



NASDAQ: **CASB** \$6.62 October 21, 2008

Carol K. Nelson, PRESIDENT & CEO

425-339-5500

Lars Johnson, CFO

www.cascadebank.com

HIGHLIGHTS

ATTRACTIVE VALUATION

- ▲ 5.5x earnings of \$1.21 per share* (ttm before 3Q08 OTTI charge)
- ▲ 0.67x book value of \$9.87
- ▲ 0.85x tangible book value of \$7.79
- ▲ Current dividend yield of 2.72%

3Q08 HIGHLIGHTS (compared to 3Q07)

- ▲ Net interest income increased 19%.
- ▲ Non-interest income increased 20%.
- ▲ Total loans increased 13% to \$1.21 billion.
- ▲ Total deposits grew 9% to \$993 million, while personal checking account balances grew 57%.
- ▲ Strong growth in new checking accounts resulted in 32% growth in checking fees.

3Q08 CREDIT QUALITY IMPROVEMENTS (compared to 2Q08)

- ▲ Nonperforming loans (NPLs) declined by 51% to \$15.7 million.
- ▲ NPLs were 1.29% of total loans, compared to \$32.0 million or 2.68% of total loans three months earlier.
- ▲ Nonperforming assets were 1.10% of total assets compared to 2.07% at 6/30/08.
- ▲ Net charge-offs were \$43,000 for the quarter.

ACCOLADES

- ▲ President and CEO Carol K. Nelson was named to *US Banker* magazine's list of "25 Women to Watch" in its annual ranking of the 25 Most Powerful Women in Banking in September 2008.
- ▲ Cascade was ranked #44 on the *Seattle Times*' Northwest 100 list of public companies in June 2008.
- ▲ Cascade ranked #10 on *Washington CEO* magazine's list of Top 25 Washington Banks in January 2008.

THE MARKET

Cascade Financial Corporation is the parent company of Cascade Bank. Cascade Bank is a full-service community bank headquartered in Snohomish County, Washington. The region has a strong economic base with diverse sectors including manufacturing, software, military and services. Boeing is the largest employer in the area and the Snohomish County market is home to 23% of all Washington state biotech and biomedical companies. Other large employers include the U.S. Navy, Premera Blue Cross, Goodrich, Philips, Fluke and Verizon.

Cascade Bank operates 21 full service branches in Snohomish, King and Skagit Counties, located in Everett, Lynnwood, Marysville, Mukilteo, Shoreline, Smokey Point, Issaquah, Clearview, Woodinville, Lake Stevens, Bellevue, Snohomish, North Bend and Burlington.

STOCK DATA

Market Cap:	\$80 million
Shares Outstanding:	12.0 million
Estimated Float:	9.43million
Average Volume (3 month):	38,000
52 week price range	\$3.24-\$16.08
Insider Ownership:	22%
Institutional Ownership:	24%

ANALYST COVERAGE

Jeff Rulis
D.A.DAVIDSON

Kristin Hotti
HOWE BARNES HOEFER & ARNETT

Matthew Clark
KEEFE BRUYETTE & WOODS

Sara Hasan
MCADAMS WRIGHT RAGEN

Dustin Brumbaugh
RAGEN MACKENZIE

Tim O'Brien
SANDLER O'NEILL & PARTNERS

MARKET MAKERS

Automated Trading Desk
Barclays Capital
Bloomberg Tradebook
Carr Securities
Citadel Derivatives Group
Citigroup Global Markets
D.A. Davidson
Domestic Securities
E Trade Capital Markets
FTN Financial Securities Corp.
FTN Midwest Securities Corp.
Howe Barnes Hoefer & Arnett
Hudson Securities
Jefferies & Company
Keefe Bruyette & Woods
Knight Equity Markets
McAdams Wright Ragen
NASDAQ Execution Services
RBC Capital Markets
Sandler O'Neill and Partners
Sterne, Agee & Leach
Susquehanna Capital
UBS Securities
Timber Hill

FINANCIAL HIGHLIGHTS

INCOME STATEMENT

(unaudited, \$ in thousands except EPS)

