



Commencement Bank Announces Third Quarter 2016 Results

Commencement Bank (OTCQX:CBWA) reported net income of \$115,000 or \$0.05 per share for third quarter 2016, compared to \$239,000 and \$0.11 per share for third quarter 2015. For the nine months ending September 30, 2016, net income totaled \$721,000 or \$0.32 per share as compared to \$803,000 or \$0.36 per share for the same period the previous year. Third quarter earnings were impacted by an expense of \$266,000 resulting from the pending merger with Thurston First Bank.

Total loans at the end of third quarter were strong at \$159.5 million as compared to \$149.0 million for second quarter 2016 and \$147.6 million for third quarter 2015. Total deposits at the end of the third quarter increased to \$179.0 million as compared to \$162.4 million for second quarter 2016 and \$164.6 million for third quarter 2015.

Third Quarter 2016 Financial Highlights:

- Total assets increased by 8% to \$206.6 million as compared to \$190.8 million as of September 30, 2015.
- Strong loan growth of 8% to \$159.5 million as compared to \$147.6 million for the same period 2015.
- Total deposits increased by 9% to \$179.0 million as compared to \$164.6 million as of third quarter 2015.
- Net interest margin was 3.81% for the quarter as compared to 3.73% for the same period in 2015.
- Tangible book value per share increased to \$10.49 from \$10.00 one year earlier.
- The efficiency ratio was 90.92% for the quarter as compared to 80.18% for the same period in 2015. This increase was due to merger expenses of \$266,000 incurred during third quarter related to the pending merger with Thurston First Bank.
- Nonperforming assets to total assets were 0.16% compared to 0.18% one year earlier.
- All capital ratios continued to exceed regulatory requirements, with total risk-based capital substantially above well-capitalized regulatory requirements.

“Although impacted by merger expense with Thurston First Bank, I have been pleased with third quarter and year-to-date earnings. The merger is expected to close early fourth quarter 2016, and we are excited about the prospect of adding Olympia, Washington to our existing Tacoma, Enumclaw, and North Auburn locations. We are confident that the merger of our two fine institutions will benefit shareholders from both banks and be accretive to earnings in 2017. In addition to a stronger combined capital position providing us a larger legal lending limit, adding Thurston First Bank clients provides the combined bank greater geographic and industry diversification,” said H.R. Russell, Commencement Bank President & CEO.

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 County, South King County and the surrounding areas. The team of experienced banking experts focus 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.commencementbank.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 September 30, 2016	Quarter Ended June 30, 2016	Three Month Change	Quarter Ended September 30, 2015	One Year Change
Interest Income					
Loans	1,918	2,013	-5%	1,809	6%
Interest bearing deposits in banks	31	28	11%	27	15%
Securities available for sale	28	17	65%	11	155%
Total interest income	1,977	2,058	-4%	1,847	7%
Interest Expense					
Deposits	192	183	5%	189	2%
Federal Home Loan Bank borrowings	7	7	0%	7	0%
Total interest expense	199	190	5%	196	2%
Net Interest Income					
Provision for credit losses	-	-	0%	-	0%
Net interest income after provision for credit losses	1,778	1,868	-5%	1,651	8%
Non-Interest Income					
Service charges on deposit accounts	37	38	-3%	38	-3%
Gain (Loss) on sale of other real estate owned	-	-	0%	17	0%
Other non-interest income	55	71	-23%	67	-18%
Total non-interest income	92	109	-16%	122	-25%
Non-Interest Expense					
Salaries and employee benefits	883	843	5%	885	0%
Occupancy and equipment expenses	147	132	11%	119	24%
Other operating expenses	404	449	-10%	404	0%
Total non-interest expense	1,434	1,424	1%	1,408	2%
Income before Income Tax and Merger Expenses	436	553	-21%	365	19%
Merger Expenses	266	-	100%	-	100%
Net Income Before Income Tax	170	553	-69%	365	-53%
Provision for Income Tax	55	219	-75%	126	-56%
Net Income	115	334	-66%	239	-52%

STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands)

	For Nine Months Ended		
	September 30, 2016	September 30, 2015	One Year Change
Interest Income			
Loans	5,752	5,203	11%
Interest bearing deposits in banks	76	71	7%
Securities available for sale	85	34	150%
Total interest income	5,913	5,308	11%
Interest Expense			
Deposits	555	548	1%
Federal Home Loan Bank borrowings	21	21	0%
Total interest expense	576	569	1%
Net Interest Income	5,337	4,739	13%
Provision for credit losses	-	(121)	0%
Net interest income after provision for credit losses	5,337	4,860	10%
Non-Interest Income			
Service charges on deposit accounts	110	113	-3%
Gain (Loss) on sale of other real estate owned	-	70	-100%
Gain (Loss) on sale of available for sale securities	-	1	-100%
Other non-interest income	190	207	-8%
Total non-interest income	300	391	-23%
Non-Interest Expense			
Salaries and employee benefits	2,540	2,540	0%
Occupancy and equipment expenses	402	353	14%
Other operating expenses	1,284	1,173	9%
Total non-interest expense	4,226	4,066	4%
Income before Income Tax and Merger Expenses	1,411	1,185	19%
Merger Expenses	266	-	100%
Net Income Before Income Tax	1,145	1,185	-3%
Provision for Income Tax	424	382	11%
Net Income	721	803	-10%

