

FOR IMMEDIATE RELEASE

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CASHMERE VALLEY BANK REPORTS QUARTERLY EARNINGS OF \$5.8 MILLION

CASHMERE, WA, October 26, 2018 – Cashmere Valley Bank (OTCQB: CSHX) (“Bank”), announced earnings of \$5.8 million in the third quarter of 2018, compared to \$4.4 million in the same period of 2017. The Bank’s net income of \$16.5 million for the nine months ended September 30, 2018 as compared to \$13.9 million for the same period in 2017, represents an 18.6% increase in earnings. Quarterly earnings for the three months ended September 30, 2018 of \$5.8 million represents an increase from the quarters ended June 30, 2018 of \$5.7 million and March 31, 2018 of \$5.1 million. Diluted earnings per share were \$1.39 in the third quarter of 2018, as compared to \$1.06 per share in the same period during the prior year.

“Our increase in gross loans of 6.7% in conjunction with higher average rates on those loans has fueled our earnings growth. The Bank’s credit quality and capital levels remain exceptionally strong,” said Greg Oakes, President and CEO. “Deposit balances are flat year-over-year and we are evaluating strategies to accelerate deposit growth. We have seen an increase in deposit rates and strive to maintain our position as a leader in deposit rates.”

The Bank provided the following earnings highlights for the nine months ended September 30, 2018 as compared to September 30, 2017:

- Net income increased 18.6% to \$16.5 million from \$13.9 million for the nine months ended September 30, 2018 and 2017.
- Diluted earnings per share increased 18.3% to \$4.00 per share from \$3.38 per share.
- Return on Assets increased 17.6% to 1.47% from 1.25% from 2017.
- Return on Equity improved 16.7% to 12.6% from 10.8% from the comparable nine month period.
- Net interest margin improved to 3.11% from 2.87% from the same timeframe in 2017.
- Tax equivalent net interest margin improved to 3.24% from 3.06% from the comparable nine month period one year ago.
- The efficiency ratio remained strong at 55.6%, which represented a very slight increase from 55.1% from the same period one year ago.
- Income tax expense decreased \$777,000 due to a reduction in the Bank’s effective tax rate.
- Earnings realized the significant improvement year-over-year in part to one time charges related to the timing of revenue recognition at the Bank’s insurance subsidiary during the prior year. Net income was adversely affected approximately \$700,000 in the third quarter of 2017.

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

- Gross loans have increased to \$953.6 million, an increase of \$52.8 million, or 5.9% from September 30, 2017.
- Total deposits decreased \$12.9 million from September 30, 2017.
- The Bank's capital remained in excess of well capitalized levels with a tier one leverage ratio of 11.57% and a common equity tier 1 ratio of 17.53%.
- The Bank declared and paid a regular and special dividends in 2018, totaling \$2.70 per share.
- Credit quality remained extremely strong with non-performing assets totaling .04% 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 Sheet (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank and Subsidiary

At Sept 30,

	2018	2017
Assets		
Cash and Cash Equivalents:		
Cash & due from banks	\$22,757	\$23,560
Interest bearing deposits	28,508	67,935
Fed funds sold	3,692	5,903
Total Cash and Cash Equivalents	54,957	97,398
Securities available for sale	456,147	492,418
Securities held to maturity	38	1,542
Correspondent Bank Stock, at cost	2,057	2,069
Loans held for sale	244	1,073
Loans	953,638	900,778
Allowance for credit losses	(10,807)	(10,977)
Net loans	942,831	889,801
Premises and equipment	17,743	16,033
Accrued interest receivable	6,800	6,814
Foreclosed real estate	-	66
Bank owned life insurance (BOLI)	14,903	14,475
Goodwill	7,162	7,162
Intangibles	2,167	2,734
Mortgage servicing rights	1,663	1,699
Other assets	8,807	7,765
Total assets	\$1,515,519	\$1,541,049
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non Interest Bearing	\$239,387	\$225,709
Demand, savings and money market	862,464	872,977
Time	220,843	236,869
Total deposits	1,322,694	1,335,555
Accrued interest payable	455	401
Short-term borrowings	7,650	10,411
Long-term borrowings	-	2,192
Other Liabilities	8,682	15,502
Total liabilities	1,339,481	1,364,061
Shareholders' Equity		
Common stock (no par value); authorized 10,000,000 shares; issued and outstanding: 2018 - -4,116,925 ; 2017 - -4,104,156	--	--
Additional Paid in Capital	2,880	2,428
Retained Earnings	181,334	171,449
Accumulated other comprehensive income	(8,176)	3,111
Total shareholder's equity	176,038	176,988
Total liabilities and shareholders' equity	\$1,515,519	\$1,541,049

Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

For the nine months ended Sept 30,

	2018	2017
Interest Income		
Loans	\$26,998	\$24,393
Deposits at other financial institutions	319	570
Federal funds sold	36	8
Securities available for sale:		
Taxable	4,756	4,138
Tax-exempt	4,922	4,712
Securities held to maturity	12	25
Total interest income	37,043	33,846
Interest Expense		
Deposits	3,507	3,324
Short-term borrowings	23	16
Long-term borrowings	216	101
Total interest expense	3,746	3,441
Net interest income	33,297	30,405
Provision for Credit Losses	300	22
Net interest income after provision for credit losses	32,997	30,383
Non-Interest Income		
Service charges on deposit accounts	1,357	935
Mortgage banking operations	1,654	1,899
Net gain (loss) on sales of securities available for sale	184	439
Brokerage commissions	245	435
Insurance commissions and fees	2,858	1,082
Net Interchange income (expense)	1,053	1,244
BOLI cash value	321	356
Other	1,203	1,212
Total non-interest income	8,875	7,602
Non-Interest Expense		
Salaries and employee benefits	12,335	10,992
Occupancy and equipment	4,655	3,765
Audits and examinations	284	621
State and local business and occupation taxes	453	469
FDIC & WA State assessments	381	339
Legal and professional fees	276	289
Net loss (gain) on foreclosed real estate	-	(4)
Check losses and charge-offs	69	252
Low income housing investment losses	411	216
Data processing	774	865
Product delivery	1,037	936
Other	2,396	2,255
Total non-interest expense	23,071	20,995
Income before income taxes	18,801	16,990
Income Taxes	2,267	3,044
Net income	16,534	13,946
Earnings Per Share		
Basic	\$ 4.02	\$ 3.40
Diluted	\$ 4.00	\$ 3.38