



## Commencement Bank Announces Second Quarter 2016 Results

Commencement Bank (OTCQX:CBWA) reported net income of \$334,000 or \$0.15 per share for second quarter 2016, compared to \$338,000 and \$0.15 per share for second quarter 2015. For the six months ending June 30, 2016, net income totaled \$606,000 or \$0.27 per share as compared to \$564,000 or \$0.25 per share for the same period the previous year.

Total loans at the end of second quarter were stable at \$149 million as compared to \$146.6 million one year earlier and total deposits increased to \$162.4 million as compared to \$151.4 million for second quarter 2015.

### Second Quarter 2016 Financial Highlights:

- Total assets increased by 7% to \$189.6 million as compared to \$177.2 million as of June 30, 2015.
- Total loans were stable with a modest increase of 2% to \$149 million as compared to \$146.6 million for the same period 2015.
- Total deposits increased by 7% to \$162.4 million as compared to \$151.4 million as of second quarter 2015. The largest increase was in non-interest bearing demand accounts; a 13% increase over prior year.
- Net interest margin was 4.40% for the quarter as compared to 3.84% for the same period in 2015.
- Tangible book value per share increased to \$10.44 from \$9.89 one year earlier.
- The efficiency ratio was 72.06% for the quarter as compared to 78.87% for the same period in 2015.
- Nonperforming assets to total assets were 0.22% compared to 0.26% one year earlier.
- All capital ratios continued to exceed regulatory requirements, with total risk-based capital substantially above well-capitalized regulatory requirements.

In addition to solid earnings for the period, the Bank announced several key milestones in July:

- On July 6<sup>th</sup>, the Bank's first full-service branch outside of its Tacoma headquarters opened in Enumclaw, Washington.
- On July 8<sup>th</sup>, the Bank announced a merger-of-equals with Olympia, Washington-based Thurston First Bank.

*"I am very pleased with our core progress year-to-date and am especially excited to have been able to announce our pending merger with Thurston First Bank. The combination of joining forces with this healthy and well-run organization, with the opening our first full-service branch in Enumclaw, Washington, speaks to our commitment to improving shareholder value and broadening our already high level of customer service. This coming December we will experience our ten year anniversary and look forward to celebrating this milestone by becoming a much larger organization with multiple outlets and expanded products and services," said H.R. "Hal" Russell, President and CEO.*

The upcoming merger-of-equals with Thurston First Bank is anticipated to close during fourth quarter 2016. The transaction is expected to immediately increase the combined Bank's earnings per share, making it beneficial for both Commencement and Thurston First shareholders. Additionally, combining the two healthy and growing banks will allow clients to benefit from a significantly higher lending capacity and refined products and services. Additional communication regarding the proposed merger will be distributed to all of our shareholders and customers.

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 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.commencementbank.com](http://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 June 30, 2016	Quarter Ended March 31, 2016	Three Month Change	Quarter Ended June 30, 2015	One Year Change
<b>Interest Income</b>					
Loans	2,013	1,823	10%	1,733	16%
Interest bearing deposits in banks	28	26	8%	22	27%
Securities available for sale	17	28	-39%	11	55%
<b>Total interest income</b>	<b>2,058</b>	<b>1,877</b>	<b>10%</b>	<b>1,766</b>	<b>17%</b>
<b>Interest Expense</b>					
Deposits	183	180	2%	182	1%
Federal Home Loan Bank borrowings	7	7	0%	7	0%
<b>Total interest expense</b>	<b>190</b>	<b>187</b>	<b>2%</b>	<b>189</b>	<b>1%</b>
<b>Net Interest Income</b>					
Provision for credit losses	-	-	0%	(121)	0%
<b>Net interest income after provision for credit losses</b>	<b>1,868</b>	<b>1,690</b>	<b>11%</b>	<b>1,698</b>	<b>10%</b>
<b>Non-Interest Income</b>					
Service charges on deposit accounts	38	36	6%	40	-5%
Other non-interest income	71	63	13%	68	4%
<b>Total non-interest income</b>	<b>109</b>	<b>99</b>	<b>10%</b>	<b>108</b>	<b>1%</b>
<b>Non-Interest Expense</b>					
Salaries and employee benefits	843	813	4%	824	2%
Occupancy and equipment expenses	132	123	7%	117	13%
Other operating expenses	449	431	4%	388	16%
<b>Total non-interest expense</b>	<b>1,424</b>	<b>1,367</b>	<b>4%</b>	<b>1,329</b>	<b>7%</b>
Net Income Before Income Tax	553	422	31%	477	16%
Provision for Income Tax	219	150	46%	139	58%
<b>Net Income</b>	<b>334</b>	<b>272</b>	<b>23%</b>	<b>338</b>	<b>-1%</b>

