



Commencement Bank Announces Third Quarter 2017 Results

Commencement Bank (OTCQX:CBWA) reported net income of \$925 thousand or \$0.27 per share for the quarter ending September 30, 2017, compared to \$115 thousand or \$0.05 per share for third quarter 2016. Net income improvement reflects increased loan activity, improved deposit composition, and increased efficiencies as a result of the 2016 merger with Thurston First Bank.

Total loans at the end of third quarter increased to \$257 million from \$160 million the prior period. The Bank's loan portfolio remained well-diversified at 33% commercial, 64% commercial real estate, and 3% consumer and other.

Total deposits equaled \$274 million as compared to \$179 million for third quarter 2016. The Bank's deposit mix at quarter-end was 32% non-interest bearing checking, 21% interest bearing checking, 26% savings and money market, and 21% time deposits. Demand deposits, or non-interest bearing deposits, improved by 130% when compared to the same period one-year earlier. The Bank continued to see growth in this category, lowering its cost of funds and positively affecting net income.

"We anticipated strong performance in 2017 and I am extremely proud of our team for their accomplishments. We will continue to focus on core deposit and loan growth opportunities to support our momentum through year-end," said Hal Russell, President and CEO.

2017 Third Quarter Financial Highlights:

- Return on average equity increased to 9.86% from 1.97% the previous year.
- Return on average assets increased to 1.11% from 0.23% as compared to third quarter 2016.
- The efficiency ratio for the quarter was 58.6%, a decrease from 90.9% in third quarter 2016.
- Nonperforming assets to total assets were 0% compared to 0.16% one year earlier.
- Capital ratios continued to exceed 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.commencementbank.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
	September 30, 2017	June 30, 2017	Three Month Change	September 30, 2016	
Interest Income					
Loans	3,396	3,194	6%	1,918	77%
Interest bearing deposits in banks	165	184	-10%	31	432%
Securities available for sale	101	84	20%	28	261%
Total interest income	3,662	3,462	6%	1,977	85%
Interest Expense					
Deposits	258	270	-4%	192	34%
Federal Home Loan Bank borrowings	26	28	-7%	7	271%
Total interest expense	284	298	-5%	199	43%
Net Interest Income					
Provision for credit losses	90	90	0%	-	100%
Net interest income after provision for credit losses	3,288	3,074	7%	1,778	85%
Non-Interest Income					
Service charges on deposit accounts	44	42	5%	37	19%
Gain (Loss) on sale of other real estate owned	-	-	0%	-	0%
Other non-interest income	116	129	-10%	55	111%
Total non-interest income	160	171	-6%	92	74%
Non-Interest Expense					
Salaries and employee benefits	1,149	1,108	4%	883	30%
Occupancy and equipment expenses	216	214	1%	147	47%
Other operating expenses	709	920	-23%	670	6%
Total non-interest expense	2,074	2,242	-7%	1,700	22%
Net Income Before Income Tax	1,374	1,003	37%	170	708%
Provision for Income Tax	449	334	34%	55	716%
Net Income	925	669	38%	115	704%

BALANCE SHEETS (Unaudited)
(Dollars in thousands)

	September 30, 2017	June 30, 2017	Three Month Change	September 30, 2016	One Year Change
Assets					
Cash and due from banks	5,839	6,136	-5%	4,499	30%
Interest bearing deposits in banks	28,010	26,045	8%	30,871	-9%
Securities available for sale	15,604	11,748	33%	3,065	409%
Federal funds sold	4	29,354	-100%	4	0%
FHLB, FRB and PCBB stock	1,860	1,870	-1%	1,039	79%
Loans	256,664	243,506	5%	159,521	61%
Allowance for loan losses	(2,273)	(2,178)	4%	(1,994)	14%
Net Loans	254,391	241,328	5%	157,527	61%
Premises and fixed assets	2,498	2,545	-2%	2,136	17%
Accrued interest receivable	719	870	-17%	344	109%
Other real estate owned	-	-	0%	338	-100%
Intangible assets	1,586	1,615	-2%	-	100%
Other assets	10,756	10,667	1%	6,756	59%
Total Assets	321,267	332,178	-3%	206,579	56%
Liabilities and Shareholders' Equity					
Deposits					
Demand, non-interest bearing	87,870	99,603	-12%	38,236	130%
Savings and interest bearing demand	129,728	130,016	0%	83,246	56%
Time	56,256	58,971	-5%	57,493	-2%
Total Deposits	273,854	288,590	-5%	178,975	53%
Federal Home Loan Bank borrowings	7,892	5,566	42%	3,200	147%
Accrued interest payable	30	34	-12%	26	15%
Other liabilities	1,940	1,338	45%	1,046	85%
Total Liabilities	283,716	295,528	-4%	183,247	55%
Shareholders' Equity					
Common stock ⁽¹⁾	3,446	3,445	0%	2,223	55%
Additional paid in capital	31,415	31,406	0%	20,996	50%
Retained Earnings	2,707	1,782	52%	76	-3462%
Comprehensive income	(17)	17	-200%	37	-146%
Total Shareholders' Equity	37,551	36,650	2%	23,332	61%
Total Liabilities and Shareholders' Equity	321,267	332,178	-3%	206,579	56%

⁽¹⁾ \$1 par value, shares authorized 10,000,000, issued and outstanding 3,446,303

Quarterly

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Financial Ratios					
Return on Average Assets	1.11%	0.80%	0.67%	0.60%	0.23%
Return on Average Equity	9.86%	7.37%	6.41%	5.63%	1.97%
Efficiency Ratio	58.60%	67.20%	70.45%	77.03%	90.92%
Yield on Earning Assets	4.68%	4.40%	4.25%	4.18%	4.24%
Cost of Funds	0.38%	0.40%	0.42%	0.43%	0.45%
Net Interest Margin	4.32%	4.11%	3.91%	3.76%	3.81%
Tangible Book Value per Share	\$ 10.44	\$ 10.17	\$ 9.95	\$ 9.74	\$ 10.49
Earnings per Share	\$ 0.27	\$ 0.19	\$ 0.17	\$ 0.16	\$ 0.05
Loan to Deposits	93.7%	84.4%	80.5%	77.6%	89.1%
Tangible Equity to Tangible Assets	11.3%	10.6%	10.3%	10.3%	11.3%
Asset Quality					
Allowance for Loan Losses to Total Loans	0.89%	0.89%	0.89%	0.86%	1.25%
Texas Ratio	0.01%	0.01%	0.00%	0.00%	1.33%
Nonperforming Assets to Assets	0.00%	0.00%	0.00%	0.00%	0.16%

Regulatory Requirements

Capital Adequacy	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	Adequately- Capitalized	Well- Capitalized
Tier 1 Leverage capital to average assets	10.77%	10.34%	10.28%	11.40%	11.60%	4.000%	5.00%
Tier 1 capital to risk-weighted assets	13.76%	14.26%	14.03%	12.80%	13.26%	6.625%	8.00%
Common Equity Tier 1 Capital to risk-weighted assets	13.76%	14.26%	14.03%	12.80%	13.26%	5.125%	6.50%
Total capital to risk-weighted assets	14.70%	15.20%	14.93%	13.60%	14.45%	8.625%	10.00%