

FOR IMMEDIATE RELEASE

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CASHMERE VALLEY BANK REPORTS ANNUAL EARNINGS OF \$21.8 MILLION, INCREASES DIVIDEND TO \$0.65 PER SHARE

CASHMERE, WA, January 30, 2019 – Cashmere Valley Bank (OTCQB: CSHX) (“Bank”), announced earnings of \$21.8 million for the twelve months ended December 31, 2018, compared to \$18.4 million in the same period of 2017. Growth in net income was largely attributable to a 9.2% increase in gross loans, net interest margin expansion of 11 basis points and a reduction in income tax expense of \$1.8 million. The increase in net income of \$3.4 million represented an increase of 18.5%. Diluted earnings per share increased \$.80 per share to \$5.27 from \$4.47.

On a quarterly basis, earnings were \$5.3 million for the quarter ended December 31, 2018, versus \$5.8 million for the quarter ended September 30, 2018 and \$4.5 million for the quarter ended December 31, 2017.

“We are very proud of our 2018,” said Greg Oakes, President and CEO. “The increase in net income was significant and allowed us to return some capital to our shareholders in a special dividend. We were also pleased to show our commitment to the communities we serve by rolling out our Federal Payroll Assistance program. The Federal Payroll Assistance program is a free service to our customers who are missing paychecks due to the government shutdown.”

In addition, on January 22nd, the Bank’s Board of Directors declared a cash dividend of \$0.65 per share for shareholders of record on February 1, 2019. The dividend will be payable on February 11, 2019. The dividend represents an 8.33% percent increase from the dividend paid in February 2018.

The Bank provided the following earnings highlights for the twelve months ended December 31, 2018 as compared to December 31, 2017:

- Net income increased 18.5% to \$21.8 million in 2018 versus \$18.4 million in 2017.
- Diluted earnings per share increased 17.9% to \$5.27 per share from \$4.47 per share.
- Return on Assets increased 22 basis points to 1.45%.
- Return on Equity improved 179 basis points to 12.35%.
- Net interest margin improved to 3.04% from 2.93% from the same timeframe in 2017.
- The efficiency ratio remained strong at 55.4%, which represented a very slight increase from 55.3% from the same period one year ago.
- Income tax expense decreased \$1.8 million due to a reduction in the Bank’s effective tax rate.

The Bank reported the following Balance Sheet Highlights as of December 31, 2018 as compared to December 31, 2017:

- Gross loans increased to \$976.6 million, an increase of \$82.4 million, or 9.2% from December 31, 2017.
- Available for sale securities decreased \$74.9 million to \$439.9 million.
- Total deposits increased slightly to \$1,315 million from \$1,314 million.
- The Bank's capital remained in excess of well capitalized levels with a tier one leverage ratio of 11.97% and a common equity tier 1 ratio of 17.71%.
- 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 .03% 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 December 31,	
	2018	2017
Assets		
Cash and Cash Equivalents:		
Cash & due from banks	\$21,376	\$25,401
Interest bearing deposits	21,419	27,065
Fed funds sold	12,436	4,220
Total Cash and Cash Equivalents	55,231	56,686
Securities available for sale	439,915	514,848
Securities held to maturity	37	1,539
Correspondent Bank Stock, at cost	2,057	2,069
Loans held for sale	696	1,171
Loans	976,619	894,250
Allowance for credit losses	(11,299)	(10,639)
Net loans	965,320	883,611
Premises and equipment	17,993	16,834
Accrued interest receivable	5,396	5,578
Bank owned life insurance (BOLI)	15,010	14,582
Goodwill	7,162	7,162
Intangibles	2,046	2,557
Mortgage servicing rights	1,657	1,696
Other assets	8,253	7,681
Total assets	\$1,520,773	\$1,516,014
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non Interest Bearing	\$243,853	\$218,418
Demand, savings and money market	849,378	862,484
Time	221,646	233,400
Total deposits	1,314,877	1,314,302
Accrued interest payable	509	454
Short-term borrowings	9,830	9,742
Long-term borrowings	-	1,815
Other Liabilities	8,054	9,243
Total liabilities	1,333,270	1,335,556
Shareholders' Equity		
Common stock (no par value); authorized 10,000,000 shares; issued and outstanding: 2018 - -4,117,745 ; 2017 - -4,110,845	--	--
Additional Paid in Capital	2,921	2,507
Retained Earnings	187,434	175,474
Accumulated other comprehensive income	(2,852)	2,477
Total shareholder's equity	187,503	180,458
Total liabilities and shareholders' equity	\$1,520,773	\$1,516,014

Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

For the twelve months ended Dec 31,

	2018	2017
Interest Income		
Loans	\$36,883	\$33,051
Deposits at other financial institutions	450	748
Federal funds sold	75	13
Securities available for sale:		
Taxable	6,416	5,550
Tax-exempt	6,384	6,540
Securities held to maturity	11	30
Total interest income	50,219	45,932
Interest Expense		
Deposits	4,894	4,438
Short-term borrowings	30	21
Long-term borrowings	216	133
Total interest expense	5,140	4,592
Net interest income	45,079	41,340
Provision for Credit Losses	1,026	-
Net interest income after provision for credit losses	44,053	41,340
Non-Interest Income		
Service charges on deposit accounts	1,886	1,366
Mortgage banking operations	2,230	2,623
Net gain (loss) on sales of securities available for sale	(94)	439
Brokerage commissions	515	664
Insurance commissions and fees	4,110	1,669
Net Interchange income (expense)	1,380	1,509
BOLI cash value	428	464
Other	1,482	1,546
Total non-interest income	11,937	10,280
Non-Interest Expense		
Salaries and employee benefits	17,023	14,678
Occupancy and equipment	6,152	5,140
Audits and examinations	408	791
State and local business and occupation taxes	651	600
FDIC & WA State assessments	481	466
Legal and professional fees	368	453
Net (gain) on foreclosed real estate	-	(3)
Check losses and charge-offs	116	354
Low income housing investment losses	476	363
Data processing	1,061	1,205
Product delivery	1,430	1,268
Other	3,337	3,374
Total non-interest expense	31,503	28,689
Income before income taxes	24,487	22,931
Income Taxes	2,699	4,523
Net income	21,788	18,408
Earnings Per Share		
Basic	\$ 5.29	\$ 4.49
Diluted	\$ 5.27	\$ 4.47