

FOR IMMEDIATE RELEASE

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## **CASHMERE VALLEY BANK REPORTS ANNUAL EARNINGS OF \$25.5 MILLION**

CASHMERE, WA, January 19, 2021 – Cashmere Valley Bank (OTCQX: CSHX) (“Bank”), announced annual earnings of \$25.5 million for the year ended December 31, 2020. Diluted earnings per share was \$6.42, representing an increase of \$0.73 per share, or 12.8%.

As of December 31, 2020, deposit balances totaled \$1.7 billion. Deposit balances increased approximately \$296.6 million from December 31, 2019, representing a 20.8% increase.

“I am proud of the way Cashmere Valley Bank performed in 2020. Financially, earnings were above our expectations and our deposit growth was outstanding” said Greg Oakes, President and CEO. “Further, we provided support to our employees financially and to help manage evolving family needs due to health concerns or child care concerns. The Bank is able to provide this support due to its earnings stream, capital level and credit quality.”

Significant operating results from the impacts of COVID-19 include:

- As of December 31, 2020, loans with deferred payments or on interest only due to COVID-19 consisted of 0.3% of gross loans. This is a reduction from September 30, 2020 when deferred and interest only loans consisted of 3.3% of gross loans and June 30, 2020 when 11.7% of gross loans had deferred or interest only payments.
- PPP loan balances as of December 31, 2020 totaled \$54.2 million. Net deferred fees remaining as of December 31, 2020 totaled approximately \$1.6 million.
- The Bank began providing support to its employees at the onset of COVID including at-risk employees and employees with child care needs. Those employees have been allowed to stay home, Bank paid as needed on an unlimited basis, or work from home if their position allows.
- The Bank provided one-time cash incentives to non-executive employees during the second quarter.

The Bank achieved the following earnings highlights for the year ended December 31, 2020 as compared to December 31, 2019:

- Net income increased 9.1% to \$25.5 million for the year ended December 31, 2020 versus \$23.4 million for the same period in 2019.
- Diluted earnings per share increased 12.8% to \$6.42 per share. Earnings per share improved as a result of increased earnings in combination with a reduced share count due to the Bank’s fourth quarter 2019 share repurchase. The total number of shares repurchased was 159,805. The repurchase increased earnings per share \$0.24 for the year ended December 31, 2020.
- Return on assets decreased eight basis points to 1.41%. Significant asset growth in combination with declining asset yields contributed to the decrease.

- Return on equity increased four basis points to 11.59%.
- The Bank's net interest margin declined to 2.71% from 3.15% a year ago. Margin compression was due to a number of factors:
  - Deposits have grown significantly which increases the Bank's cash on hand.
  - Cash balances remained high throughout the year and yields on cash were near zero after March.
  - The Bank aggressively grew its investment portfolio, however yields on securities were at historically low levels.
  - The Bank funded over \$65 million in PPP loans. The rate on PPP loans was fixed at 1%. The majority of PPP loans remain on the Bank's books.
  - PPP forgiveness has had a positive impact on the margin. The net interest margin increased seven basis points to 2.60% for the quarter ending December 31, 2020 as compared to the quarter ending September 30, 2020.
- Interest expense decreased \$485,000 or 6.6% from the prior year. The majority of the decrease was realized in savings, money market and NOW accounts as those all repriced down during 2020. The Bank's cost of funds decreased from 0.66% in 2019 to 0.55% in 2020.
- Non-interest income increased \$6.2 million, 42.2% over 2019. Significant increases include gains on mortgage loans sold of \$4.2 million, gains on securities sold of \$1.7 million, card fee income of \$871,000 and mortgage servicing fees of \$323,000.
- The efficiency ratio improved to 54.2%, down from 57.1% during the same time period one year ago. Improvement in the efficiency ratio is a result of an increase in non-interest income of approximately \$6.2 million while non-interest expense increased \$775,000.
- The Bank has provided \$3.2 million to the allowance for loan loss in 2020 as compared to \$709,000 in 2019. The allowance for loans and lease loss as a percentage of gross loans increased from 1.22% as of December 31, 2019 to 1.44% as of December 31, 2020.
- Federal income tax expense increased approximately \$125,000 from the prior year. The Bank's effective tax rate has decreased slightly from 14.3% to 13.6%.

