



Commencement Bank Announces First Quarter 2018 Results

Commencement Bank (OTCQX:CBWA) reported record quarterly net income of \$1.18 million or \$0.33 per share for the quarter ending March 31, 2018, compared to \$569 thousand or \$0.15 per share for first quarter 2017. This year-over-year comparison reflects the Bank's improved deposit composition, increased loan balances, and efficiencies as a result of the 2016 merger with Thurston First Bank.

Total loans at the end of the first quarter increased to \$247.8 million from \$234.5 million the previous year. The Bank's loan portfolio remained diversified at 32% commercial, 65% commercial real estate, and 3% consumer.

Total deposits decreased to \$281.7 million as compared to \$291.2 million in first quarter 2017. This reduction is a result of the Bank's initiative to eliminate high-cost, institutional and brokered deposits while increasing core customer deposits and decreasing cost of funds. The deposit mix at quarter-end was 33% non-interest-bearing, 50% interest bearing checking, savings, and money market, and 17% time deposit. Demand deposits, or non-interest-bearing deposits, improved by 11% when compared to the same period one-year earlier.

"The Bank's record performance this quarter surpassed all expectations. Net income in first quarter 2018 exceeded \$1 million, only slightly less than what was reported for the year in 2016. As we move forward, we will continue to focus on efficiency and maintaining our stable loan and deposit portfolios to maximize our returns. I am very proud of our staff for their contributions and dedication to operating a sound and efficient organization," said H.R. "Hal" Russell, Chief Executive Officer.

2018 First Quarter Financial Highlights:

- Record quarterly net income of \$1.18 million.
- Net interest margin was 4.63% for the quarter as compared to 3.91% for the same period 2017.
- Paid first stock dividend of 10% to shareholders of record as of January 30, 2018.
- Earnings per share of \$0.33 for the quarter versus \$0.15 prior year.
- Tangible book value per share increased to \$9.73 from \$9.05 one year earlier.
- Return on average equity increased to 12.62% from 6.41% the previous year.
- Return on average assets increased to 1.48% from 0.67% as compared to first quarter 2017.
- The efficiency ratio was 59.31% for the quarter as compared to 70.45% last year.
- Nonperforming assets to total assets remained at 0%.

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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.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	
	March 31, 2018	December 31, 2017	Three Month Change	March 31, 2017	One Year Change
Interest Income					
Loans	3,450	3,599	-4%	3,055	13%
Interest bearing deposits in banks	154	144	7%	170	-9%
Securities available for sale	123	101	22%	63	95%
Total interest income	3,727	3,844	-3%	3,288	13%
Interest Expense					
Deposits	254	258	-2%	273	-7%
Federal Home Loan Bank borrowings	21	22	-5%	29	-28%
Total interest expense	275	280	-2%	302	-9%
Net Interest Income					
	3,452	3,564	-3%	2,986	16%
Provision for credit losses	-	390	-100%	90	-100%
Net interest income after provision for credit losses	3,452	3,174	9%	2,896	19%
Non-Interest Income					
Service charges on deposit accounts	38	57	-33%	48	-21%
Gain (Loss) on sale of other real estate owned	-	-	0%	-	0%
Other non-interest income	117	100	17%	106	10%
Total non-interest income	155	157	-1%	154	1%
Non-Interest Expense					
Salaries and employee benefits	1,235	1,121	10%	1,246	-1%
Occupancy and equipment expenses	220	258	-15%	218	1%
Other operating expenses	684	616	11%	748	-9%
Total non-interest expense	2,139	1,995	7%	2,212	-3%
Net Income Before Income Tax	1,468	1,336	10%	838	75%
Provision for Income Tax	287	1,379	-79%	269	7%
Net Income	1,181	(43)	-2847%	569	108%

BALANCE SHEETS (Unaudited)

(Dollars in thousands)

	March 31, 2018	December 31, 2017	Three Month Change	March 31, 2017	One Year Change
Assets					
Cash and due from banks	5,870	5,140	14%	6,422	-9%
Interest bearing deposits in banks	18,511	23,243	-20%	25,768	-28%
Securities available for sale	16,850	14,641	15%	9,957	69%
Federal funds sold	23,489	15,492	52%	42,649	-45%
FHLB, FRB and PCBB stock	1,822	1,850	-2%	1,880	-3%
Loans	247,778	254,725	-3%	234,491	6%
Allowance for loan losses	(2,673)	(2,668)	0%	(2,092)	28%
Net Loans	245,105	252,057	-3%	232,399	5%
Premises and fixed assets	2,399	2,477	-3%	2,571	-7%
Accrued interest receivable	685	812	-16%	843	-19%
Intangible assets	1,531	1,556	-2%	1,644	-7%
Other assets	10,708	10,516	2%	10,606	1%
Total Assets	326,970	327,784	0%	334,739	-2%
Liabilities and Shareholders' Equity					
Deposits					
Demand, non-interest bearing	92,832	94,425	-2%	83,742	11%
Savings and interest bearing demand	140,930	137,585	2%	139,559	1%
Time	47,946	51,654	-7%	67,925	-29%
Total Deposits	281,708	283,664	-1%	291,226	-3%
Federal Home Loan Bank borrowings	4,805	5,059	-5%	5,819	-17%
Accrued interest payable	24	25	-4%	42	-43%
Other liabilities	1,982	1,600	24%	1,726	15%
Total Liabilities	288,519	290,348	-1%	298,813	-3%
Shareholders' Equity					
Common stock ⁽¹⁾	3,797	3,447	10%	3,445	10%
Additional paid in capital	31,474	31,434	0%	31,395	0%
Retained Earnings	3,480	2,664	31%	1,113	213%
Comprehensive income	(300)	(109)	175%	(27)	-1011%
Total Shareholders' Equity	38,451	37,436	3%	35,926	7%
Total Liabilities and Shareholders' Equity	326,970	327,784	0%	334,739	-2%

⁽¹⁾ \$1 par value, shares authorized 11,000,000, issued and outstanding 3,796,895

	Quarterly					Year Ended	
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2017	December 31, 2016
Financial Ratios							
Return on Average Assets	1.48%	-0.07%	1.11%	0.80%	0.67%	0.63%	0.54%
Return on Average Equity	12.62%	-0.64%	9.86%	7.37%	6.41%	5.70%	4.63%
Efficiency Ratio	59.31%	53.60%	58.60%	67.20%	70.45%	62.06%	78.79%
Yield on Earning Assets	5.00%	4.94%	4.68%	4.40%	4.25%	4.52%	4.38%
Cost of Funds	0.39%	0.38%	0.38%	0.40%	0.42%	0.40%	0.59%
Net Interest Margin	4.63%	4.38%	4.32%	4.11%	3.91%	4.23%	3.95%
Tangible Book Value per Share	\$ 9.73	\$ 9.46	\$ 9.49	\$ 9.25	\$ 9.05	\$ 9.46	\$ 8.85
Earnings per Share	\$ 0.33	\$ (0.02)	\$ 0.25	\$ 0.17	\$ 0.15	\$ 0.55	\$ 0.44
Loan to Deposits	88.0%	89.7%	93.7%	84.4%	80.5%	89.7%	77.6%
Tangible Equity to Tangible Assets	11.3%	11.0%	11.3%	10.6%	10.3%	11.0%	10.3%
Asset Quality							
Allowance for Loan Losses to Total Loans	1.08%	1.05%	0.89%	0.89%	0.89%	1.05%	0.86%
Texas Ratio	0.01%	0.01%	0.01%	0.01%	0.00%	0.01%	0.00%
Nonperforming Assets to Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%