

FOR IMMEDIATE RELEASE

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CASHMERE VALLEY BANK REPORTS QUARTERLY EARNINGS OF \$5.5 MILLION

CASHMERE, WA, April 21, 2020 – Cashmere Valley Bank (OTCQX: CSHX) (“Bank”), announced earnings of \$5.5 million for the three months ended March 31, 2020, compared to \$5.2 million for the period ending March 31, 2019. Diluted earnings per share increased \$0.12 to \$1.37 per share from \$1.25 for the quarters ended March 31, 2020 and 2019, which represents a 9.6% increase in diluted earnings per share.

Deposit balances increased \$116.2 million from the same period one year ago, representing an 8.7% increase.

“We are extremely pleased to have some meaningful deposit growth over the prior twelve months,” said Greg Oakes, President and CEO. “Additionally, our credit quality remains outstanding and we remain very well capitalized. Our loan loss provision expense in the first quarter was a result of the uncertainty on the duration of the economic slowdown. While we remain confident in the quality of our loan portfolio, we felt it prudent to take a conservative approach and we recorded loan loss provision expense of roughly \$432,000 due to the economic environment. The duration of the economic slowdown and how we begin to unwind distancing restrictions is very difficult to predict. A protracted shut down and sluggish reopening of the economy could lead to significant allocations to the loan loss reserve and have an adverse impact on earnings.”

The Bank provided the following earnings highlights for the three months ended March 31, 2020 as compared to March 31, 2019:

- Net income increased 5.8% to \$5.5 million for the quarter ended March 31, 2020 versus \$5.2 million for the same period in 2019.
- Diluted earnings per share increased 9.6% to \$1.37 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.
- Return on Assets decreased 5 basis points to 1.33% as a result of the increase in deposit balances in combination with a reduction in loan balances.
- Return on Equity decreased 46 basis points to 10.56%. The reduction in return on equity is due to the Bank’s increasing equity position.
- From March 31, 2019 to March 31, 2020 the Bank’s equity increased from \$195.9 million to \$207.5 million, an increase of \$11.6 million or 5.9%. 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.

- For the quarter, the Bank's net interest margin decreased to 2.99% from 3.25% for the quarter ended March 31, 2019. The decrease was a result of a decrease in average loan balances of \$76.0 million. These funds were placed into lower yielding investment securities.
- The efficiency ratio decreased slightly to 58.3% from 58.5% the same time period one year ago.
- Non-interest income increased \$621,000 over the same period in 2019. Mortgage loans sold increased \$578,000 as refinance activity has been very active.
- Interest expense increased \$381,000 or 24.7% as the balances of CD accounts increased year over year along with increases in CD rates. The rates offered on CD's has decreased throughout 2020.
- The Bank has provided \$463,000 to the allowance for loan loss for the first three months of 2020 as compared to \$252,000 in the first three months of 2019.
- Federal income tax expense increased approximately \$87,000 from the prior year.

The Bank reported the following Balance Sheet Highlights as of March 31, 2020 as compared to March 31, 2019:

- Gross loans decreased to \$901.1 million, a decrease of \$83.1 million from March 31, 2019. The Bank had several significant payoffs beginning in the third quarter of 2019 which resulted in the balance reduction.
- Total deposits increased year-over-year by \$116.2 million (8.7%).
- Credit quality remained extremely strong with non-performing assets totaling 0.12% of gross loans and the Bank maintains an Allowance for Loan Losses to gross loans ratio of 1.26% as of March 31, 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. 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 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

	March 31, 2020	March 31, 2019
Assets		
Cash and Cash Equivalent:		
Cash & due from banks	\$27,706	\$17,462
Interest bearing deposits	30,397	49,836
Fed funds sold	5,973	8,737
Total Cash and Cash Equivalent	64,076	76,035
Securities available for sale	660,205	436,018
Securities held to maturity	-	37
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	3,201	481
Loans	901,139	984,221
Allowance for credit losses	(11,352)	(11,311)
Net loans	889,787	972,910
Premises and equipment	16,533	17,671
Accrued interest receivable	7,097	6,697
Foreclosed real estate	-	-
Bank Owned Life Insurance	15,559	15,117
Goodwill	7,162	7,162
Intangibles	1,807	1,936
Mortgage servicing rights	2,325	1,684
Other assets	7,224	6,278
Total assets	\$1,677,196	\$1,544,089
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing demand	\$274,171	\$235,312
Savings and interest-bearing demand	913,276	864,113
Time	257,431	229,277
Total deposits	1,444,878	1,328,702
Accrued interest payable	734	572
Short-term borrowings	7,453	8,072
Long-term borrowings	-	-
Other Liabilities	16,678	10,890
Total liabilities	1,469,743	1,348,236
Shareholders' Equity		
Common stock (no par value); authorized 10,000,000 shares; issued and outstanding: 2019 - -4,119,289 ; 2018 - -4,115,025	-	-
Treasury stock	(9,908)	-
Additional Paid in Capital	3,609	3,010
Retained Earnings	200,203	189,645
Accumulated other comprehensive income	13,549	3,198
Total shareholder's equity	207,453	195,853
Total liabilities and shareholders' equity	\$1,677,196	\$1,544,089

Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,	
	March 31, 2020	March 31, 2019
Interest Income		
Loans	\$9,489	\$9,915
Deposits at other financial institutions	331	176
Federal Funds Sold	24	47
Securities available for sale:		
Taxable	2,687	1,650
Tax-exempt	1,096	1,411
Securities held to maturity	-	1
Total interest income	13,627	13,200
Interest Expense		
Deposits	1,915	1,535
Short-term borrowings	9	8
Long-term borrowings	-	-
Total interest expense	1,924	1,543
Net interest income	11,703	11,657
Provision for Credit Losses	463	252
Net interest income after provision for credit losses	11,240	11,405
Non-Interest Income		
Service charges on deposit accounts	463	462
Mortgage banking operations	1,149	496
Net gain (loss) on sales of securities available for sale	11	67
Brokerage commissions	222	172
Insurance commissions and fees	1,186	1,282
Net Interchange income (expense)	401	365
BOLI cash value	112	107
Dividends from correspondent banks	22	21
Other	305	278
Total non-interest income	3,871	3,250
Non-Interest Expense		
Salaries and employee benefits	5,002	4,728
Occupancy and equipment	750	809
Audits and examinations	280	245
State and local business and occupation taxes	203	157
Legal and professional fees	135	107
Net loss (gain) on foreclosed real estate	-	-
Check losses and charge-offs	105	260
Low income housing investment losses	82	66
Data processing	1,182	1,091
Product delivery	252	264
Other	742	760
Total non-interest expense	8,733	8,487
Income before income taxes	6,378	6,168
Income Taxes	922	1,009
Net income	\$5,456	\$5,159
Earnings Per Share		
Basic	\$ 1.37	\$ 1.25
Diluted	\$ 1.37	\$ 1.25