

FOR IMMEDIATE RELEASE

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CASHMERE VALLEY BANK REPORTS QUARTERLY EARNINGS OF \$6.3 MILLION

CASHMERE, WA, October 28, 2019 – Cashmere Valley Bank (OTCQB: CSHX) (“Bank”), announced earnings of \$6.3 million for the three months ended September 30, 2019, compared to \$5.8 million for the period ending September 30, 2018. Quarterly earnings improved from June 30 and March 31, 2019 earnings of \$6.0 million and \$5.2 million, respectively. Diluted earnings per share increased \$0.12 to \$1.51 per share from \$1.39 for the quarters ended September 30, 2019 and 2018.

For the nine months ended September 30, 2019 earnings totaled \$17.4 million which represented a 5.5% increase from \$16.5 million in earnings reported for the nine months ended September 30, 2018. Diluted earnings per share increased year over year to \$4.21 per share from \$4.00 per share.

Deposit balances increased \$85.6 million from the same period one year ago, representing a 6.5% increase.

“We are extremely pleased to have some meaningful deposit growth over the prior quarter,” said Greg Oakes, President and CEO. “Additionally, our credit quality remains outstanding and we remain very well capitalized.”

The Bank announced a share repurchase in the form of a tender offer on October 1, 2019. The Bank is offering to purchase for cash share of its common stock at a purchase price of \$62.00 per share according the terms described in the Tender Offer Disclosure Statement distributed to all shareholders. The offer to repurchase will close on November 15, 2019.

The Bank provided the following earnings highlights for the nine months ended September 30, 2019 as compared to September 30, 2018:

- Net income increased 5.5% to \$17.4 million for the nine months ended September 30, 2019 versus \$16.5 million for the same period in 2018.
- Diluted earnings per share increased 5.3% to \$4.21 per share.
- Return on Assets increased 3 basis points to 1.50%.
- Return on Equity decreased 97 basis points to 11.62%. The reduction in return on equity is due to the Bank’s increasing equity position. From September 30, 2018 to September 30, 2019 the Bank’s equity increased from \$176.0 million to \$211.8 million, an increase of \$35.8 million or 20.3%.
- Equity increased \$35.8 million due to earnings of \$22.6 million and an improvement in the unrealized gain on securities of \$17.6 million. These increases were partially offset by a capital reduction in dividends paid.
- The Bank’s net interest margin improved 13 basis points to 3.24% from 3.11% from the same timeframe in 2018.

- The efficiency ratio increased minimally to 55.9% from 55.6% the same time period one year ago.
- Non-interest income increased 1,788,000 or 15.8% from the prior year due to a \$588,000 increase in the gain on sale of securities, \$347,000 increase in Wealth Management commissions, \$302,000 increase in mortgage loans sold and \$185,000 in Mitchell, Reed and Schmitten insurance income.
- Interest expense increased \$1,590,000 or 42.4% as rates on CD's, money market accounts and municipal deposits have increased with increases in the yield curve.
- The Bank has provided \$640,000 to the allowance for loan loss for the first nine months of 2019 as compared to \$287,000 in the first nine months of 2018.
- Federal income tax expense increased approximately \$430,000 from the prior year from increased earnings and a slightly increasing effective tax rate.

The Bank reported the following Balance Sheet Highlights as of September 30, 2019 as compared to September 30, 2018:

- Gross loans increased to \$960.3 million, an increase of \$6.7 million from September 30, 2018. The Bank had two significant payoffs in the third quarter that reduced loan balances from \$992.0 million as of June 30, 2019.
- Total deposits increased year-over-year by \$85.6 million (6.5%) to \$1.4 billion.
- The Bank's capital remained in excess of well capitalized levels with a tier one leverage ratio of 12.22% and a common equity tier 1 ratio of 19.10%.
- Credit quality remained extremely strong with non-performing assets totaling 0.03% of gross loans and the Bank maintains an Allowance for Loan Losses to gross loans ratio of 1.17% as of September 30, 2019.