The Bank reported the following statement of condition highlights as of December 31, 2020 as compared to December 31, 2019:

- December 31, 2020 gross loans totaled \$951.0 million representing an increase of \$32.4 million or 3.5% from December 31, 2019.
- Total deposits increased year-over-year by \$296.6 million or 20.8%. Non-interest bearing deposits have increased \$91.5 million or 33.4% during 2020. Non-interest bearing deposits represent 21.3% of total deposits.
- From December 31, 2019 to December 31, 2020 the Bank's equity increased from \$205.4 million to \$238.7 million, an increase of \$33.3 million or 16.2%.
- A total of \$13.5 million was paid to our shareholders in the form of regular and special dividends during 2020.

## **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 and 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 principles 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

	December 31, 2020	December 31, 2019
<b>Assets</b>		
Cash and Cash Equivalent:		
Cash & due from banks	\$27,258	\$29,629
Interest bearing deposits	97,466	107,456
Fed funds sold	10,990	4,293
Total Cash and Cash Equivalent	135,714	141,378
Securities available for sale	856,327	542,087
Securities held to maturity	-	-
Federal Home Loan Bank stock, at cost	1,982	1,825
Pacific Coast Banker's Bank Stock, at cost	238	238
Loans held for sale	1,470	1,804
Loans	950,970	918,541
Allowance for credit losses	(13,730)	(11,188)
<b>Net loans</b>	<b>937,240</b>	<b>907,353</b>
Premises and equipment	16,381	16,772
Accrued interest receivable	7,829	5,625
Foreclosed real estate	-	-
Bank Owned Life Insurance	15,908	15,447
Goodwill	7,182	7,162
Intangibles	1,564	1,907
Mortgage servicing rights	2,856	2,147
Other assets	9,597	7,754
<b>Total assets</b>	<b>\$1,994,288</b>	<b>\$1,651,499</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Non-interest bearing demand	\$365,645	\$274,171
Savings and interest-bearing demand	1,121,111	889,417
Time	233,215	259,759
<b>Total deposits</b>	<b>1,719,971</b>	<b>1,423,347</b>
Accrued interest payable	612	765
Short-term borrowings	16,395	10,154
Long-term borrowings	-	-
Other Liabilities	18,632	11,830
<b>Total liabilities</b>	<b>1,755,610</b>	<b>1,446,096</b>
<b>Shareholders' Equity</b>		
Common stock (no par value); authorized 10,000,000 shares; issued and outstanding: 2020 -- 3,972,149 ; 2019 -- 3,966,548	-	-
Treasury stock	(9,908)	(9,908)
Additional Paid in Capital	3,723	3,405
Retained Earnings	217,487	205,472
Accumulated other comprehensive income	27,376	6,434
<b>Total shareholder's equity</b>	<b>238,678</b>	<b>205,403</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$1,994,288</b>	<b>\$1,651,499</b>

## Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,	
	December 31, 2020	December 31, 2019
<b>Interest Income</b>		
Loans	\$38,119	\$40,465
Deposits at other financial institutions	382	1,413
Federal Funds Sold	30	174
Securities available for sale:		
Taxable	9,368	7,873
Tax-exempt	5,711	4,913
Securities held to maturity	-	-
<b>Total interest income</b>	<b>53,610</b>	<b>54,838</b>
<b>Interest Expense</b>		
Deposits	6,847	7,334
Short-term borrowings	38	36
Long-term borrowings	-	-
<b>Total interest expense</b>	<b>6,885</b>	<b>7,370</b>
<b>Net interest income</b>	<b>46,725</b>	<b>47,468</b>
<b>Provision for Credit Losses</b>	<b>3,174</b>	<b>709</b>
<b>Net interest income after provision for credit losses</b>	<b>43,551</b>	<b>46,759</b>
<b>Non-Interest Income</b>		
Service charges on deposit accounts	1,247	1,914
Mortgage banking operations	7,621	3,390
Net gain (loss) on sales of securities available for sale	2,520	772
Brokerage commissions	1,002	882
Insurance commissions and fees	4,616	4,579
Net interchange income (expense)	2,246	1,549
BOLI cash value	461	437
Dividends from correspondent banks	66	67
Other	1,237	1,192
<b>Total non-interest income</b>	<b>21,016</b>	<b>14,782</b>
<b>Non-Interest Expense</b>		
Salaries and employee benefits	19,969	18,745
Occupancy and equipment	2,997	3,139
Audits and examinations	951	672
State and local business and occupation taxes	952	783
Legal and professional fees	500	615
Net loss (gain) on foreclosed real estate	-	-
Check losses and charge-offs	413	702
Low income housing investment losses	688	694
Data processing	4,636	4,719
Product delivery	1,030	1,008
Other	2,891	3,175
<b>Total non-interest expense</b>	<b>35,027</b>	<b>34,252</b>
<b>Income before income taxes</b>	<b>29,540</b>	<b>27,289</b>
<b>Income Taxes</b>	<b>4,019</b>	<b>3,894</b>
<b>Net income</b>	<b>\$25,521</b>	<b>\$23,395</b>
<b>Earnings Per Share</b>		
Basic	\$ 6.43	\$ 5.70
Diluted	\$ 6.42	\$ 5.69

## Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,		
	December 31, 2020	September 30, 2020	December 31, 2019
<b>Interest Income</b>			
Loans	\$9,761	\$9,460	\$9,991
Deposits at other financial institutions	26	32	439
Federal Funds Sold	1	2	35
Securities available for sale:			
Taxable	2,259	2,061	2,394
Tax-exempt	1,617	1,531	1,106
Securities held to maturity	-	-	(2)
<b>Total interest income</b>	<b>13,664</b>	<b>13,086</b>	<b>13,963</b>
<b>Interest Expense</b>			
Deposits	1,515	1,682	2,026
Short-term borrowings	9	12	11
Long-term borrowings	-	-	-
<b>Total interest expense</b>	<b>1,524</b>	<b>1,694</b>	<b>2,037</b>
<b>Net interest income</b>	<b>12,140</b>	<b>11,392</b>	<b>11,926</b>
<b>Provision for Credit Losses</b>	<b>321</b>	<b>386</b>	<b>69</b>
<b>Net interest income after provision for credit losses</b>	<b>11,819</b>	<b>11,006</b>	<b>11,857</b>
<b>Non-Interest Income</b>			
Service charges on deposit accounts	327	254	460
Mortgage banking operations	2,110	2,242	1,157
Net gain (loss) on sales of securities available for sale	-	-	-
Brokerage commissions	202	338	217
Insurance commissions and fees	1,182	1,105	1,128
Net Interchange income (expense)	587	705	350
BOLI cash value	117	116	112
Dividends from correspondent banks	15	15	15
Other	333	333	309
<b>Total non-interest income</b>	<b>4,873</b>	<b>5,108</b>	<b>3,748</b>
<b>Non-Interest Expense</b>			
Salaries and employee benefits	4,951	4,808	4,810
Occupancy and equipment	799	720	759
Audits and examinations	216	222	(51)
State and local business and occupation taxes	239	251	205
Legal and professional fees	98	125	229
Net loss (gain) on foreclosed real estate	-	-	-
Check losses and charge-offs	99	94	110
Low income housing investment losses	134	136	71
Data processing	1,155	1,211	1,165
Product delivery	255	223	265
Other	787	747	837
<b>Total non-interest expense</b>	<b>8,733</b>	<b>8,537</b>	<b>8,400</b>
<b>Income before income taxes</b>	<b>7,959</b>	<b>7,577</b>	<b>7,205</b>
<b>Income Taxes</b>	<b>967</b>	<b>1,055</b>	<b>1,198</b>
<b>Net income</b>	<b>\$6,992</b>	<b>\$6,522</b>	<b>\$6,007</b>
<b>Earnings Per Share</b>			
Basic	\$ 1.76	\$ 1.64	\$ 1.48
Diluted	\$ 1.76	\$ 1.64	\$ 1.48