

FOR IMMEDIATE RELEASE

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CASHMERE VALLEY BANK REPORTS EARNINGS OF \$5.7 MILLION

CASHMERE, WA, July 26, 2018 – Cashmere Valley Bank (OTCQB: CSHX) (“Bank”), announced earnings of \$5.7 million in the second quarter of 2018, compared to \$5.4 million in the same period of 2017. The Bank’s net income of \$10.8 million for the six months ended June 30, 2018 as compared to \$9.6 million for the same period in 2017, represents a 12.5% increase in earnings. Earnings for the three months ended June 30, 2018 were \$5.1 million. The increase in earnings quarter-over-quarter was 11.8%. Diluted earnings per share were \$1.39 in the second quarter of 2018, as compared to \$1.31 per share in the same period during the prior year.

“Earnings have increased through strong loan growth, an increasing net interest margin and the benefits of a reduced corporate tax rate”, said Greg Oakes, President and CEO. “We are pleased with our loan growth of \$44 million year-to-date. Our loan growth in combination with higher yields on our earning assets resulted in significant earnings growth. The Bank’s credit quality remains exceptionally strong and we feel well positioned for the future.”

The Bank provided the following earnings highlights for the six-months ended June 30, 2018 as compared to June 30, 2017:

- Net income increased 12.5% to \$10.8 million from \$9.6 million for the six months ended June 30, 2018 and 2017.
- Diluted earnings per share increased 12.2% to \$2.61 per share from \$2.33 per share.
- Return on Assets increased 10.7% to 1.45% from 1.31% from 2017.
- Return on Equity improved 8.8% to 12.4% from 11.4% from the comparable six month period.
- Net interest margin improved to 3.19% from 2.91% from the comparable timeframe in 2017.
- Tax equivalent net interest margin improved to 3.33% from 3.10% from the comparable six month period one year ago.
- The efficiency ratio remained strong at 56.4%, though the efficiency ratio increased slightly from 53.5% from the same period one year ago.
- Income tax expense decreased \$709,000 due to a reduction in the Bank’s effective tax rate.

The Bank reported the following Balance Sheet Highlights as of June 30, 2018 as compared to June 30, 2017:

- Gross loans have increased to \$938.3 million, an increase of \$67.8 million, or 7.8% from June 30, 2017.
- Total assets increased \$22.9 million.
- Total deposits increased \$20.5 million from June 30, 2017.

- The Bank's capital remained in excess of well capitalized levels with a tier one leverage ratio of 11.48% and a common equity tier 1 ratio of 17.02%.
- The Bank declared and paid a regular and special dividend in the first half of 2018, totaling \$2.10 per share.
- 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 & 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

At June 30,

	2018	2017
Assets		
Cash and Cash Equivalents:		
Cash & due from banks	\$23,913	\$24,008
Interest bearing deposits	43,443	53,658
Fed funds sold	5,097	8,698
Total Cash and Cash Equivalents	72,453	86,364
Securities available for sale	462,369	497,765
Securities held to maturity	39	1,545
Federal Home Loan Bank stock, at cost	1,898	1,835
Pacific Coast Banker's Bank Stock, at cost	238	238
Loans held for sale	1,503	424
Loans	938,262	870,543
Allowance for credit losses	(10,701)	(11,034)
Net loans	927,561	859,509
Premises and equipment	18,112	14,873
Accrued interest receivable	5,297	5,015
Foreclosed real estate	-	66
Bank owned life insurance (BOLI)	14,796	14,363
Goodwill	7,162	6,820
Intangibles	2,311	686
Mortgage servicing rights	1,667	1,692
Other assets	8,520	9,835
Total assets	\$1,523,926	\$1,501,030
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non Interest Bearing	\$224,929	\$204,224
Demand, savings and money market	874,247	862,516
Time	225,498	237,476
Total deposits	1,324,674	1,304,216
Accrued interest payable	416	387
Short-term borrowings	12,137	10,373
Long-term borrowings	1,969	2,264
Other Liabilities	9,086	8,380
Total liabilities	1,348,282	1,325,621
Shareholders' Equity		
Common stock (no par value); authorized 10,000,000 shares; issued and outstanding: 2018 - 4,115,025 ; 2017 - 4,104,456	--	--
Additional Paid in Capital	2,766	2,384
Retained Earnings	178,047	169,348
Accumulated other comprehensive income	(5,169)	3,678
Total shareholder's equity	175,644	175,410
Total liabilities and shareholders' equity	\$1,523,926	\$1,501,030

Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

For the six months ended June 30,

	2018	2017
Interest Income		
Loans	\$17,543	\$16,170
Deposits at other financial institutions	175	372
Federal funds sold	17	4
Securities available for sale:		
Taxable	3,117	2,726
Tax-exempt	3,431	2,872
Securities held to maturity	12	17
Total interest income	24,295	22,161
Interest Expense		
Deposits	2,228	2,213
Short-term borrowings	14	11
Long-term borrowings	59	68
Total interest expense	2,301	2,292
Net interest income	21,994	19,869
Provision for Credit Losses	80	-
Net interest income after provision for credit losses	21,914	19,869
Non-Interest Income		
Service charges on deposit accounts	873	561
Mortgage banking operations	1,077	1,211
Net gain (loss) on sales of securities available for sale	28	382
Brokerage commissions	257	294
Insurance commissions and fees	1,926	1,338
Net Interchange income (expense)	689	824
BOLI cash value	214	244
Other	783	752
Total non-interest income	5,847	5,606
Non-Interest Expense		
Salaries and employee benefits	8,227	7,300
Occupancy and equipment	3,000	2,422
Audits and examinations	268	336
State and local business and occupation taxes	273	307
FDIC & WA State assessments	253	206
Legal and professional fees	186	135
Net loss (gain) on foreclosed real estate	-	(4)
Check losses and charge-offs	36	166
Low income housing investment losses	348	144
Data processing	521	569
Product delivery	728	593
Other	1,600	1,464
Total non-interest expense	15,440	13,638
Income before income taxes	12,321	11,837
Income Taxes	1,545	2,254
Net income	10,776	9,583
Earnings Per Share		
Basic	\$ 2.62	\$ 2.33
Diluted	\$ 2.61	\$ 2.33