



Commencement Bank (CBWA) Reports 2016 Net Income of \$1,168,000

Commencement Bank (OTCQX:CBWA) reported net income of \$1,168,000 and \$0.48 per share for 2016, compared to \$1,142,000 and \$0.51 per share for 2015. The Bank's total assets were \$343.4 million at year-end 2016 as compared to \$179.1 million for 2015. Total loans at year-end 2016 increased to \$232.8 million as compared to \$145.1 million one-year earlier. Total deposits increased to \$300.1 million as compared to \$152.6 million for 2015.

Much of the Bank's growth was recorded in fourth quarter 2016 due to the successful merger with Thurston First Bank. The year-end 2016 financial condition reflects the assets and liabilities of the combined Bank and is inclusive of merger-related expenses.

2016 Financial Highlights:

- Total assets increased by 92% to \$343.4 million as compared to \$179.1 million as of December 31, 2015.
- Total loans grew 60% to \$232.8 million as compared to \$145.1 million for the same period 2015.
- Total deposits increased by 97% to \$300.1 million as compared to \$152.6 million as of year-end 2015. The largest increase was in non-interest bearing demand accounts; a 187% increase over prior year.
- Net interest margin was 3.95% for the year as compared to 3.74% for the same period in 2015.
- Tangible book value per share, adjusting for merger-related intangible assets, decreased to \$9.74 from \$10.15 one-year earlier.
- The efficiency ratio, reflecting the impact of additional merger costs, was 78.79% for the year as compared to 76.33% for the same period in 2015.
- The Texas Ratio, a measurement of nonperforming assets to capital, was 0.00% for 2016 compared to 1.38% the prior year.
- All capital ratios continued to exceed regulatory requirements, with total risk-based capital substantially above well-capitalized regulatory requirements.

"After a year of tremendous growth by virtue of the merger with Thurston First Bank, we are starting out 2017 stronger than ever. Our new Enumclaw and Olympia, Washington branches have put us in a position to better serve our clients, support our communities, and increase shareholder value. Over the last ten years, I cannot recall a time when I have been so proud of my staff and appreciative of the support from our clients and shareholders. I look forward to celebrating these milestones, along with our ten-year anniversary, at our 2016 annual meeting," said H.R. "Hal" Russell, President & CEO.

Commencement Bank's 2016 Annual Meeting will be held on Tuesday, April 25, 2017.

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For further discussion, please contact the following:

H.R. "Hal" Russell – President/CEO Direct Phone: (253)284-1801

Tom Dhamers– Senior Vice President/CFO Direct Phone: (253)284-1803

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

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, 2016	December 31, 2015	
Interest Income			
Loans	8,517	6,977	22%
Interest bearing deposits in banks	197	103	91%
Securities available for sale	129	51	153%
Total interest income	8,843	7,131	24%
Interest Expense			
Deposits	827	731	13%
Federal Home Loan Bank borrowings	44	28	57%
Total interest expense	871	759	15%
Net Interest Income	7,972	6,372	25%
Provision for credit losses	-	(121)	0%
Net interest income after provision for credit losses	7,972	6,493	23%
Non-Interest Income			
Service charges on deposit accounts	162	148	9%
Gain on sale of other real estate owned	136	70	94%
Gain (Loss) on sale of available for sale securities	-	1	-100%
Other non-interest income	269	274	-2%
Total non-interest income	567	493	15%
Non-Interest Expense			
Salaries and employee benefits	3,689	3,302	12%
Occupancy and equipment expenses	591	476	24%
Other operating expenses	1,933	1,555	24%
Total non-interest expense	6,213	5,333	17%
Income before Income Tax and Merger Expenses	2,326	1,653	41%
Merger Expenses	515	-	100%
Net Income Before Income Tax	1,811	1,653	10%
Provision for Income Tax	643	511	26%
Net Income	1,168	1,142	2%

STATEMENTS OF INCOME (Unaudited)
(Dollars in thousands)

	Quarter Ended December 31, 2016	Quarter Ended September 30, 2016	Three Month Change	Quarter Ended December 31, 2015	One Year Change
Interest Income					
Loans	2,764	1,918	44%	1,774	56%
Interest bearing deposits in banks	121	31	290%	32	278%
Securities available for sale	45	28	61%	17	165%
Total interest income	2,930	1,977	48%	1,823	61%
Interest Expense					
Deposits	271	192	41%	183	48%
Federal Home Loan Bank borrowings	23	7	229%	7	229%
Total interest expense	294	199	48%	190	55%
Net Interest Income					
Provision for credit losses	-	-	0%	-	0%
Net interest income after provision for credit losses	2,636	1,778	48%	1,633	61%
Non-Interest Income					
Service charges on deposit accounts	51	37	38%	35	46%
Gain (Loss) on sale of other real estate owned	136	-	0%	-	0%
Other non-interest income	79	55	44%	67	18%
Total non-interest income	266	92	189%	102	161%
Non-Interest Expense					
Salaries and employee benefits	1,149	883	30%	762	51%
Occupancy and equipment expenses	189	147	29%	123	54%
Other operating expenses	648	404	60%	382	70%
Total non-interest expense	1,986	1,434	38%	1,267	57%
Income before Income Tax and Merger Expenses	916	436	110%	468	96%
Merger Expenses	249	266	-6%		100%
Net Income Before Income Tax	667	170	292%	468	43%
Provision for Income Tax	220	55	300%	129	71%
Net Income	447	115	289%	339	32%