BALANCE SHEETS (Unaudited)

(Dollars in thousands)

	September 30, 2016	June 30, 2016	Three Month Change	September 30, 2015	One Year Change
Assets					
Cash and due from banks	4,499	4,482	0%	7,246	-38%
Interest bearing deposits in banks	30,871	24,404	26%	27,057	14%
Securities available for sale	3,065	3,199	-4%	3,539	-13%
Federal funds sold	4	4	0%	5	-20%
Federal Home Loan Bank and Federal Reserve Bank	1,039	1,028	1%	988	5%
Loans	159,521	149,026	7%	147,593	8%
Allowance for loan losses	(1,994)	(1,975)	1%	(1,851)	8%
Net Loans	157,527	147,051	7%	145,742	8%
Leasehold improvements and equipment, net	2,136	1,991	7%	631	239%
Accrued interest receivable	344	321	7%	341	1%
Other real estate owned	338	338	0%	338	0%
Other assets	6,756	6,806	-1%	4,948	37%
Total Assets	206,579	189,624	9%	190,835	8%
Liabilities and Shareholders' Equity					
Deposits					
Demand, non-interest bearing	38,236	34,685	10%	33,553	14%
Savings and interest bearing demand	83,246	69,289	20%	72,219	15%
Time	57,493	58,409	-2%	58,843	-2%
Total Deposits	178,975	162,383	10%	164,615	9%
Federal Home Loan Bank borrowings	3,200	3,200	0%	3,200	0%
Accrued interest payable	26	34	-24%	25	4%
Other liabilities	1,046	799	31%	794	32%
Total Liabilities	183,247	166,416	10%	168,634	9%
Shareholders' Equity					
Common stock ⁽¹⁾	2,223	2,222	0%	2,219	0%
Additional paid in capital	20,996	20,986	0%	20,930	0%
Accumulated deficit	76	(39)	-295%	(983)	-108%
Comprehensive income	37	39	-5%	35	6%
Total Shareholders' Equity	23,332	23,208	1%	22,201	5%
Total Liabilities and Shareholders' Equity	206,579	189,624	9%	190,835	8%

⁽¹⁾ \$1 par value, shares authorized 10,000,000, issued and outstanding 2,223,146

	Quarterly				Nine Months Ended	
	September 30, 2016	June 30, 2016	March 31, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Financial Ratios						
Return on Average Assets	0.23%	0.74%	0.60%	0.51%	0.51%	0.61%
Return on Average Equity	1.97%	5.80%	4.80%	4.31%	4.17%	4.87%
Efficiency Ratio	90.92%	72.06%	76.40%	80.18%	79.69%	77.43%
Yield on Earning Assets	4.24%	4.85%	4.37%	4.17%	4.48%	4.23%
Cost of Interest Bearing Liabilities	0.59%	0.60%	0.59%	0.59%	0.59%	0.60%
Net Interest Spread	3.65%	4.24%	3.78%	3.58%	3.89%	3.63%
Net Interest Margin	3.81%	4.40%	3.94%	3.73%	4.04%	3.78%
Tangible Book Value per Share	\$ 10.49	\$ 10.44	\$ 10.28	\$ 10.00	\$ 10.49	\$ 10.00
Basic Earnings per Share	\$ 0.05	\$ 0.15	\$ 0.12	\$ 0.11	\$ 0.32	\$ 0.36
Loan to Deposits	89.13%	91.77%	100.86%	89.66%	89.13%	89.66%
Equity to Assets	11.29%	12.24%	12.88%	11.63%	11.29%	11.63%
Asset Quality						
Allowance for Loan Losses to Total Loans	1.25%	1.33%	1.28%	1.25%	1.25%	1.25%
Texas Ratio	1.33%	1.64%	1.67%	1.41%	1.33%	1.41%
Nonperforming Assets to Assets	0.16%	0.22%	0.23%	0.18%	0.16%	0.18%
Capital Adequacy						
	September 30, 2016	June 30, 2016	March 31, 2016	September 30, 2015	Regulatory Requirements	
					Adequately-Capitalized	Well-capitalized
Common Equity Tier 1 Capital to risk-weighted assets	13.26%	14.01%	13.82%	14.12%	4.50%	6.50%
Tier 1 Leverage capital to average assets	11.60%	12.58%	12.25%	11.67%	4.00%	5.00%
Tier 1 capital to risk-weighted assets	13.26%	14.01%	13.82%	14.12%	6.00%	8.00%
Total capital to risk-weighted assets	14.45%	15.26%	15.06%	15.37%	8.00%	10.00%