



Commencement Bank Announces First Quarter 2016 Results

Commencement Bank (OTCQX:CBWA) reported net income of \$272,000 or \$0.12 per share for the quarter ending March 31, 2016, compared to \$226,000 or \$0.10 per share for the first quarter of 2015. Strong loan growth and stable operating expenses contributed to first quarter earnings.

Total loans at the end of the first quarter increased to \$151.7 million from \$139.4 million the previous year. The Bank's loan portfolio remained well-diversified at 27% commercial, 67% commercial real estate, 4% consumer, and 2% other.

Total deposits were stable at \$150.5 million as compared to \$150.0 million in first quarter 2015. The Bank's deposit mix at quarter end was 20% non-interest bearing, 41% interest bearing and savings, and 38% time deposits.

"As we enter our tenth year of business, it is gratifying to see strong financial performance year over year. Our relationship-focused banking and ongoing community involvement has contributed greatly to our success. We are looking forward to expanding our banking services and expertise throughout 2016," said H.R. "Hal" Russell, President and CEO.

The Enumclaw, Wash. Loan Center, which opened in June 2014, is now in the process of converting to a full-service branch. This will be the first full-service branch for Commencement Bank outside of its headquarters in downtown Tacoma. The Enumclaw Branch is scheduled to open mid-2016.

2016 First Quarter Financial Highlights:

- Total loans grew 9% to \$151.7 million as compared to the same period the previous year.
- Net interest margin was 3.94% for the quarter as compared to 3.77% for the same period 2015.
- Tangible book value per share has increased to \$10.28 from \$9.80 one year earlier.
- Return on average equity increased to 4.80% from 4.23% the previous year.
- Return on average assets increased to 0.60% from 0.53% as compared to first quarter 2015.
- The efficiency ratio was 76.40% for the quarter as compared to 82.14% last year.
- Nonperforming assets to total assets were 0.23% compared to 0.26% one year earlier.
- Capital ratios continue to exceed regulatory requirements, with total risk-based capital substantially above well-capitalized regulatory requirements.

About Commencement Bank

Commencement Bank is headquartered in Tacoma, Washington. The Bank was formed in 2006 to focus on traditional, reliable, and sustainable banking in Pierce County, South King County, and the surrounding areas. By delivering a high level of personal service, building relationships, and offering the latest banking technology, the Bank is committed to the success of our family of customers.

For more information, visit www.commencementbank.com

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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 March 31, 2016	Quarter Ended December 31, 2015	Three Month Change	Quarter Ended March 31, 2015	One Year Change
Interest Income					
Loans	1,823	1,774	3%	1,661	10%
Interest bearing deposits in banks	26	32	-19%	22	18%
Securities available for sale	28	17	65%	12	133%
Total interest income	1,877	1,823	3%	1,695	11%
Interest Expense					
Deposits	180	183	-2%	177	2%
Federal Home Loan Bank borrowings	7	7	0%	7	0%
Total interest expense	187	190	-2%	184	2%
Net Interest Income					
Provision for credit losses	-	-	0%	-	0%
Net interest income after provision for credit losses	1,690	1,633	3%	1,511	12%
Non-Interest Income					
Service charges on deposit accounts	36	35	3%	35	3%
Gain (Loss) on sale of other real estate owned	-	-	0%	53	-100%
Gain (Loss) on sale of available for sale securities	-	-	0%	1	-100%
Other non-interest income	63	67	-6%	72	-13%
Total non-interest income	99	102	-3%	161	-39%
Non-Interest Expense					
Salaries and employee benefits	813	762	7%	831	-2%
Occupancy and equipment expenses	123	123	0%	117	5%
Other operating expenses	431	382	13%	381	13%
Total non-interest expense	1,367	1,267	8%	1,329	3%
Net Income Before Income Tax	422	468	-10%	343	23%
Provision for Income Tax	150	129	16%	117	28%
Net Income	272	339	-20%	226	20%

BALANCE SHEETS (Unaudited)
(Dollars in thousands)

