

FOR IMMEDIATE RELEASE

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CASHMERE VALLEY BANK REPORTS QUARTERLY EARNINGS OF \$6.5 MILLION

CASHMERE, WA, October 21, 2020 – Cashmere Valley Bank (OTCQX: CSHX) (“Bank”), announced earnings of \$6.5 million for the three months ended September 30, 2020, compared to \$6.3 million for the quarter ending September 30, 2019. Year-to-date earnings increased from \$17.4 million to \$18.5 million, an increase of 6.6%. Diluted earnings per share increased \$0.13 for the quarter ending September 30, 2020 and \$0.45 for the nine months ended September 30, 2020. Diluted earnings per share increased 8.4% for the quarter and 10.7% year-to-date.

As of September 30, 2020, deposit balances totaled \$1.7 billion. Deposit balances have increased approximately \$268.5 million from September 30, 2019, representing a 19.1% increase.

“The pandemic created uncertainty and hardships for many individuals. Our capital position, liquidity, and strong credit culture have enabled us (to) continue our strong performance.” said Greg Oakes, President and CEO. “Deposits continue to increase, reflecting our customers’ belief in Cashmere Valley Bank. We were able to provide Paycheck Protection Program (PPP) loans of approximately \$70 million dollars to those same customers to assist during these challenging times.”

Significant operating results from the impacts of COVID-19 include:

- As of September 30, 2020, loans with deferred payments or on interest only due to COVID-19 consisted of 3.3% of gross loans. This is a decrease from 11.7% of gross loans with deferred or interest only payments as of June 30, 2020. Additionally, loans in deferral are down from 6.8% to 0.5%.
- PPP loan balances as of September 30, 2020 totaled \$69,634,000. Net deferred fees remaining as of September 30, 2020 totaled approximately \$1.9 million.

The Bank provided the following earnings highlights for the nine months ended September 30, 2020 as compared to September 30, 2019:

- Net income increased 6.6% to \$18.5 million for the nine months ended September 30, 2020 versus \$17.4 million for the same period in 2019.
- Diluted earnings per share increased 10.7% to \$4.66 per share. The earnings per share increase was a result of increased earnings in combination with a reduced share count due to the Bank’s fourth quarter 2019 share repurchase of 159,805 shares.
- Year-to-date return on assets decreased 10 basis points to 1.40%.
- Year-to-date return on equity decreased 17 basis points to 11.45%.
- For the quarter, the Bank’s net interest margin decreased to 2.53% from 3.14% for the quarter ended September 30, 2019. Margin compression was due to a number of factors. Deposits

have grown significantly which increases the Bank's cash on hand. Cash balances remained high throughout the quarter and yields on cash were near zero the entire quarter. Next, the Bank aggressively grew its investment portfolio, however yields on securities are also at historically low levels. Lastly, the Bank holds variable rate securities to assist in managing interest rate risk. Rates on variable rate securities decreased significantly since the start of the year.

- The efficiency ratio improved to 54.3% from 57.4% during the same time period one year ago. Improvement in the efficiency ratio is a result of an increase in non-interest income of approximately \$5.1 million while non-interest expense has only increased \$440,000.
- Year-to-date non-interest income has increased \$5.1 million, 46.3% over the same period in 2019. Significant increases include gains on mortgage loans sold of \$3.1 million, gains on securities sold of \$1.7 million, card fee income of \$633,000 and mortgage servicing fees of \$400,000.
- Interest expense has remained very flat year-over-year, with a modest \$30,000 increase. The low increase is noteworthy considering the 19.1% growth in deposit balances.
- The Bank has provided \$2.9 million to the allowance for loan loss in 2020 as compared to \$640,000 in the first nine months of 2019. The allowance for loans and lease loss as a percentage of gross loans has increased from 1.17% as of September 30, 2019 to 1.38% as of September 30, 2020.
- Federal income tax expense increased approximately \$340,000 from the prior year. The Bank's effective tax rate has increased slightly from 13.4% to 14.1%.

The Bank reported the following statement of condition highlights as of September 30, 2020 as compared to September 30, 2019:

- September 30, 2020 gross loans totaled \$980.6 million representing an increase of \$20.3 million or 2.1% from \$960.3 million as of September 30, 2019.
- Total deposits increased year-over-year by \$268.4 million (19.1%). Non-interest bearing deposits have increased \$109.9 million and represent 22.5% of deposits.
- From September 30, 2019 to September 30, 2020 the Bank's equity increased from \$211.8 million to \$228.8 million, an increase of \$17.0 million or 8.0%. The increase in capital was realized even though the Bank returned \$9.9 million late in 2019 to shareholders through a share repurchase program and \$13.5 million in 2020 through regular and special dividends.

