

FOR IMMEDIATE RELEASE

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## **CASHMERE VALLEY BANK REPORTS EARNINGS OF \$5.1 MILLION**

CASHMERE, WA, March 20, 2018 – Cashmere Valley Bank (OTCQB: CSHX) (“Bank”), announced earnings of \$5.1 million in the first quarter of 2018, compared to \$4.2 million in the first quarter of 2017. Diluted earnings per share were \$1.23 in the first quarter of 2018, as compared to \$1.03 per share in the same period during the prior year.

“Recent tax legislation decreased corporate tax rates, which reduced the Bank’s tax expense”, said Greg Oakes, President and CEO. “In the first quarter we were also beneficiaries of meaningful loan growth and an expanding net interest margin. Additionally, we were proud to return significant dollars to our shareholders in the form of an increased per share semi-annual dividend as well as a special dividend. We also deployed additional capital by opening our second branch in Yakima at 127 W Yakima Ave, in an effort to increase our asset size and footprint.”

The Bank provided the following earnings highlights for the quarter ended March 31, 2018 as compared to March 31, 2017:

- Net income increased 21.4% to \$5.1 million from \$4.2 million in the first quarter of 2017.
- Diluted earnings per share increased 19.4% to \$1.23 per share from \$1.03 per share.
- Return on Assets increased 17.1% to 1.37% from 1.17% from the first quarter of 2017.
- Return on Equity improved 14.7% to 11.7% from 10.2% from the comparable quarter one year ago.
- Net interest margin improved to 3.16% from 2.87% from the comparable quarter one year ago.
- Tax equivalent net interest margin improved to 3.30% from 3.05% from the comparable quarter on year ago.
- The efficiency ratio remained strong at 57.8%, though the efficiency ratio increased slightly from 56.0% from the same period one year ago.
- Income tax expense was reduced by approximately \$160,000 from the same quarter in 2017 and totaled \$805,000 in expense in the first quarter of 2018.

The Bank reported the following Balance Sheet Highlights for the quarter ended March 31, 2018 as compared to March 31, 2017:

- Gross loans increased to \$904.8 million, an increase of \$43.8 million, or 4.8% from the period ended March 31, 2017.
- Total assets increased \$22.6 million.
- Total deposits increased \$17.9 million from the same period from one year ago.
- The Bank’s capital remained in excess of well capitalized levels with total capital of \$176 million, a tier one leverage ratio of 11.04% and a total capital ratio of 18.21%.

- The Bank declared and paid a regular and special dividend in the first quarter 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”, “believe”, “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

As of March 31, 2018 and 2017

	2018	2017
<b>Assets</b>		
Cash and Cash Equivalents:		
Cash & due from banks	\$16,575	\$23,854
Interest bearing deposits	31,614	96,620
Fed funds sold	8,987	7,257
Total Cash and Cash Equivalents	57,176	127,731
Securities available for sale	503,168	462,809
Securities held to maturity	1,535	1,548
Federal Home Loan Bank stock, at cost	1,901	1,837
Pacific Coast Banker's Bank Stock, at cost	238	238
Loans held for sale	692	237
Loans	904,820	861,025
Allowance for credit losses	(10,758)	(11,003)
<b>Net loans</b>	<b>894,062</b>	<b>850,022</b>
Premises and equipment	18,240	14,462
Accrued interest receivable	6,696	5,587
Foreclosed real estate	-	97
Bank Owned Life Insurance	14,689	14,240
Goodwill	7,162	6,820
Intangibles	2,440	2
Mortgage servicing rights	1,668	1,696
Other assets	8,144	7,715
<b>Total assets</b>	<b>\$1,517,811</b>	<b>\$1,495,041</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Demand	\$222,007	\$204,145
Savings and interest bearing demand	874,918	865,662
Time	229,358	238,571
<b>Total deposits</b>	<b>1,326,283</b>	<b>1,308,378</b>
Accrued interest payable	446	391
Short-term borrowings	8,435	10,145
Long-term borrowings	2,045	2,334
Other Liabilities	9,838	5,260
<b>Total liabilities</b>	<b>1,347,047</b>	<b>1,326,508</b>
<b>Shareholders' Equity</b>		
Common stock (no par value); authorized 10,000,000 shares; issued and outstanding: 2018 - -4,115,025 ; 2017 - -4,104,246	--	--
Additional Paid in Capital	2,729	2,263
Retained Earnings	172,340	163,989
Accumulated other comprehensive income	(4,305)	2,281
<b>Total shareholder's equity</b>	<b>170,764</b>	<b>168,533</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$1,517,811</b>	<b>\$1,495,041</b>

## Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

For three months ended March 31, 2018 and 2017

	2018	2017
<b>Interest Income</b>		
Loans	\$8,530	\$7,999
Deposits at other financial institutions	94	215
Federal Funds Sold	7	2
Securities available for sale:		
Taxable	1,546	1,277
Tax-exempt	1,793	1,344
Securities held to maturity	9	9
<b>Total interest income</b>	<b>11,979</b>	<b>10,846</b>
<b>Interest Expense</b>		
Deposits	1,081	1,111
Short-term borrowings	3	6
Long-term borrowings	30	35
<b>Total interest expense</b>	<b>1,114</b>	<b>1,152</b>
<b>Net interest income</b>	<b>10,865</b>	<b>9,694</b>
<b>Provision for Credit Losses</b>	-	-
<b>Net interest income after provision for credit losses</b>	<b>10,865</b>	<b>9,694</b>
<b>Non-Interest Income</b>		
Service charges on deposit accounts	425	277
Mortgage banking operations	459	594
Net gain (loss) on sales of securities available for sale	15	-
Brokerage commissions	119	142
Insurance commissions and fees	946	608
Net Interchange income (expense)	301	286
BOLI cash value	107	122
Other	476	401
<b>Total non-interest income</b>	<b>2,848</b>	<b>2,430</b>
<b>Non-Interest Expense</b>		
Salaries and employee benefits	4,267	3,701
Occupancy and equipment	1,427	1,221
Audits and examinations	100	190
State and local business and occupation taxes	114	136
FDIC & WA State assessments	130	66
Legal and professional fees	107	61
Net loss (gain) on foreclosed real estate	-	-
Check losses and charge-offs	96	113
Low income housing investment losses	66	72
Data processing	312	271
Product delivery	353	303
Other	865	803
<b>Total non-interest expense</b>	<b>7,837</b>	<b>6,937</b>
<b>Income before income taxes</b>	<b>5,876</b>	<b>5,187</b>
<b>Income Taxes</b>	<b>805</b>	<b>962</b>
<b>Net income</b>	<b>5,071</b>	<b>4,225</b>
<b>Earnings Per Share</b>		
Basic	\$ 1.23	\$ 1.03
Diluted	\$ 1.23	\$ 1.03