**STATEMENTS OF INCOME** (Unaudited)

(Dollars in thousands)

	<b>For Six Months Ended</b>		
	<b>June 30,</b>	<b>June 30,</b>	<b>One Year</b>
	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>Interest Income</b>			
Loans	3,835	3,394	13%
Interest bearing deposits in banks	44	44	0%
Securities available for sale	57	23	148%
<b>Total interest income</b>	<b>3,936</b>	<b>3,461</b>	<b>14%</b>
<b>Interest Expense</b>			
Deposits	363	359	1%
Federal Home Loan Bank borrowings	14	14	0%
<b>Total interest expense</b>	<b>377</b>	<b>373</b>	<b>1%</b>
<b>Net Interest Income</b>	<b>3,559</b>	<b>3,088</b>	<b>15%</b>
Provision for credit losses	-	(121)	0%
<b>Net interest income after provision for credit losses</b>	<b>3,559</b>	<b>3,209</b>	<b>11%</b>
<b>Non-Interest Income</b>			
Service charges on deposit accounts	73	75	-3%
Gain (Loss) on sale of other real estate owned	-	53	-100%
Gain (Loss) on sale of available for sale securities	-	1	-100%
Other non-interest income	135	140	-4%
<b>Total non-interest income</b>	<b>208</b>	<b>269</b>	<b>-23%</b>
<b>Non-Interest Expense</b>			
Salaries and employee benefits	1,657	1,655	0%
Occupancy and equipment expenses	255	234	9%
Other operating expenses	880	769	14%
<b>Total non-interest expense</b>	<b>2,792</b>	<b>2,658</b>	<b>5%</b>
Net Income Before Income Tax	975	820	19%
Provision for Income Tax	369	256	44%
<b>Net Income</b>	<b>606</b>	<b>564</b>	<b>7%</b>

**BALANCE SHEETS (Unaudited)**

(Dollars in thousands)