	March 31, 2016	December 31, 2015	Three Month Change	March 31, 2015	One Year Change
Assets					
Cash and due from banks	5,039	4,026	25%	6,767	-26%
Interest bearing deposits in banks	10,610	21,224	-50%	22,080	-52%
Securities available for sale	3,298	3,387	-3%	1,819	81%
Federal funds sold	5	5	0%	-	100%
Federal Home Loan Bank and Federal Reserve Bank	1,019	995	2%	912	12%
Loans	151,724	145,086	5%	139,350	9%
Allowance for loan losses	(1,940)	(1,962)	-1%	(1,851)	5%
Net Loans	149,784	143,124	5%	137,499	9%
Leasehold improvements and equipment, net	1,642	600	174%	660	149%
Accrued interest receivable	330	319	3%	341	-3%
Other real estate owned	338	338	0%	459	-26%
Other assets	5,107	5,063	1%	4,895	4%
Total Assets	177,172	179,081	-1%	175,432	1%
Liabilities and Shareholders' Equity					
Deposits					
Demand, non-interest bearing	29,719	28,301	5%	28,852	3%
Savings and interest bearing demand	62,225	66,174	-6%	67,477	-8%
Time	58,513	58,154	1%	53,626	9%
Total Deposits	150,457	152,629	-1%	149,955	0%
Federal Home Loan Bank borrowings	3,200	3,200	0%	3,200	0%
Accrued interest payable	29	27	7%	20	45%
Other liabilities	648	686	-6%	495	31%
Total Liabilities	154,334	156,542	-1%	153,670	0%
Shareholders' Equity					
Common stock ⁽¹⁾	2,219	2,219	0%	2,219	0%
Additional paid in capital	20,960	20,949	0%	20,915	0%
Accumulated deficit	(373)	(644)	-42%	(1,405)	-73%
Comprehensive income	32	15	113%	33	-3%
Total Shareholders' Equity	22,838	22,539	1%	21,762	5%
Total Liabilities and Shareholders' Equity	177,172	179,081	-1%	175,432	1%

⁽¹⁾ \$1 par value, shares authorized 10,000,000, issued and outstanding 2,219,500

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>	<u>March 31, 2015</u>
Financial Ratios				
Return on Average Assets	0.60%	0.72%	0.51%	0.53%
Return on Average Equity	4.80%	6.13%	4.39%	4.23%
Efficiency Ratio	76.40%	73.03%	80.18%	82.14%
Yield on Earning Assets	4.37%	4.07%	4.17%	4.22%
Cost of Interest Bearing Liabilities	0.59%	0.57%	0.59%	0.60%
Net Interest Spread	3.78%	3.50%	3.58%	3.62%
Net Interest Margin	3.94%	3.65%	3.73%	3.77%
Tangible Book Value per Share	\$ 10.28	\$ 10.15	\$ 10.00	\$ 9.80
Basic Earnings per Share	\$ 0.12	\$ 0.15	\$ 0.11	\$ 0.10
Loan to Deposits	100.86%	95.06%	89.66%	92.93%
Equity to Assets	12.88%	12.59%	11.63%	12.40%
Asset Quality				
Allowance for Loan Losses to Total Loans	1.28%	1.35%	1.25%	1.33%
Texas Ratio	1.67%	1.38%	1.41%	1.94%
Nonperforming Assets to Total Assets	0.23%	0.19%	0.18%	0.26%

<u>Capital Adequacy</u>	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>	<u>March 31, 2015</u>	<u>Regulatory Requirements</u>	
					<u>Aedquately- Capitalized</u>	<u>Well- Capitalized</u>
Common Equity Tier 1 capital to risk-weighted assets	13.82%	14.54%	14.12%	14.47%	4.50%	6.50%
Tier 1 Leverage capital to average assets	12.25%	11.70%	11.67%	12.62%	4.00%	5.00%
Tier 1 capital to risk-weighted assets	13.82%	14.54%	14.12%	14.54%	6.00%	8.00%
Total capital to risk-weighted assets	15.06%	15.79%	15.37%	15.72%	8.00%	10.00%