BALANCE SHEETS (Unaudited)

(Dollars in thousands)

	December 31, 2016	September 30, 2016	Three Month Change	December 31, 2015	One Year Change
Assets					
Cash and due from banks	4,703	4,499	5%	4,026	17%
Interest bearing deposits in banks	32,162	30,871	4%	21,224	52%
Securities available for sale	8,113	3,065	165%	3,387	140%
Federal funds sold	50,817	4	1270325%	5	1016240%
FHLB, FRB and PCBB stock	1,506	1,039	45%	995	51%
Loans	232,752	159,521	46%	145,086	60%
Allowance for loan losses	(1,997)	(1,994)	0%	(1,962)	2%
Net Loans	230,755	157,527	46%	143,124	61%
Leasehold improvements and equipment, net	2,638	2,136	24%	600	340%
Accrued interest receivable	659	344	92%	319	107%
Other real estate owned	-	338	-100%	338	-100%
Other assets	12,037	6,756	78%	5,063	138%
Total Assets	343,390	206,579	66%	179,081	92%
Liabilities and Shareholders' Equity					
Deposits					
Demand, non-interest bearing	81,332	38,236	113%	28,301	187%
Savings and interest bearing demand	141,866	83,246	70%	66,174	114%
Time	76,908	57,493	34%	58,154	32%
Total Deposits	300,106	178,975	68%	152,629	97%
Federal Home Loan Bank borrowings	6,073	3,200	90%	3,200	90%
Accrued interest payable	66	26	154%	27	144%
Other liabilities	1,942	1,046	86%	686	183%
Total Liabilities	308,187	183,247	68%	156,542	97%
Shareholders' Equity					
Common stock ⁽¹⁾	3,445	2,223	55%	2,219	55%
Additional paid in capital	31,385	20,996	49%	20,949	50%
Retained Earnings	398	76	424%	(644)	162%
Comprehensive income	(25)	37	-168%	15	-267%
Total Shareholders' Equity	35,203	23,332	51%	22,539	56%
Total Liabilities and Shareholders' Equity	343,390	206,579	66%	179,081	92%

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

	Quarterly				Year Ended	
	December 31, 2016	September 30, 2016	June 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Financial Ratios						
Return on Average Assets	0.60%	0.23%	0.74%	0.72%	0.54%	0.63%
Return on Average Equity	5.63%	1.97%	5.80%	6.06%	4.63%	5.16%
Efficiency Ratio	77.03%	90.92%	72.06%	73.03%	78.79%	76.33%
Yield on Earning Assets	4.18%	4.24%	4.85%	4.07%	4.38%	4.19%
Cost of Interest Bearing Liabilities	0.60%	0.59%	0.60%	0.57%	0.59%	0.59%
Net Interest Spread	3.58%	3.65%	4.24%	3.50%	3.78%	3.60%
Net Interest Margin	3.76%	3.81%	4.40%	3.65%	3.95%	3.74%
Tangible Book Value per Share	\$ 9.74	\$ 10.49	\$ 10.44	\$ 10.15	\$ 9.74	\$ 10.15
Basic Earnings per Share	\$ 0.16	\$ 0.05	\$ 0.15	\$ 0.15	\$ 0.48	\$ 0.51
Loan to Deposits	77.56%	89.13%	91.77%	95.06%	77.56%	95.06%
Equity to Assets	10.25%	11.29%	12.24%	12.59%	10.25%	12.95%
Asset Quality						
Allowance for Loan Losses to Total Loans	0.86%	1.25%	1.33%	1.35%	0.86%	1.35%
Texas Ratio	0.00%	1.33%	1.64%	1.38%	0.00%	1.38%
Nonperforming Assets to Assets	0.00%	0.16%	0.22%	0.00%	0.00%	0.00%
Capital Adequacy						
	December 31, 2016	September 30, 2016	June 30, 2016	December 31, 2015	Regulatory Requirements	
					Adequately- Capitalized	Well- Capitalized
Common Equity Tier 1 Capital to risk-weighted assets	12.83%	13.26%	14.01%	14.54%	4.50%	6.50%
Tier 1 Leverage capital to average assets	11.45%	11.60%	12.58%	11.70%	4.00%	5.00%
Tier 1 capital to risk-weighted assets	12.83%	13.26%	14.01%	14.54%	6.00%	8.00%
Total capital to risk-weighted assets	13.62%	14.45%	15.26%	15.79%	8.00%	10.00%