



Commencement Bank (CBWA) Announces Record Earnings for 2017

Commencement Bank (OTCQX:CBWA) announced a pre-deferred tax asset (DTA) adjusted net income of \$3,041,000 for 2017. Like most banks across the country, net income was impacted by a deferred tax asset (DTA) revaluation, resulting in a one-time charge of \$940,000. Although the decreased corporate tax rate from 34% to 21% will have a positive impact on future earnings, the DTA revaluation requires the Bank adjust 2017 earnings and report adjusted net income of \$2,102,000.

The adjusted 2017 net income of \$2,102,000 and \$0.61 per share still reflects an increase compared to \$1,168,000 and \$0.48 per share for 2016. The Bank's total assets for 2017 were \$328 million compared to \$343.5 million for 2016. Total loans for 2017 increased to \$254.7 million compared to \$232.7 million one-year earlier. Total deposits decreased to \$283.9 million compared to \$300.1 million for 2016 resulting from a concerted effort to eliminate institutional and brokered deposits while increasing core customer deposits and decreasing cost of funds. Demand deposits, or non-interest-bearing deposits, improved by 16% when compared to the same period one-year earlier.

Additionally, the Bank has announced a 10% stock dividend payable on February 15, 2018 to shareholders of record on January 30, 2018. Fractional shares will be paid in cash based on the closing price of the stock on the record date.

2017 Financial Highlights:

- Total loans grew 9% to \$254.7 million compared to \$232.8 million for the same period 2016.
- Non-interest-bearing deposits increased 16% compared to the same period one-year earlier.
- Net interest margin increased to 4.23% compared to 3.95% for the same period in 2016.
- Tangible book value per share increased to \$10.41 from \$9.74 one-year earlier.
- The efficiency ratio was 62.06% for the year compared to 78.79% for 2016.
- The Texas Ratio, a measurement of nonperforming assets to capital, was 0.01% for 2017 compared to 0.00% the prior year.
- All capital ratios continued to exceed regulatory requirements

"This was an outstanding year for the Bank. We saw strong growth in loans and favorably rebalanced our asset mix. At the same time, we dramatically improved our deposit composition towards greater core deposits and relationships with our customers. Despite the deferred tax asset revaluation, we finished the year with an increase in net income and saw the Bank's stock value improve. We look forward to continued progress in 2018 as we anticipate another solid year with a positive impact on earnings from the corporate tax rate reduction," said H.R. "Hal" Russell, Chief Executive Officer.

Commencement Bank's 2017 Annual Meeting will be held on Tuesday, April 17, 2018.

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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.commercementbank.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)

	For Year Ended		One Year Change
	December 31, 2017	December 31, 2016	
Interest Income			
Loans	13,244	8,517	56%
Interest bearing deposits in banks	663	197	237%
Securities available for sale	349	129	171%
Total interest income	14,256	8,843	61%
Interest Expense			
Deposits	1,058	827	28%
Federal Home Loan Bank borrowings	106	44	141%
Total interest expense	1,164	871	34%
Net Interest Income	13,092	7,972	64%
Provision for credit losses	660	-	100%
Net interest income after provision for credit losses	12,432	7,972	56%
Non-Interest Income			
Service charges on deposit accounts	176	162	9%
Gain on sale of other real estate owned	-	136	0%
Other non-interest income	466	269	73%
Total non-interest income	642	567	13%
Non-Interest Expense			
Salaries and employee benefits	4,624	3,689	25%
Occupancy and equipment expenses	879	591	49%
Other operating expenses	3,020	1,933	56%
Total non-interest expense	8,523	6,213	37%
Income before Income Tax and Merger Expenses	4,551	2,326	96%
Merger Expenses	-	515	0%
Net Income Before Income Tax	4,551	1,811	151%
Provision for Income Tax	2,449	643	281%
Net Income	2,102	1,168	80%

STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands)

	Quarter Ended	Quarter Ended	Three Month Change	Quarter Ended	One Year Change
	December 31, 2017	September 30, 2017		December 31, 2016	
Interest Income					
Loans	3,599	3,396	6%	2,764	30%
Interest bearing deposits in banks	144	165	-13%	121	19%
Securities available for sale	101	101	0%	45	124%
Total interest income	3,844	3,662	5%	2,930	31%
Interest Expense					
Deposits	256	258	-1%	271	-6%
Federal Home Loan Bank borrowings	24	26	-8%	23	4%
Total interest expense	280	284	-1%	294	-5%
Net Interest Income	3,564	3,378	6%	2,636	35%
Provision for credit losses	390	90	333%	-	100%
Net interest income after provision for credit losses	3,174	3,288	-3%	2,636	20%
Non-Interest Income					
Service charges on deposit accounts	42	44	-5%	51	-18%
Gain (Loss) on sale of other real estate owned	-	-	0%	136	0%
Other non-interest income	115	116	-1%	79	46%
Total non-interest income	157	160	-2%	266	-41%
Non-Interest Expense					
Salaries and employee benefits	1,083	1,149	-6%	1,149	-6%
Occupancy and equipment expenses	231	216	7%	189	22%
Other operating expenses	681	709	-4%	897	-24%
Total non-interest expense	1,995	2,074	-4%	2,235	-11%
Net Income Before Income Tax	1,336	1,374	-3%	667	100%
Provision for Income Tax	1,397	449	211%	220	535%
Net Income	(61)	925	-107%	447	-114%

