



Commencement Bank Announces Second Quarter 2017 Results

Commencement Bank (OTCQX:CBWA) reported net income of \$669 thousand or \$0.19 per share for the quarter ending June 30, 2017, compared to \$334 thousand or \$0.15 per share for the second quarter of 2016. Loan growth and stabilized operating expenses contributed to record second quarter earnings.

Total loans at the end of the second quarter increased to \$243.5 million from \$149 million the previous year. The Bank's loan portfolio remained well-diversified at 32% commercial, 64% commercial real estate, 4% consumer and other.

Total deposits reached \$288.6 million as compared to \$162.4 million in second quarter 2016. The Bank's deposit mix at quarter-end was 35% non-interest bearing checking, 18% interest bearing checking, 27% savings and money market, and 20% time deposits. Demand deposits, or non-interest bearing deposits, improved by 187% when compared to the same period one-year earlier. The Bank will continue to seek growth in this category which will improve the Bank's overall cost of funds and positively affect net income.

"We are very pleased with this quarter's record financial performance as operating income was at an all-time high. The Bank's momentum continues to pick-up as post-merger efficiencies and loan growth continue to improve. As we grow, I look forward to our experienced team of bankers delivering competitive products and services to our customers, ultimately allowing us to demonstrate the benefits of being with a strong, local bank," said Hal Russell, President and CEO.

2017 Second Quarter Financial Highlights:

- Total loans grew 63% to \$243.5 million as compared to the same period the previous year.
- Total deposits grew 78% to \$288.6 million as compared to the same period the previous year.
- Non-interest bearing deposits grew 187% from the previous year to total \$99.6 million.
- Return on average equity increased to 7.37% from 5.80% the previous year.
- Return on average assets increased to 0.80% from 0.74% as compared to second quarter 2016.
- The efficiency ratio for the quarter was 67.20%, a result of an increase in efficiencies due to the merger with Thurston First Bank.
- Nonperforming assets to total assets were 0% compared to 0.22% one year earlier.
- Capital ratios continued 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, South King, Thurston counties and the surrounding areas. Their team of banking experts focuses on personal attention, flexible service, and building strong relationships with customers through state of the art technology as well as traditional delivery systems. As a local bank, Commencement Bank is deeply committed to the community. For more information, please visit www.commcementbank.com. For information related to the trading of CBWA, please visit www.otcmarkets.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	One Year Change
	June 30, 2017	March 31, 2017	Three Month Change	June 30, 2016	
Interest Income					
Loans	3,194	3,055	5%	2,013	59%
Interest bearing deposits in banks	184	170	8%	28	557%
Securities available for sale	84	63	33%	17	394%
Total interest income	3,462	3,288	5%	2,058	68%
Interest Expense					
Deposits	270	273	-1%	183	48%
Federal Home Loan Bank borrowings	28	29	-3%	7	300%
Total interest expense	298	302	-1%	190	57%
Net Interest Income					
Provision for credit losses	90	90	0%	-	100%
Net interest income after provision for credit losses	3,074	2,896	6%	1,868	65%
Non-Interest Income					
Service charges on deposit accounts	42	48	-13%	38	11%
Gain (Loss) on sale of other real estate owned	-	-	0%	-	0%
Other non-interest income	129	106	22%	71	82%
Total non-interest income	171	154	11%	109	57%
Non-Interest Expense					
Salaries and employee benefits	1,108	1,246	-11%	843	31%
Occupancy and equipment expenses	214	218	-2%	132	62%
Other operating expenses	920	748	23%	449	105%
Total non-interest expense	2,242	2,212	1%	1,424	57%
Net Income Before Income Tax	1,003	838	20%	553	81%
Provision for Income Tax	334	269	24%	219	53%
Net Income	669	569	18%	334	100%

BALANCE SHEETS (Unaudited)
(Dollars in thousands)