About Cashmere Valley Bank

Cashmere Valley Bank was established September 24, 1932 and now has 11 retail offices in Chelan, Douglas, Kittitas and Yakima Counties. The Bank also maintains a municipal lending office in King County. The Bank provides business and personal banking, commercial lending, insurance services through its wholly owned subsidiary Mitchell, Reed & Schmitten Insurance, investment services, mortgage services, equipment lease financing, auto and marine dealer financing and municipal lending. The success of Cashmere Valley Bank is the result of maintaining a high level of personal service and controlling expenses so our fees and charges offer our customers the best value available. We remain committed to those principles that we feel are best summarized as, "the little Bank with the big circle of friends."

Forward-Looking Statements

This release may contain certain forward-looking statements that are based on management's current expectations regarding economic, legislative, and regulatory issues that may impact the Bank's earnings in future periods. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believe," "expect," "intend," "anticipate," "estimate," "will," "would," "should," "could" or "may." Factors that could cause future results to vary materially from current management expectations include, but are not limited to, general economic conditions, economic uncertainty in the United States and abroad, changes in interest rates, deposit flows, real estate values, costs or effects of acquisitions, competition, changes in accounting principles, policies or guidelines, legislation or regulation, and other economic, competitive,

governmental, regulatory and technological factors affecting the Bank's operations. The Bank undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events.

Consolidated Balance Sheets (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank and Subsidiary

For the quarters ended,

	September 30, 2019	December 31, 2018	September 30, 2018
Assets			
Cash and Cash Equivalent:			
Cash & due from banks	\$21,845	\$22,733	\$22,828
Interest bearing deposits	115,174	20,062	28,437
Fed funds sold	10,086	12,436	3,692
Total Cash and Cash Equivalent	125,260	32,498	32,129
Securities available for sale	498,728	439,913	456,145
Securities held to maturity	35	37	38
Federal Home Loan Bank stock, at cost	1,825	1,819	1,819
Pacific Coast Banker's Bank Stock, at cost	238	238	238
Loans held for sale	995	696	244
Loans	960,348	976,619	953,637
Allowance for credit losses	(11,220)	(11,299)	(10,807)
Net loans	949,128	965,320	942,830
Premises and equipment	16,882	17,993	17,743
Accrued interest receivable	6,439	5,396	6,800
Foreclosed real estate	-	-	-
Bank Owned Life Insurance	15,335	15,010	14,903
Goodwill	7,162	7,162	7,162
Intangibles	1,799	2,046	2,167
Mortgage servicing rights	1,954	1,657	1,663
Other assets	7,637	8,255	8,807
Total assets	\$1,655,262	\$1,520,773	\$1,515,516
Liabilities and Shareholders' Equity			
Liabilities			
Deposits:			
Non-interest bearing demand	\$267,399	\$243,853	\$239,387
Savings and interest-bearing demand	885,957	\$849,378	\$862,464
Time	254,913	\$221,646	\$220,843
Total deposits	1,408,269	1,314,877	1,322,694
Accrued interest payable	719	509	455
Short-term borrowings	14,848	9,830	7,650
Long-term borrowings	-	-	-
Other Liabilities	19,604	8,054	8,679
Total liabilities	1,443,440	1,333,270	1,339,478
Shareholders' Equity			
Common stock (no par value); authorized 10,000,000 shares; issued and outstanding: 2019 - -4,119,289 ; 2018 - -4,115,025	--	--	--
Additional Paid in Capital	3,164	2,921	2,880
Retained Earnings	199,195	187,434	181,334
Accumulated other comprehensive income	9,463	(2,852)	(8,176)
Total shareholder's equity	211,822	187,503	176,038
Total liabilities and shareholders' equity	\$1,655,262	\$1,520,773	\$1,515,516

Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,		
	September 30, 2019	December 31, 2018	September 30, 2018
Interest Income			
Loans	\$10,263	\$9,885	\$9,455
Deposits at other financial institutions	544	131	145
Federal Funds Sold	47	38	20
Securities available for sale:			
Taxable	2,058	1,645	1,616
Tax-exempt	1,112	1,461	1,490
Securities held to maturity	1	1	1
Total interest income	14,025	13,161	12,727
Interest Expense			
Deposits	1,955	1,387	1,279
Short-term borrowings	8	7	9
Long-term borrowings	-	-	157
Total interest expense	1,963	1,394	1,445
Net interest income	12,062	11,767	11,282
Provision for Credit Losses	49	739	207
Net interest income after provision for credit losses	12,013	11,028	11,075
Non-Interest Income			
Service charges on deposit accounts	512	529	484
Mortgage banking operations	1,068	576	577
Net gain (loss) on sales of securities available for sale	49	(278)	156
Brokerage commissions	300	270	(12)
Insurance commissions and fees	1,048	1,166	960
Net Interchange income (expense)	341	326	365
BOLI cash value	110	107	107
Dividends from correspondent banks	15	16	22
Other	387	364	391
Total non-interest income	3,830	3,076	3,050
Non-Interest Expense			
Salaries and employee benefits	4,651	4,689	4,107
Occupancy and equipment	1,775	1,496	1,655
Audits and examinations	108	124	16
State and local business and occupation taxes	208	198	180
FDIC & WA State assessments	136	100	128
Legal and professional fees	162	139	115
Net loss (gain) on foreclosed real estate	-	-	-
Check losses and charge-offs	39	46	33
Low income housing investment losses	66	65	63
Data processing	314	287	253
Product delivery	370	393	309
Other	755	882	784
Total non-interest expense	8,584	8,419	7,643
Income before income taxes	7,259	5,685	6,482
Income Taxes	1,005	433	722
Net income	\$6,254	\$5,252	\$5,760
Earnings Per Share			
Basic	\$ 1.52	\$ 1.27	\$ 1.40
Diluted	\$ 1.51	\$ 1.27	\$ 1.39

Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

For the nine months ended September 30,

	2019	2018
Interest Income		
Loans	\$30,473	\$26,998
Deposits at other financial institutions	973	319
Federal Funds Sold	139	36
Securities available for sale:		
Taxable	5,479	4,705
Tax-exempt	3,807	4,921
Securities held to maturity	2	13
Total interest income	40,873	36,992
Interest Expense		
Deposits	5,308	3,506
Short-term borrowings	25	23
Long-term borrowings	-	217
Total interest expense	5,333	3,746
Net interest income	35,540	33,246
Provision for Credit Losses	640	287
Net interest income after provision for credit losses	34,900	32,959
Non-Interest Income		
Service charges on deposit accounts	1,455	1,357
Mortgage banking operations	2,243	1,654
Net gain (loss) on sales of securities available for sale	772	184
Brokerage commissions	665	245
Insurance commissions and fees	3,451	2,974
Net Interchange income (expense)	1,086	1,053
BOLI cash value	325	321
Dividends from correspondent banks	52	50
Other	1,059	1,086
Total non-interest income	11,108	8,924
Non-Interest Expense		
Salaries and employee benefits	13,935	12,335
Occupancy and equipment	4,964	4,655
Audits and examinations	314	284
State and local business and occupation taxes	578	453
FDIC & WA State assessments	409	381
Legal and professional fees	432	287
Net loss (gain) on foreclosed real estate	-	-
Check losses and charge-offs	321	68
Low income housing investment losses	622	411
Data processing	971	774
Product delivery	1,083	1,037
Other	2,295	2,397
Total non-interest expense	25,924	23,082
Income before income taxes	20,084	18,801
Income Taxes	2,696	2,267
Net income	\$17,388	\$16,534
Earnings Per Share		
Basic	\$ 4.22	\$ 4.02
Diluted	\$ 4.21	\$ 4.00