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 & Schmitzen 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

	September 30, 2020	September 30, 2019
Assets		
Cash and Cash Equivalent:		
Cash & due from banks	\$22,130	\$21,756
Interest bearing deposits	121,931	115,196
Fed funds sold	7,202	10,086
Total Cash and Cash Equivalent	151,263	147,038
Securities available for sale	759,994	498,706
Securities held to maturity	-	35
Federal Home Loan Bank stock, at cost	1,982	1,825
Pacific Coast Banker's Bank Stock, at cost	238	238
Loans held for sale	4,109	995
Loans	980,598	960,348
Allowance for credit losses	(13,496)	(11,220)
Net loans	967,102	949,128
Premises and equipment	16,605	16,882
Accrued interest receivable	7,905	6,439
Foreclosed real estate	-	-
Bank Owned Life Insurance	15,791	15,335
Goodwill	7,182	7,162
Intangibles	1,683	1,655
Mortgage servicing rights	2,776	1,954
Other assets	7,840	7,781
Total assets	\$1,944,470	\$1,655,173
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing demand	\$376,319	\$266,383
Savings and interest-bearing demand	1,053,022	885,957
Time	246,376	254,913
Total deposits	1,675,717	1,407,253
Accrued interest payable	653	719
Short-term borrowings	15,590	14,848
Long-term borrowings	-	-
Other Liabilities	23,718	20,531
Total liabilities	1,715,678	1,443,351
Shareholders' Equity		
Common stock (no par value); authorized 10,000,000 shares; issued and outstanding: 2020 -- 3,972,149 ; 2019 -- 4,122,313	-	-
Treasury stock	(9,908)	-
Additional Paid in Capital	3,685	3,164
Retained Earnings	210,495	199,195
Accumulated other comprehensive income	24,520	9,463
Total shareholder's equity	228,792	211,822
Total liabilities and shareholders' equity	\$1,944,470	\$1,655,173

Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,		
	September 30, 2020	June 30, 2020	September 30, 2019
Interest Income			
Loans	\$9,460	\$9,409	\$10,263
Deposits at other financial institutions	32	(7)	544
Federal Funds Sold	2	2	47
Securities available for sale:			
Taxable	2,061	2,362	2,058
Tax-exempt	1,531	1,466	1,113
Securities held to maturity	-	-	1
Total interest income	13,086	13,232	14,026
Interest Expense			
Deposits	1,682	1,735	1,955
Short-term borrowings	12	9	8
Long-term borrowings	-	-	-
Total interest expense	1,694	1,744	1,963
Net interest income	11,392	11,488	12,063
Provision for Credit Losses	386	2,004	49
Net interest income after provision for credit losses	11,006	9,484	12,014
Non-Interest Income			
Service charges on deposit accounts	254	204	512
Mortgage banking operations	2,242	2,121	1,064
Net gain (loss) on sales of securities available for sale	-	2,508	49
Brokerage commissions	338	241	300
Insurance commissions and fees	1,105	1,143	1,048
Net Interchange income (expense)	705	552	367
BOLI cash value	116	116	110
Dividends from correspondent banks	15	14	15
Other	333	267	312
Total non-interest income	5,108	7,166	3,777
Non-Interest Expense			
Salaries and employee benefits	4,808	5,208	4,651
Occupancy and equipment	720	728	824
Audits and examinations	222	233	244
State and local business and occupation taxes	251	259	208
Legal and professional fees	125	140	148
Net loss (gain) on foreclosed real estate	-	-	-
Check losses and charge-offs	94	114	129
Low income housing investment losses	136	336	66
Data processing	1,211	1,087	1,264
Product delivery	223	301	227
Other	747	617	771
Total non-interest expense	8,537	9,023	8,532
Income before income taxes	7,577	7,627	7,259
Income Taxes	1,055	1,075	1,005
Net income	\$6,522	\$6,552	\$6,254
Earnings Per Share			
Basic	\$ 1.64	\$ 1.65	\$ 1.52
Diluted	\$ 1.64	\$ 1.65	\$ 1.51

Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,	
	September 30, 2020	September 30, 2019
Interest Income		
Loans	\$28,358	\$30,473
Deposits at other financial institutions	356	974
Federal Funds Sold	29	139
Securities available for sale:		
Taxable	7,109	5,479
Tax-exempt	4,094	3,807
Securities held to maturity	-	2
Total interest income	39,946	40,874
Interest Expense		
Deposits	5,333	5,308
Short-term borrowings	30	25
Long-term borrowings	-	-
Total interest expense	5,363	5,333
Net interest income	34,583	35,541
Provision for Credit Losses	2,853	640
Net interest income after provision for credit losses	31,730	34,901
Non-Interest Income		
Service charges on deposit accounts	921	1,455
Mortgage banking operations	5,511	2,234
Net gain (loss) on sales of securities available for sale	2,520	772
Brokerage commissions	800	665
Insurance commissions and fees	3,434	3,451
Net interchange income (expense)	1,659	1,199
BOLI cash value	344	325
Dividends from correspondent banks	51	52
Other	905	883
Total non-interest income	16,145	11,036
Non-Interest Expense		
Salaries and employee benefits	15,018	13,935
Occupancy and equipment	2,198	2,380
Audits and examinations	735	723
State and local business and occupation taxes	713	578
Legal and professional fees	401	387
Net loss (gain) on foreclosed real estate	-	-
Check losses and charge-offs	314	592
Low income housing investment losses	554	622
Data processing	3,481	3,554
Product delivery	775	742
Other	2,105	2,340
Total non-interest expense	26,294	25,853
Income before income taxes	21,581	20,084
Income Taxes	3,052	2,696
Net income	\$18,529	\$17,388
Earnings Per Share		
Basic	\$ 4.67	\$ 4.22
Diluted	\$ 4.66	\$ 4.21