	June 30, 2017	March 31, 2017	Three Month Change	June 30, 2016	One Year Change
Assets					
Cash and due from banks	6,136	6,422	-4%	4,482	37%
Interest bearing deposits in banks	26,045	25,768	1%	24,404	7%
Securities available for sale	11,748	9,957	18%	3,199	267%
Federal funds sold	29,354	42,649	-31%	4	733750%
FHLB, FRB and PCBB stock	1,870	1,880	-1%	1,028	82%
Loans	243,506	234,491	4%	149,026	63%
Allowance for loan losses	(2,178)	(2,092)	4%	(1,975)	10%
Net Loans	241,328	232,399	4%	147,051	64%
Premises and fixed assets	2,545	2,571	-1%	1,991	28%
Accrued interest receivable	870	843	3%	321	171%
Other real estate owned	-	-	0%	338	-100%
Intangible assets	1,615	1,644	-2%	-	100%
Other assets	10,667	10,606	1%	6,806	57%
Total Assets	332,178	334,739	-1%	189,624	75%
Liabilities and Shareholders' Equity					
Deposits					
Demand, non-interest bearing	99,603	83,742	19%	34,685	187%
Savings and interest bearing demand	130,016	139,559	-7%	69,289	88%
Time	58,971	67,925	-13%	58,409	1%
Total Deposits	288,590	291,226	-1%	162,383	78%
Federal Home Loan Bank borrowings	5,566	5,819	-4%	3,200	74%
Accrued interest payable	34	42	-19%	34	0%
Other liabilities	1,338	1,726	-22%	799	67%
Total Liabilities	295,528	298,813	-1%	166,416	78%
Shareholders' Equity					
Common stock ⁽¹⁾	3,445	3,445	0%	2,222	55%
Additional paid in capital	31,406	31,395	0%	20,986	50%
Retained Earnings	1,782	1,113	60%	(39)	4669%
Comprehensive income	17	(27)	-	39	-56%
Total Shareholders' Equity	36,650	35,926	2%	23,208	58%
Total Liabilities and Shareholders' Equity	332,178	334,739	-1%	189,624	75%

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

Quarterly

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Financial Ratios					
Return on Average Assets	0.80%	0.67%	0.60%	0.23%	0.74%
Return on Average Equity	7.37%	6.41%	5.63%	1.97%	5.80%
Efficiency Ratio	67.20%	70.45%	77.03%	90.92%	72.06%
Yield on Earning Assets	4.40%	4.25%	4.18%	4.24%	4.85%
Cost of Funds	0.40%	0.42%	0.43%	0.45%	
Net Interest Margin	4.11%	3.91%	3.76%	3.81%	4.40%
Tangible Book Value per Share	\$ 10.17	\$ 9.95	\$ 9.74	\$ 10.49	\$ 10.44
Earnings per Share	\$ 0.19	\$ 0.17	\$ 0.16	\$ 0.05	\$ 0.15
Loan to Deposits	84.4%	80.5%	77.6%	89.1%	91.77%
Tangible Equity to Tangible Assets	10.6%	10.3%	10.3%	11.3%	12.24%
Asset Quality					
Allowance for Loan Losses to Total Loans	0.89%	0.89%	0.86%	1.25%	1.33%
Texas Ratio	0.01%	0.00%	0.00%	1.33%	1.64%
Nonperforming Assets to Assets	0.00%	0.00%	0.00%	0.16%	0.22%

Regulatory Requirements

	June 30, 2017	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	10.34%	10.28%	11.40%	11.60%	12.58%	4.000%	5.00%
Tier 1 capital to risk-weighted assets	14.26%	14.03%	12.80%	13.26%	14.01%	6.625%	8.00%
Common Equity Tier 1 Capital to risk-weighted assets	14.26%	14.03%	12.80%	13.26%	14.01%	5.125%	6.50%
Total capital to risk-weighted assets	15.20%	14.93%	13.60%	14.45%	15.26%	8.625%	10.00%