

FOR IMMEDIATE RELEASE

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CASHMERE VALLEY BANK REPORTS ANNUAL EARNINGS OF \$23.4 MILLION, DIVIDEND OF \$0.70 PER SHARE

CASHMERE, WA, January 22, 2020 – Cashmere Valley Bank (OTCQB: CSHX) (“Bank”), announced earnings of \$23.4 million for the twelve months ended December 31, 2019, compared to \$21.8 million in the same period of 2018. Growth in net income was attributable to net interest income growth of \$2.5 million and a \$2.9 million increase in non-interest income primarily attributable to available for sale security sales, gains on mortgage loans sold, Wealth Management commissions and Mitchell Reed insurance commissions.

On a quarterly basis, earnings were \$6.0 million for the quarter ended December 31, 2019 versus \$5.3 million for the quarter ended December 31, 2018.

On January 21, 2020, the Bank’s Board of Director’s declared its semi-annual dividend payment of \$0.70 to shareholders of record on January 31, 2020. The dividend will be paid on February 10, 2020.

“2019 was an outstanding year for Cashmere Valley Bank,” said Greg Oakes, President and CEO. “We are proud that the Bank’s deposits increased \$109 million. We also returned \$15.3 million to shareholders in the form of the stock repurchase and dividends. We continue to maintain the Bank’s relatively low risk profile and our credit quality is outstanding.”

The Bank provided the following earnings highlights for the twelve months ended December 31, 2019 as compared to December 31, 2018:

- Net income increased 7.4% to \$23.4 million in 2019 versus \$21.8 million in 2018.
- Diluted earnings per share increased 7.9% to \$5.69 per share from \$5.27 per share.
- Return on Assets increased 4 basis points to 1.49%.
- Return on Equity decreased 80 basis points to 11.55%.
- Net interest margin improved 12 basis to 3.15% from increasing interest rates and higher average balances on loans.
- Non-interest income increased 21.4% at Mitchell, Reed and Schmitt the Bank’s wholly owned subsidiary, gains on mortgage loans sold increased 58.0% and Cashmere Valley Wealth Management Commissions increase 71.1%.
- The efficiency ratio remained strong at 55.6%, which represented a very slight increase from 55.4% from the same period one year ago.
- Income tax expense increased \$1.2 million due to increased earnings and an increase in the Bank’s effective tax rate.

The Bank reported the following Balance Sheet Highlights as of December 31, 2019 as compared to December 31, 2018:

- Deposits increased \$109.4 million or 8.3%. Total deposits are \$1.4 billion.
- Non-interest deposits increased \$31.3 million or 12.9%. Non-interest deposits represent 19.3% of total deposits.
- Gross loans decreased to \$918.5 million, a decrease of \$58.1 million, or 6.0% from December 31, 2018. While loan originations remained fairly strong throughout the year, there were a number of substantial loan payoffs in the second half of the year. Loan payoffs occurred primarily in the municipal and commercial real estate loan portfolios.
- Credit quality remained extremely strong with non-performing assets totaling 0.08% of gross loans.
- The book value in available for sale securities increased \$90.4 million to \$533.9 million.
- The Bank declared and paid regular dividends in 2019, totaling \$1.30 per share.
- The Bank completed a tender offer in the fourth quarter and repurchased 159,805 shares at \$62.00 per share totaling \$9,907,910.
- Due in part to the repurchase of shares in conjunction with strong earnings the Bank's book value per share increased to \$51.72 from \$43.79 a year ago representing an 18.1% increase.

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 & Schmitt 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 principals 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,	
	December 31, 2019	December 31, 2018
Assets		
Cash and Cash Equivalent:		
Cash & due from banks	\$29,644	\$22,609
Interest bearing deposits	107,456	20,083
Fed funds sold	4,293	12,436
Total Cash and Cash Equivalent	<u>141,393</u>	<u>55,128</u>
Securities available for sale	542,087	439,891
Securities held to maturity	-	37
Federal Home Loan Bank stock, at cost	1,825	1,819
Pacific Coast Banker's Bank Stock, at cost	238	238
Loans held for sale	1,804	696
Loans	918,541	976,619
Allowance for credit losses	(11,188)	(11,299)
Net loans	<u>907,353</u>	<u>965,320</u>
Premises and equipment	16,772	17,993
Accrued interest receivable	5,625	5,396
Foreclosed real estate	-	-
Bank Owned Life Insurance	15,447	15,010
Goodwill	7,162	7,162
Intangibles	1,907	2,046
Mortgage servicing rights	2,147	1,657
Other assets	7,739	8,238
Total assets	<u><u>\$1,651,499</u></u>	<u><u>\$1,520,631</u></u>
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing demand	\$274,171	\$242,906
Savings and interest-bearing demand	889,417	849,378
Time	259,759	221,646
Total deposits	<u>1,423,347</u>	<u>1,313,930</u>
Accrued interest payable	765	509
Short-term borrowings	10,154	9,830
Long-term borrowings	-	-
Other Liabilities	11,829	8,859
Total liabilities	<u>1,446,095</u>	<u>1,333,128</u>
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	3,405	2,921
Retained Earnings	205,473	187,434
Accumulated other comprehensive income	6,434	(2,852)
Treasury stock	(9,908)	-
Total shareholder's equity	<u>205,404</u>	<u>187,503</u>
Total liabilities and shareholders' equity	<u><u>\$1,651,499</u></u>	<u><u>\$1,520,631</u></u>

Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

For the years ended December 31,

	2019	2018
Interest Income		
Loans	\$40,465	\$36,883
Deposits at other financial institutions	1,413	451
Federal Funds Sold	174	75
Securities available for sale:		
Taxable	7,872	6,350
Tax-exempt	4,913	6,382
Securities held to maturity	-	14
Total interest income	54,837	50,155
Interest Expense		
Deposits	7,334	4,893
Short-term borrowings	36	30
Long-term borrowings	-	217
Total interest expense	7,370	5,140
Net interest income	47,467	45,015
Provision for Credit Losses	709	1,026
Net interest income after provision for credit losses	46,758	43,989
Non-Interest Income		
Service charges on deposit accounts	1,914	1,886
Mortgage banking operations	3,390	2,214
Net gain (loss) on sales of securities available for sale	772	(94)
Brokerage commissions	882	515
Insurance commissions and fees	4,579	4,140
Net Interchange income (expense)	1,549	1,544
BOLI cash value	437	428
Dividends from correspondent banks	67	65
Other	1,191	1,226
Total non-interest income	14,781	11,924
Non-Interest Expense		
Salaries and employee benefits	18,745	17,023
Occupancy and equipment	3,139	3,005
Audits and examinations	672	889
State and local business and occupation taxes	783	651
Legal and professional fees	615	373
Net loss (gain) on foreclosed real estate	-	-
Check losses and charge-offs	702	478
Low income housing investment losses	694	476
Data processing	4,718	4,208
Product delivery	1,008	1,045
Other	3,174	3,278
Total non-interest expense	34,250	31,426
Income before income taxes	27,289	24,487
Income Taxes	3,894	2,699
Net income	\$23,395	\$21,788
Earnings Per Share		
Basic	\$ 5.70	\$ 5.29
Diluted	\$ 5.69	\$ 5.27