |
| Net Interest Margin | 3.91% | 3.76% | 3.81% | 4.40% | 3.94% |
| | | | | | |
| Tangible Book Value per Share | \$ 9.95 | \$ 9.74 | \$ 10.49 | \$ 10.44 | \$ 10.28 |
| Earnings per Share | \$ 0.17 | \$ 0.16 | \$ 0.05 | \$ 0.15 | \$ 0.12 |
| | | | | | |
| Loan to Deposits | 80.50% | 77.56% | 89.13% | 91.77% | 100.86% |
| Tangible Equity to Tangible Assets | 10.29% | 10.25% | 11.29% | 12.24% | 12.88% |
| | | | | | |
| Asset Quality | | | | | |
| Allowance for Loan Losses to Total Loans | 0.89% | 0.86% | 1.25% | 1.33% | 1.28% |
| Texas Ratio | 0.00% | 0.00% | 1.33% | 1.64% | 1.67% |
| Nonperforming Assets to Assets | 0.00% | 0.00% | 0.16% | 0.22% | 0.23% |

Regulatory Requirements

| | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 | Adequately- Capitalized | Well- Capitalized |
|--|---------------------------|------------------------------|-------------------------------|--------------------------|------------------------------------|------------------------------|
| Capital Adequacy | | | | | | |
| Tier 1 Leverage capital to average assets | 10.28% | 11.40% | 11.60% | 12.58% | 4.000% | 5.00% |
| Tier 1 capital to risk-weighted assets | 14.03% | 12.80% | 13.26% | 14.01% | 6.625% | 8.00% |
| Common Equity Tier 1 Capital to risk-weighted assets | 14.03% | 12.80% | 13.26% | 14.01% | 5.125% | 6.50% |
| Total capital to risk-weighted assets | 14.93% | 13.60% | 14.45% | 15.26% | 8.625% | 10.00% |