BALANCE SHEETS (Unaudited)
(Dollars in thousands)

	December 31, 2017	September 30, 2017	Three Month Change	December 31, 2016	One Year Change
Assets					
Cash and due from banks	5,173	5,839	-11%	5,141	1%
Interest bearing deposits in banks	23,243	28,010	-17%	31,723	-27%
Securities available for sale	14,641	15,604	-6%	8,113	80%
Federal funds sold	15,459	4	386375%	50,817	-70%
FHLB, FRB and PCBB stock	1,849	1,860	-1%	1,506	23%
Loans	254,726	256,664	-1%	232,656	9%
Allowance for loan losses	(2,668)	(2,273)	17%	(1,997)	34%
Net Loans	252,058	254,391	-1%	230,659	9%
Premises and fixed assets	2,444	2,498	-2%	2,667	-8%
Accrued interest receivable	812	719	13%	660	23%
Other real estate owned	-	-	0%	-	0%
Intangible assets	1,556	1,586	-2%	1,676	100%
Other assets	10,759	10,756	0%	10,574	2%
Total Assets	327,994	321,267	2%	343,536	-5%
Liabilities and Shareholders' Equity					
Deposits					
Demand, non-interest bearing	94,636	87,870	8%	81,332	16%
Savings and interest bearing demand	137,585	129,728	6%	141,866	-3%
Time	51,654	56,256	-8%	76,908	-33%
Total Deposits	283,875	273,854	4%	300,106	-5%
Federal Home Loan Bank borrowings	5,059	7,892	-36%	6,073	-17%
Accrued interest payable	25	30	-17%	66	-62%
Other liabilities	1,599	1,940	-18%	1,942	-18%
Total Liabilities	290,558	283,716	2%	308,187	-6%
Shareholders' Equity					
Common stock ⁽¹⁾	3,447	3,446	0%	3,445	0%
Additional paid in capital	31,434	31,415	0%	31,385	0%
Retained Earnings	2,646	2,707	-2%	544	-386%
Comprehensive income	(91)	(17)	435%	(25)	264%
Total Shareholders' Equity	37,436	37,551	0%	35,349	6%
Total Liabilities and Shareholders' Equity	327,994	321,267	2%	343,536	-5%

⁽¹⁾ \$1 par value, shares authorized 10,000,000, issued and outstanding 3,447,303

	Quarterly					Year Ended	
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Financial Ratios							
Return on Average Assets	-0.07%	1.11%	0.80%	0.67%	0.60%	0.63%	0.54%
Return on Average Equity	-0.64%	9.86%	7.37%	6.41%	5.63%	5.70%	4.63%
Efficiency Ratio	53.60%	58.60%	67.20%	70.45%	77.03%	62.06%	78.79%
Yield on Earning Assets	4.94%	4.68%	4.40%	4.25%	4.18%	4.52%	4.38%
Cost of Funds	0.38%	0.38%	0.40%	0.42%	0.43%	0.40%	0.59%
Net Interest Margin	4.38%	4.32%	4.11%	3.91%	3.76%	4.23%	3.95%
Tangible Book Value per Share	\$ 10.41	\$ 10.44	\$ 10.17	\$ 9.95	\$ 9.74	\$ 10.41	\$ 9.74
Earnings per Share	\$ (0.02)	\$ 0.27	\$ 0.19	\$ 0.17	\$ 0.16	\$ 0.61	\$ 0.48
Loan to Deposits	89.7%	93.7%	84.4%	80.5%	77.6%	89.7%	77.6%
Tangible Equity to Tangible Assets	11.0%	11.3%	10.6%	10.3%	10.3%	11.0%	10.3%
Asset Quality							
Allowance for Loan Losses to Total Loans	1.05%	0.89%	0.89%	0.89%	0.86%	1.05%	0.86%
Texas Ratio	0.01%	0.01%	0.01%	0.00%	0.00%	0.01%	0.00%
Nonperforming Assets to Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

						Regulatory Requirements	
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	Adequately-Capitalized	Well-Capitalized
Capital Adequacy							
Tier 1 Leverage capital to average assets	10.83%	10.77%	10.34%	10.28%	11.40%	4.000%	5.00%
Tier 1 capital to risk-weighted assets	13.59%	13.76%	14.26%	14.03%	12.80%	6.625%	8.00%
Common Equity Tier 1 Capital to risk-weighted assets	13.59%	13.76%	14.26%	14.03%	12.80%	5.125%	6.50%
Total capital to risk-weighted assets	14.67%	14.70%	15.20%	14.93%	13.60%	8.625%	10.00%