	Quarter Ended		Nine Months Ended	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
Interest income	\$ 24,345	\$ 23,789	\$ 70,152	\$ 69,799
Interest expense	11,508	12,568	35,395	37,721
Net interest income	12,837	10,810	34,757	32,078
Provision for loan losses	1,250	350	4,840	850
Net interest income after provision	11,587	10,460	29,917	31,228
Total other income	2,323	1,942	6,994	5,827
Compensation expense	3,789	3,551	11,039	10,246
Other operating expense	3,373	3,173	10,308	9,449
OTTI charge	17,338	-	17,388	-
Total other expense	24,500	6,724	38,685	19,695
Net income before (benefit) provision for income tax	(10,590)	5,678	(1,774)	17,360
(Benefit) provision for income tax	(3,971)	1,892	(1,402)	5,826
Net (loss) income	\$ (6,619)	\$ 3,786	\$ (372)	\$ 11,534
Earnings per share, diluted	\$ (0.55)	\$ 0.31	\$ (0.03)	\$ 0.96
Earnings per share, diluted excluding OTTI (1)	\$ 0.38	\$ 0.31	\$ 0.90	\$ 0.94
Weighted average shares, diluted	12,140,168	12,233,781	12,168,009	12,307,001

(1) Excludes after-tax charge of \$11,270 for OTTI on investments in Fannie Mae and Freddie Mac preferred stock

BALANCE SHEET

(unaudited, \$ in thousands except EPS)

	Sept. 30, 2008	June 30, 2008	Sept. 30, 2007	One Year Change
Total cash and equivalents	\$ 13,433	\$ 15,771	\$ 21,626	-38%
Total securities	254,848	272,615	225,289	13%
Total loans	1,213,046	1,194,882	1,075,422	13%
Deferred loan fees	(3,248)	(3,471)	(3,695)	-12%
Reserve for loan losses	(14,531)	(13,318)	(11,258)	29%
Net loans	1,195,267	1,178,093	1,060,469	13%
Goodwill and intangibles	25,114	25,149	25,254	-1%
Other assets	63,120	55,992	47,611	33%
Total assets	\$ 1,551,782	\$ 1,547,620	\$ 1,380,249	12%
Deposits	992,505	990,561	906,725	9%
Borrowings	431,983	422,030	344,624	25%
Other liabilities	8,194	9,381	10,019	-18%
Total liabilities	1,432,682	1,421,972	1,261,368	14%
Shareholders' equity	119,100	125,648	118,881	0%
Total liabilities and shareholders' equity	\$ 1,551,782	\$ 1,547,620	\$ 1,380,249	12%

(unaudited, \$ in thousands except EPS)

PERFORMANCE MEASURES AND RATIOS

	Sept. 30, 2008	June 30, 2008	Sept. 30, 2007
Return on average equity	-20.58%	11.57%	12.75%
Return on average tangible equity	-25.75%	14.36%	16.36%
Return on average assets	-1.69%	0.96%	1.12%
Efficiency ratio (1)	47.24%	53.07%	52.73%
Net interest margin	3.52%	3.17%	3.37%

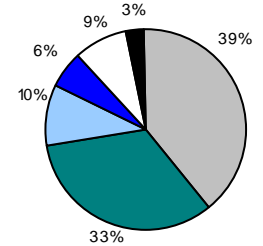
(1) Excludes after-tax charge of \$11,270 for OTTI on investments in Fannie Mae and Freddie Mac preferred stock

ASSET QUALITY

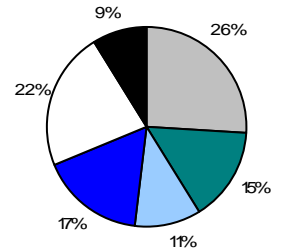
	Sept. 30, 2008	June 30, 2008	Sept. 30, 2007
Nonperforming loans (NPLs)	\$ 15,697	\$ 32,019	\$ 625
Nonperforming loans/total loans	1.29%	2.68%	0.06%
Nonperforming assets	\$ 17,143	\$ 32,044	625
Nonperforming assets/total assets	1.10%	2.07%	0.05%
Net loan charge-offs (recoveries) in the quarter	\$ 43	\$ 448	\$ 302
Net charge-offs/total loans	0.00%	0.04%	0.03%

CHANGING LOAN MIX

September 30, 2008
\$1.21 Billion in Total Loans

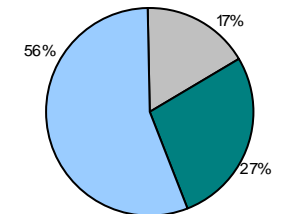


December 31, 2002
\$556 Million in Total Loans

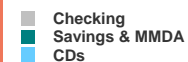
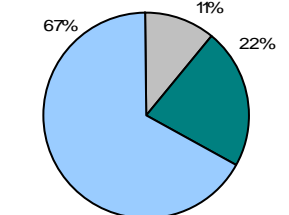


GROWING CHECKING DEPOSITS

September 30, 2008
\$993 Million in Total Deposits



December 31, 2002
\$510 Million in Total Deposits



www.cascadebank.com

2828 Colby Avenue
Everett, WA 98201
425.339.5500