	June 30, 2016	March 31, 2016	Three Month Change	June 30, 2015	One Year Change
<b>Assets</b>					
Cash and due from banks	4,482	5,039	-11%	3,661	22%
Interest bearing deposits in banks	24,404	10,610	130%	19,794	23%
Securities available for sale	3,199	3,298	-3%	1,701	88%
Federal funds sold	4	5	-20%	5	-20%
Federal Home Loan Bank and Federal Reserve Bank	1,028	1,019	1%	982	5%
Loans	149,026	151,724	-2%	146,554	2%
Allowance for loan losses	(1,975)	(1,940)	2%	(1,851)	7%
<b>Net Loans</b>	<b>147,051</b>	<b>149,784</b>	<b>-2%</b>	<b>144,703</b>	<b>2%</b>
Leasehold improvements and equipment, net	1,991	1,642	21%	627	218%
Accrued interest receivable	321	330	-3%	340	-6%
Other real estate owned	338	338	0%	459	-26%
Other assets	6,806	5,107	33%	4,914	39%
<b>Total Assets</b>	<b>189,624</b>	<b>177,172</b>	<b>7%</b>	<b>177,186</b>	<b>7%</b>
<b>Liabilities and Shareholders' Equity</b>					
Deposits					
Demand, non-interest bearing	34,685	29,719	17%	30,758	13%
Savings and interest bearing demand	69,289	62,225	11%	65,621	6%
Time	58,409	58,513	0%	55,013	6%
<b>Total Deposits</b>	<b>162,383</b>	<b>150,457</b>	<b>8%</b>	<b>151,392</b>	<b>7%</b>
Federal Home Loan Bank borrowings	3,200	3,200	0%	3,200	0%
Accrued interest payable	34	29	17%	16	113%
Other liabilities	799	648	23%	630	27%
<b>Total Liabilities</b>	<b>166,416</b>	<b>154,334</b>	<b>8%</b>	<b>155,238</b>	<b>7%</b>
<b>Shareholders' Equity</b>					
Common stock <sup>(1)</sup>	2,222	2,219	0%	2,219	0%
Additional paid in capital	20,986	20,960	0%	20,920	0%
Accumulated deficit	(39)	(373)	-90%	(1,221)	-97%
Comprehensive income	39	32	22%	30	30%
<b>Total Shareholders' Equity</b>	<b>23,208</b>	<b>22,838</b>	<b>2%</b>	<b>21,948</b>	<b>6%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>189,624</b>	<b>177,172</b>	<b>7%</b>	<b>177,186</b>	<b>7%</b>

<sup>(1)</sup> \$1 par value, shares authorized 10,000,000, issued and outstanding 2,222,000

	Quarterly				Six Months Ended	
	June 30, 2016	March 31, 2016	December 31, 2015	June 30, 2015	June 30, 2016	June 30, 2015
<b>Financial Ratios</b>						
Return on Average Assets	0.74%	0.60%	0.72%	0.78%	0.67%	0.66%
Return on Average Equity	5.80%	4.80%	6.13%	6.16%	5.30%	5.40%
Efficiency Ratio	72.06%	76.40%	73.03%	78.87%	74.12%	80.47%
Yield on Earning Assets	4.85%	4.37%	4.07%	4.30%	4.66%	4.26%
Cost of Interest Bearing Liabilities	0.60%	0.59%	0.57%	0.61%	0.59%	0.48%
Net Interest Spread	4.24%	3.78%	3.50%	3.69%	4.07%	3.78%
Net Interest Margin	4.40%	3.94%	3.65%	3.84%	4.21%	3.80%
Tangible Book Value per Share	\$ 10.44	\$ 10.28	\$ 10.15	\$ 9.89	\$ 10.44	\$ 9.89
Basic Earnings per Share	\$ 0.15	\$ 0.12	\$ 0.15	\$ 0.15	\$ 0.27	\$ 0.25
Loan to Deposits	91.77%	100.86%	95.06%	96.80%	91.77%	96.80%
Equity to Assets	12.24%	12.88%	12.59%	12.39%	12.24%	12.39%
<b>Asset Quality</b>						
Allowance for Loan Losses to Total Loans	1.33%	1.28%	1.35%	1.26%	1.33%	1.26%
Texas Ratio	1.64%	1.67%	1.38%	1.93%	1.64%	1.93%
Nonperforming Assets to Assets	0.22%	0.23%	0.19%	0.26%	0.22%	0.26%
<b>Capital Adequacy</b>						
	June 30, 2016	March 31, 2016	December 31, 2015	June 30, 2015	Regulatory Requirements	
					Adequately- Capitalized	Well- capitalized
Common Equity Tier 1 Capital to risk-weighted assets	14.01%	13.82%	14.54%	13.58%	4.50%	6.50%
Tier 1 Leverage capital to average assets	12.58%	12.25%	11.70%	12.44%	4.00%	5.00%
Tier 1 capital to risk-weighted assets	14.01%	13.82%	14.54%	13.58%	6.00%	8.00%
Total capital to risk-weighted assets	15.26%	15.06%	15.79%	14.79%	8.00%	10.00%