

FOR IMMEDIATE RELEASE

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CASHMERE VALLEY BANK REPORTS QUARTERLY EARNINGS OF \$5.2 MILLION

CASHMERE, WA, April 24, 2019 – Cashmere Valley Bank (OTCQB: CSHX) (“Bank”), announced earnings of \$5.2 million for the three months ended March 31, 2019, compared to \$5.1 million in the same period of 2018. Diluted earnings per share increased \$.02 from \$1.23 per share to \$1.25 per share. Bottom line growth benefitted from an expanding net interest margin. The Bank’s net interest margin increased 11 basis points year over year to 3.25% for the quarter.

“We are pleased with our increased earnings,” said Greg Oakes, President and CEO. “In spite of increasing interest expense we improved pre-tax and provision earnings by \$543,000 or 9.2% from the prior year. We were able to grow earnings due to our strong loan growth and improving net interest margin.”

As previously reported, the Bank’s Board of Directors declared a cash dividend of \$0.65 per share for shareholders of record on February 1, 2019. The dividend was payable on February 11, 2019. The dividend represents an 8.33% percent increase from the dividend paid in February 2018.

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

- Net income increased 1.7% to \$5.2 million for the three months ended March 31, 2019 versus \$5.1 million in the first quarter of 2018.
- Diluted earnings per share increased 1.6% to \$1.25 per share.
- Return on Assets increased 1 basis point to 1.38%.
- Return on Equity decreased 64 basis points to 11.02%. As of March 31, the Bank’s equity position increased \$25.1 million due to annual earnings along with an increase in unrealized security gains of \$7.5 million.
- Net interest margin improved to 3.25% from 3.14% from the same timeframe in 2018.
- The efficiency ratio improved to 56.8% from 57.8% a year ago.
- Interest expense increased \$429,000 or 38.6% as rates on CD’s and money market accounts have increased in an effort to attract and retain deposit accounts.
- Income at our insurance subsidiary Mitchell, Reed and Schmitten increased 75.8% to \$307,000. The increase is due to organic growth arising from 2017 acquisitions of Elliott Insurance Service, Inc. and Gellatly Agency, Inc.
- The Bank provided \$252,000 to the allowance for loan loss for the quarter as compared to \$0 in the first quarter of 2018.
- Income tax expense increased approximately \$200,000 from the prior year.

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

- Gross loans increased to \$984.2 million, an increase of \$79.4 million, or 8.8% from March 31, 2018.
- Available for sale securities decreased \$67.1 million to \$436 million.
- Total deposits increased year-over-year by \$3.6 million to \$1.330 billion.
- The Bank's capital remained in excess of well capitalized levels with a tier one leverage ratio of 12.13% and a common equity tier 1 ratio of 17.88%.
- Credit quality remained extremely strong with non-performing assets totaling .02% of gross loans.

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 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

At March 31,

	2019	2018
Assets		
Cash and Cash Equivalent:		
Cash & due from banks	\$17,526	\$16,724
Interest bearing deposits	49,814	31,493
Fed funds sold	8,737	8,987
Total Cash and Cash Equivalent	76,077	57,204
Securities available for sale	436,040	503,166
Securities held to maturity	37	1,535
Federal Home Loan Bank stock, at cost	1,825	1,901
Pacific Coast Banker's Bank Stock, at cost	238	238
Loans held for sale	481	692
Loans	984,221	904,820
Allowance for credit losses	(11,311)	(10,758)
Net loans	972,910	894,062
Premises and equipment	17,671	18,240
Accrued interest receivable	6,697	6,696
Foreclosed real estate	-	-
Bank Owned Life Insurance	15,117	14,689
Goodwill	7,162	7,162
Intangibles	2,109	2,440
Mortgage servicing rights	1,684	1,668
Other assets	6,105	8,147
Total assets	\$1,544,153	\$1,517,840
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing demand	\$236,459	\$222,035
Savings and interest-bearing demand	864,113	\$874,918
Time	229,277	\$229,358
Total deposits	1,329,849	1,326,311
Accrued interest payable	572	446
Short-term borrowings	8,072	8,435
Long-term borrowings	-	2,045
Other Liabilities	9,807	9,838
Total liabilities	1,348,300	1,347,075
Shareholders' Equity		
Common stock (no par value); authorized 10,000,000 shares; issued and outstanding: 2018 - 4,115,025 ; 2017 - 4,110,845	--	--
Additional Paid in Capital	3,010	2,729
Retained Earnings	189,645	172,341
Accumulated other comprehensive income	3,198	(4,305)
Total shareholder's equity	195,853	170,765
Total liabilities and shareholders' equity	\$1,544,153	\$1,517,840

Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the three months ended March 31,	
	2019	2018
Interest Income		
Loans	\$9,915	\$8,530
Deposits at other financial institutions	177	94
Federal Funds Sold	47	7
Securities available for sale:		
Taxable	1,650	1,530
Tax-exempt	1,411	1,793
Securities held to maturity	1	9
Total interest income	13,201	11,963
Interest Expense		
Deposits	1,536	1,081
Short-term borrowings	8	3
Long-term borrowings	-	30
Total interest expense	1,544	1,114
Net interest income	11,657	10,849
Provision for Credit Losses	252	-
Net interest income after provision for credit losses	11,405	10,849
Non-Interest Income		
Service charges on deposit accounts	462	425
Mortgage banking operations	499	459
Net gain (loss) on sales of securities available for sale	67	15
Brokerage commissions	172	119
Insurance commissions and fees	1,282	1,038
Net Interchange income (expense)	327	301
BOLI cash value	107	107
Dividends from correspondent banks	21	16
Other	324	350
Total non-interest income	3,261	2,830
Non-Interest Expense		
Salaries and employee benefits	4,728	4,267
Occupancy and equipment	1,582	1,427
Audits and examinations	105	100
State and local business and occupation taxes	157	114
FDIC & WA State assessments	140	130
Legal and professional fees	118	123
Net loss (gain) on foreclosed real estate	-	-
Check losses and charge-offs	171	62
Low income housing investment losses	66	66
Data processing	318	312
Product delivery	342	353
Other	771	849
Total non-interest expense	8,498	7,803
Income before income taxes	6,168	5,876
Income Taxes	1,009	805
Net income	\$5,159	\$5,071
Earnings Per Share		
Basic	\$ 1.25	\$ 1.23
Diluted	\$ 1.25	\$ 1.23