

FOR IMMEDIATE RELEASE

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## CASHMERE VALLEY BANK REPORTS QUARTERLY EARNINGS OF \$6.6 MILLION

CASHMERE, WA, July 21, 2020 – Cashmere Valley Bank (OTCQX: CSHX) (“Bank”), announced earnings of \$6.6 million for the three months ended June 30, 2020, compared to \$6.0 million for the period ending June 30, 2019 and \$5.5 million for the period ending March 31, 2020. Diluted earnings per share increased \$0.20 to \$1.65 per share from \$1.45 for the quarters ended June 30, 2020 and 2019. The \$0.20 per share increase represented a 13.9% increase in EPS.

Year-to-date earnings increased to \$12.0 million for 2020 as compared to \$11.1 million in 2019. Diluted earnings per share increased \$0.32 per share to \$3.02, which is a 12.0% increase year over year.

Deposit balances have increased approximately \$251 million from the same period one year ago, representing an 18.9% increase.

“We are extremely pleased with our balance sheet growth,” said Greg Oakes, President and CEO. “COVID-19 continues to adversely impact the economy. In spite of this, the Bank showed significant loan and deposit growth during the quarter. The Bank did increase its loan loss reserve to 1.36% by allocating \$2.0 million to the reserve during the quarter, which we feel appropriate during these uncertain times. A lengthy shutdown of the local economy may result in additional significant loan loss provisions which could have an adverse impact on earnings.”

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

- As of June 30, 2020, loans with deferred payments or on interest only due to COVID-19 consisted of 11.7% of gross loans with deferred loans representing 6.8% of gross loans. By segment, loan deferrals and interest only borrowers were:

Segment Type	Total Loans	Segment Total	# of Interest Only	\$ Interest Only	# of Deferred	\$ Deferred
Dealer Financing	9,028	\$181,576,000	-	-	321	\$7,941,000
1-4 Residential	501	\$108,351,000	1	\$344,000	40	\$9,719,000
Municipal Loans	117	\$94,565,000	-	-	-	-
Construction	213	\$79,615,000	-	-	-	-
Hotel and Motel	24	\$70,059,000	4	\$22,300,000	13	\$35,257,000
Multi-Family	50	\$69,642,000	-	-	-	-
SBA Business Loans	792	\$67,860,000	-	-	-	-
Business Loans	1,547	\$59,364,000	2	\$58,000	150	\$8,468,000
Retail	99	\$57,887,000	8	\$24,131,000	7	\$4,095,000
Office	74	\$49,161,000	-	-	1	\$141,000
Storage/Warehouse	61	\$33,889,000	1	\$298,000	1	\$197,000

Segment Type	Total Loans	Segment Total	# of Interest Only	\$ Interest Only	# of Deferred	\$ Deferred
HELOC	795	\$25,920,000	-	-	-	-
Other Consumer	1,003	\$12,405,000	-	-	1	\$16,000
Medical	14	\$10,153,000	-	-	1	\$359,000
Farmland	30	\$9,588,000	-	-	-	-
Personal Lines and Credit Cards	8,013	\$9,308,000	-	-	-	-
Gas Station & Car Wash	9	\$8,407,000	-	-	-	-
Restaurant	15	\$5,673,000	-	-	-	-
Other Real Estate	3	\$5,271,000	-	-	1	\$260,000
Entertainment	7	\$4,065,000	1	\$447,000	-	-
Commercial Leases	56	\$2,371,000	-	-	-	-
Non-Profits	15	\$2,290,000	-	-	-	-
Agricultural	26	\$1,881,000	-	-	-	-
1-4 Junior	51	\$1,428,000	-	-	-	-
Letter of Credit	4	\$75,000	-	-	-	-
Deferred Loan Fees and Suspense	-	\$4,149,000	-	-	-	-
<b>Total</b>	<b>22,547</b>	<b>\$974,953,000</b>	<b>17</b>	<b>\$47,578,000</b>	<b>536</b>	<b>\$66,453,000</b>

- Loan balances increased \$73.8 million during the quarter. PPP loans originated during the second quarter of 2020 totaled \$66.2 million. Net deferred fees remaining as of June 30, 2020 totaled approximately \$1.9 million.

