



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%