

FOR IMMEDIATE RELEASE

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CASHMERE VALLEY BANK REPORTS QUARTERLY EARNINGS OF \$6.0 MILLION

CASHMERE, WA, July 24, 2019 – Cashmere Valley Bank (OTCQB: CSHX) (“Bank”), announced earnings of \$6.0 million for the three months ended June 30, 2019, compared to \$5.7 million for the period ending June 30, 2018. Quarterly earnings improved from March 31, 2019 earnings of \$5.2 million. Diluted earnings per share increased \$0.07 to \$1.45 per share from \$1.38 for the period ending June 30, 2018.

For the six months ended June 30, 2019 earnings totaled \$11.1 million which represented a 2.8% increase from \$10.8 million in earnings reported for the six months ended June 30, 2018. Diluted earnings per share increased year over year to \$2.70 per share from \$2.61 per share.

“Our second quarter results are reflective of our consistent performance,” said Greg Oakes, President and CEO. “Our credit quality remains outstanding, we show strong loan growth and an improving net interest margin while maintaining cost discipline on the expense side.”

The Bank’s Board of Directors declared a cash dividend on July 23, 2019 of \$0.65 per share for shareholders of record on August 2, 2019. The dividend is payable on August 12, 2019. \$0.65 per share equals the dividend paid in February 2019 and on an annualized basis, regular dividends increased 8.33% in 2019 as compared to 2018.

The Bank provided the following earnings highlights for the six months ended June 30, 2019 as compared to June 30, 2018:

- Net income increased 2.8% to \$11.1 million for the six months ended June 30, 2019 versus \$10.8 million for the same period in 2018.
- Diluted earnings per share increased 3.4% to \$2.70 per share.
- Return on Assets increased 2 basis point to 1.47%.
- Return on Equity decreased 91 basis points to 11.53%. The reduction in return on equity is due to the Bank’s increasing equity position. From June 30, 2018 to June 30, 2019 the Bank’s equity increased from \$175.6 to \$206.5 million.
- Equity increased \$30.9 million due to earnings of \$21.8 million and an improvement in the unrealized gain on securities of \$10.7 million. These gains were partially offset by a capital reduction in dividends paid.
- The Bank’s net interest margin improved 9 basis points to 3.22% from 3.13% from the same timeframe in 2018.
- The efficiency ratio remained unchanged at 56.4% from the same time period one year ago.
- Non-interest income increased 1,405,000 or 23.9% from the prior year due primarily to a \$695,000 increase in the gain on sale of securities. Securities were sold to fund liquidity and to modestly reposition the Bank’s security portfolio to a higher quality of securities.

- Interest expense increased \$1,069,000 or 46.5% as rates on CD's, money market accounts and municipal deposits. Largely rates have increased in an effort to attract and retain deposit accounts.
- Income at our insurance subsidiary Mitchell, Reed and Schmittsen increased 46.3% to \$521,000. The increase is due to organic growth arising from 2017 acquisitions of Elliott Insurance Service, Inc. and Gellatly Agency, Inc.
- The Bank provided \$592,000 to the allowance for loan loss for the first six months of 2019 as compared to \$80,000 in the first six months of 2018.
- Income tax expense increased approximately \$146,000 from the prior year.

The Bank reported the following Balance Sheet Highlights as of June 30, 2019 as compared to June 30, 2018:

- Gross loans increased to \$992.0 million, an increase of \$53.7 million, or 5.7% from June 30, 2018.
- Total deposits increased year-over-year by \$10.0 million to \$1.3 billion.
- The Bank's capital remained in excess of well capitalized levels with a tier one leverage ratio of 12.40% and a common equity tier 1 ratio of 18.25%.
- Credit quality remained extremely strong with non-performing assets totaling 0.03% of gross loans and the Bank maintains and Allowance for Loan Losses to gross loans ratio of 1.17% as of June 30, 2019.

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 & Schmittsen 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

	For the quarters ended,		
	June 30, 2019	December 31, 2018	June 30, 2018
Assets			
Cash and Cash Equivalent:			
Cash & due from banks	\$18,982	\$22,733	\$23,935
Interest bearing deposits	58,815	20,062	43,443
Fed funds sold	3,311	12,436	5,097
Total Cash and Cash Equivalent	62,126	32,498	48,540
Securities available for sale	442,703	439,913	462,366
Securities held to maturity	36	37	39
Federal Home Loan Bank stock, at cost	1,825	1,819	1,898
Pacific Coast Banker's Bank Stock, at cost	238	238	238
Loans held for sale	580	696	1,503
Loans	991,986	976,619	938,262
Allowance for credit losses	(11,570)	(11,299)	(10,701)
Net loans	980,416	965,320	927,561
Premises and equipment	17,299	17,993	18,112
Accrued interest receivable	5,644	5,396	5,297
Foreclosed real estate	-	-	-
Bank Owned Life Insurance	15,224	15,010	14,796
Goodwill	7,162	7,162	7,162
Intangibles	1,959	2,046	2,311
Mortgage servicing rights	1,759	1,657	1,667
Other assets	6,407	8,256	8,523
Total assets	\$1,562,360	\$1,520,774	\$1,523,948
Liabilities and Shareholders' Equity			
Liabilities			
Deposits:			
Non-interest bearing demand	\$239,530	\$243,853	\$224,951
Savings and interest-bearing demand	857,481	\$849,378	\$874,247
Time	237,649	\$221,646	\$225,498
Total deposits	1,334,660	1,314,877	1,324,696
Accrued interest payable	649	509	416
Short-term borrowings	11,204	9,830	12,137
Long-term borrowings	-	-	1,969
Other Liabilities	9,324	8,053	9,087
Total liabilities	1,355,837	1,333,269	1,348,305
Shareholders' Equity			
Common stock (no par value); authorized 10,000,000 shares; issued and outstanding: 2019 - -4,119,289 ; 2018 - -4,115,025	--	--	--
Additional Paid in Capital	3,055	2,921	2,766
Retained Earnings	195,620	187,434	178,046
Accumulated other comprehensive income	7,849	(2,852)	(5,169)
Total shareholder's equity	206,524	187,503	175,643
Total liabilities and shareholders' equity	\$1,562,361	\$1,520,772	\$1,523,948

Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,		
	June 30, 2019	December 31, 2018	June 30, 2018
Interest Income			
Loans	\$10,295	\$9,885	\$9,013
Deposits at other financial institutions	254	131	80
Federal Funds Sold	45	38	10
Securities available for sale:			
Taxable	1,771	1,645	1,559
Tax-exempt	1,283	1,461	1,637
Securities held to maturity	-	1	4
Total interest income	13,648	13,161	12,303
Interest Expense			
Deposits	1,818	1,387	1,146
Short-term borrowings	8	7	11
Long-term borrowings	-	-	29
Total interest expense	1,826	1,394	1,186
Net interest income	11,822	11,767	11,117
Provision for Credit Losses	340	739	80
Net interest income after provision for credit losses	11,482	11,028	11,037
Non-Interest Income			
Service charges on deposit accounts	480	529	448
Mortgage banking operations	677	576	618
Net gain (loss) on sales of securities available for sale	656	(278)	13
Brokerage commissions	193	270	139
Insurance commissions and fees	1,121	1,166	976
Net Interchange income (expense)	418	326	387
BOLI cash value	107	107	107
Dividends from correspondent banks	15	16	11
Other	351	364	344
Total non-interest income	4,018	3,076	3,043
Non-Interest Expense			
Salaries and employee benefits	4,556	4,689	3,961
Occupancy and equipment	1,607	1,496	1,573
Audits and examinations	101	124	169
State and local business and occupation taxes	213	198	159
FDIC & WA State assessments	133	100	123
Legal and professional fees	152	139	49
Net loss (gain) on foreclosed real estate	-	-	-
Check losses and charge-offs	111	46	(27)
Low income housing investment losses	490	65	282
Data processing	339	287	209
Product delivery	371	393	375
Other	770	882	763
Total non-interest expense	8,843	8,419	7,636
Income before income taxes	6,657	5,685	6,444
Income Taxes	682	433	740
Net income	\$5,975	\$5,252	\$5,704
Earnings Per Share			
Basic	\$ 1.45	\$ 1.27	\$ 1.39
Diluted	\$ 1.45	\$ 1.27	\$ 1.38

Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the six months ended June 30,	
	2019	2018
Interest Income		
Loans	\$20,210	\$17,543
Deposits at other financial institutions	430	175
Federal Funds Sold	92	17
Securities available for sale:		
Taxable	3,421	3,089
Tax-exempt	2,694	3,431
Securities held to maturity	1	12
Total interest income	26,848	24,267
Interest Expense		
Deposits	3,353	2,227
Short-term borrowings	16	14
Long-term borrowings	-	59
Total interest expense	3,369	2,300
Net interest income	23,479	21,967
Provision for Credit Losses	592	80
Net interest income after provision for credit losses	22,887	21,887
Non-Interest Income		
Service charges on deposit accounts	942	873
Mortgage banking operations	1,176	1,077
Net gain (loss) on sales of securities available for sale	723	28
Brokerage commissions	365	257
Insurance commissions and fees	2,403	2,014
Net Interchange income (expense)	745	689
BOLI cash value	214	214
Dividends from correspondent banks	36	27
Other	674	694
Total non-interest income	7,278	5,873
Non-Interest Expense		
Salaries and employee benefits	9,284	8,227
Occupancy and equipment	3,189	3,000
Audits and examinations	206	268
State and local business and occupation taxes	370	273
FDIC & WA State assessments	273	253
Legal and professional fees	270	172
Net loss (gain) on foreclosed real estate	-	-
Check losses and charge-offs	282	35
Low income housing investment losses	556	348
Data processing	657	521
Product delivery	713	728
Other	1,541	1,614
Total non-interest expense	17,341	15,439
Income before income taxes	12,824	12,321
Income Taxes	1,691	1,545
Net income	\$11,133	\$10,776
Earnings Per Share		
Basic	\$ 2.70	\$ 2.62
Diluted	\$ 2.70	\$ 2.61