The Bank provided the following earnings highlights for the six months ended June 30, 2020 as compared to June 30, 2019:

- Net income increased 7.8% to \$12.0 million for the six months ended June 30, 2020 versus \$11.1 million for the same period in 2019.
- Diluted earnings per share increased 12.0% to \$3.02 per share. The increase was a result of increased earnings in combination with a reduced share count due to the Bank's fourth quarter 2019 share repurchase of 159,805 shares.
- Year-to-date return on assets decreased 6 basis points to 1.41%.
- Year-to-date return on equity decreased 6 basis points to 11.47%.
- For the quarter, the Bank's net interest margin decreased to 2.87% from 3.23% for the quarter ended June 30, 2019. Margin compression was primarily due to the Bank's asset mix and the current rate environment. Loan income has been reduced by \$1.3 million from the prior year. The Bank's lower yielding assets; investment securities and correspondent bank deposits increased by \$213.5 million on an average balance basis from the prior year.
- The efficiency ratio improved to 54.2% from 58.0% the same time period one year ago.

- Non-interest income increased \$3.8 million, 52.1% over the same period in 2019. The major increases include gains on mortgage loans sold \$1.8 million, gains on securities sold \$1.8 million, mortgage servicing fees \$438,000 and card fee income \$296,000.
- Gains on securities sold increased \$1.8 million as the Bank took advantage of a market opportunity to sell \$33.2 million in lower yielding commercial agency mortgage backed securities.
- Interest expense increased \$299,000 or 8.9% as the balances of CD accounts increased year over year along with increases in CD rates. However, the rates offered on CD's have decreased consistently throughout 2020.
- The Bank has provided \$2.5 million to the allowance for loan loss for the first six months of 2020 as compared to \$592,000 in the first six months of 2019.
- Federal income tax expense increased approximately \$321,000 from the prior year.

The Bank reported the following statement of condition highlights as of June 30, 2020 as compared to June 30, 2019:

- Loan balances increased \$73.8 million during the quarter. PPP loans totaled \$66.2 million of that total.
- From June 30, 2019 to June 30, 2020 the Bank's equity increased from \$206.5 million to \$223.0 million, an increase of \$16.4 million or 8.0%. The increase in capital was realized even though the Bank returned \$9.9 million late in 2019 due to the share repurchase and \$10.7 million in 2020 through regular and special dividends.
- Total deposits increased year-over-year by \$251 million (18.9%). Non-interest bearing deposits have increased \$110 million and represent 22.0% of deposits.

### **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 & Schmitzen 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

	June 30, 2020	June 30, 2019
<b>Assets</b>		
Cash and Cash Equivalent:		
Cash & due from banks	\$28,355	\$19,115
Interest bearing deposits	108,387	58,836
Fed funds sold	4,872	3,311
Total Cash and Cash Equivalent	141,614	81,262
Securities available for sale	677,793	442,681
Securities held to maturity	-	36
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	5,497	580
	-	-
Loans	974,953	991,986
Allowance for credit losses	(13,226)	(11,570)
<b>Net loans</b>	<b>961,727</b>	<b>980,416</b>
Premises and equipment	16,680	17,299
Accrued interest receivable	7,228	5,644
Foreclosed real estate	-	-
Bank Owned Life Insurance	15,675	15,224
Goodwill	7,162	7,162
Intangibles	1,684	1,801
Mortgage servicing rights	2,659	1,759
Other assets	6,836	6,567
<b>Total assets</b>	<b>\$1,846,775</b>	<b>\$1,562,494</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Non-interest bearing demand	\$348,397	\$238,842
Savings and interest-bearing demand	984,123	857,481
Time	252,927	237,649
<b>Total deposits</b>	<b>1,585,447</b>	<b>1,333,972</b>
Accrued interest payable	699	649
Short-term borrowings	14,122	11,204
Long-term borrowings	-	-
Other Liabilities	23,550	10,145
<b>Total liabilities</b>	<b>1,623,818</b>	<b>1,355,970</b>
<b>Shareholders' Equity</b>		
Common stock (no par value); authorized 10,000,000 shares; issued and outstanding: 2020 -- 3,972,149 ; 2019 -- 4,119,289	-	-
Treasury stock	(9,908)	-
Additional Paid in Capital	3,649	3,055
Retained Earnings	206,753	195,620
Accumulated other comprehensive income	22,463	7,849
<b>Total shareholder's equity</b>	<b>222,957</b>	<b>206,524</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$1,846,775</b>	<b>\$1,562,494</b>

## Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,		
	June 30, 2020	March 31, 2020	June 30, 2019
<b>Interest Income</b>			
Loans	\$9,409	\$9,489	\$10,295
Deposits at other financial institutions	(7)	331	254
Federal Funds Sold	2	24	45
Securities available for sale:			
Taxable	2,362	2,686	1,771
Tax-exempt	1,466	1,096	1,284
Securities held to maturity	-	-	1
<b>Total interest income</b>	<b>13,232</b>	<b>13,626</b>	<b>13,650</b>
<b>Interest Expense</b>			
Deposits	1,735	1,915	1,818
Short-term borrowings	9	9	8
Long-term borrowings	-	-	-
<b>Total interest expense</b>	<b>1,744</b>	<b>1,924</b>	<b>1,826</b>
<b>Net interest income</b>	<b>11,488</b>	<b>11,702</b>	<b>11,824</b>
<b>Provision for Credit Losses</b>	<b>2,004</b>	<b>463</b>	<b>340</b>
<b>Net interest income after provision for credit losses</b>	<b>9,484</b>	<b>11,239</b>	<b>11,484</b>
<b>Non-Interest Income</b>			
Service charges on deposit accounts	204	463	481
Mortgage banking operations	2,121	1,149	674
Net gain (loss) on sales of securities available for sale	2,508	11	656
Brokerage commissions	241	222	193
Insurance commissions and fees	1,143	1,186	1,121
Net Interchange income (expense)	552	401	466
BOLI cash value	116	112	107
Dividends from correspondent banks	14	22	15
Other	267	305	294
<b>Total non-interest income</b>	<b>7,166</b>	<b>3,871</b>	<b>4,007</b>
<b>Non-Interest Expense</b>			
Salaries and employee benefits	5,208	5,002	4,556
Occupancy and equipment	728	750	747
Audits and examinations	233	280	234
State and local business and occupation taxes	259	203	213
Legal and professional fees	140	135	132
Net loss (gain) on foreclosed real estate	-	-	-
Check losses and charge-offs	114	105	204
Low income housing investment losses	336	82	490
Data processing	1,087	1,182	1,199
Product delivery	301	252	252
Other	618	741	806
<b>Total non-interest expense</b>	<b>9,024</b>	<b>8,732</b>	<b>8,833</b>
<b>Income before income taxes</b>	<b>7,626</b>	<b>6,378</b>	<b>6,658</b>
<b>Income Taxes</b>	<b>1,075</b>	<b>922</b>	<b>683</b>
<b>Net income</b>	<b>\$6,551</b>	<b>\$5,456</b>	<b>\$5,975</b>
<b>Earnings Per Share</b>			
Basic	\$ 1.65	\$ 1.37	\$ 1.45
Diluted	\$ 1.65	\$ 1.37	\$ 1.45

## Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,	
	June 30, 2020	June 30, 2019
<b>Interest Income</b>		
Loans	\$18,898	\$20,210
Deposits at other financial institutions	324	430
Federal Funds Sold	26	92
Securities available for sale:		
Taxable	5,048	3,421
Tax-exempt	2,563	2,694
Securities held to maturity	-	1
<b>Total interest income</b>	<b>26,859</b>	<b>26,848</b>
<b>Interest Expense</b>		
Deposits	3,650	3,353
Short-term borrowings	18	16
Long-term borrowings	-	-
<b>Total interest expense</b>	<b>3,668</b>	<b>3,369</b>
<b>Net interest income</b>	<b>23,191</b>	<b>23,479</b>
<b>Provision for Credit Losses</b>	<b>2,467</b>	<b>592</b>
<b>Net interest income after provision for credit losses</b>	<b>20,724</b>	<b>22,887</b>
<b>Non-Interest Income</b>		
Service charges on deposit accounts	667	942
Mortgage banking operations	3,269	1,169
Net gain (loss) on sales of securities available for sale	2,520	723
Brokerage commissions	463	365
Insurance commissions and fees	2,329	2,403
Net Interchange income (expense)	953	831
BOLI cash value	228	214
Dividends from correspondent banks	36	36
Other	573	572
<b>Total non-interest income</b>	<b>11,038</b>	<b>7,255</b>
<b>Non-Interest Expense</b>		
Salaries and employee benefits	10,210	9,284
Occupancy and equipment	1,478	1,556
Audits and examinations	513	479
State and local business and occupation taxes	462	370
Legal and professional fees	276	239
Net loss (gain) on foreclosed real estate	-	-
Check losses and charge-offs	220	463
Low income housing investment losses	418	556
Data processing	2,270	2,290
Product delivery	553	515
Other	1,358	1,566
<b>Total non-interest expense</b>	<b>17,758</b>	<b>17,318</b>
<b>Income before income taxes</b>	<b>14,004</b>	<b>12,824</b>
<b>Income Taxes</b>	<b>1,997</b>	<b>1,691</b>
<b>Net income</b>	<b>\$12,007</b>	<b>\$11,133</b>
<b>Earnings Per Share</b>		
Basic	\$ 3.02	\$ 2.70
Diluted	\$ 3.02	\$ 2.70