



Cashmere Valley Bank

FOR IMMEDIATE RELEASE

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CASHMERE VALLEY BANK REPORTS QUARTERLY EARNINGS OF \$6.1 MILLION

CASHMERE, WA, April 20, 2022 – Cashmere Valley Bank (OTCQX: CSHX) (“Bank”), announced quarterly earnings of \$6.1 million for the quarter ended March 31, 2022. Diluted earnings per share were \$1.56, representing a decrease of \$0.28 per share, or 15.2%.

As of March 31, 2022, deposit balances totaled \$1.96 billion. Deposit balances increased approximately \$25.5 million from December 31, 2021, representing a 1.3% increase.

“We believed that it was going to be a challenge to repeat 2021’s earnings. We are pleased that first quarter earnings are well ahead of 2020’s quarter one earnings.” said Greg Oakes, President and CEO. “The rapid acceleration in interest rates during the quarter provides relief to our net interest margin as we are seeing an increase in loan and investment rates. However, the price change in our available for sale securities is substantial and something we are carefully monitoring. We are fortunate that we entered this period with excess capital and excess cash on hand.”

Q1 Highlights

The Bank reported the following statement of condition highlights as of March 31, 2022:

- March 31, 2022 gross loans totaled \$971.7 million representing an increase from March 31, 2021 of \$8.7 million. From December 31, 2021 to March 31, 2022 loan growth accelerated and reflects an increase of \$30.9 million or 3.3%.
- Total deposits increased by \$109.8 million or 5.9% from March 31, 2021. From December 31, 2021 to March 31, 2022 total deposits increased \$25.5 million or 1.3%. Non-interest deposits totaled \$440.8 million as of March 31, 2022, which represents 22.5% of total deposits.

Pandemic Response Update

Payment Protection Program (PPP) loan balances as of March 31, 2022 totaled \$6.6 million. Net deferred fees remaining as of March 31, 2022 totaled approximately \$159,000.

Income earned through PPP forgiveness totaled \$281,000 during the first quarter of 2022 as compared to \$1.1 million in the first quarter of 2021. This change in income was expected as PPP draws to a close.

Cash, Cash Equivalents and Restricted Cash

Total cash, cash equivalents and restricted cash were \$87.6 million at March 31, 2022, compared to \$114.0 million at December 31, 2021. The \$26.4 million decrease was primarily due to loan originations and advances.

Investments

The investment portfolio totaled \$1.061 billion at March 31, 2022, an increase of \$88.2 million from March 31, 2021. PPP payoffs in 2021 in combination with increasing deposits and Fed Funds rates near zero resulted in a growing securities portfolio. As interest rates have increased the market value of the portfolio decreased \$67.0 million in the first quarter. The market value loss represents 5.0% of the investment portfolio. Each quarter all securities are evaluated for impairment. As of March 31, 2022, no securities were determined to be impaired.

Loans and Credit Quality

Gross loans totaled \$971.7 million as of March 31, 2022 an increase of \$30.9 million from December 31, 2021 and an increase of \$8.7 million from March 31, 2021. Equipment Finance and Construction loans have both increased \$9.8 million from December 31, 2021, and auto finance loans have increased \$5.5 million.

The allowance for loans and lease losses (ALLL) was 1.41% of gross loans as compared to 1.43% one year ago. The Bank did not make any loan loss provisions during the first quarter of 2022 and the allowance totals \$13.7 million.

Credit quality remains exceptionally strong with non-performing loans representing 0.03% of gross loans as of March 31, 2022. This is a slight decrease from 0.09% as of March 31, 2021.

Deposits

Deposits totaled \$1.962 billion at March 31, 2022, as compared to \$1.937 billion at December 31, 2021. The \$25.5 million increase in deposits from the year end represented a 1.3% increase. The average cost of deposits decreased 15 basis points to 0.27% as compared to the three months ended March 31, 2021.

Equity

Tier 1 capital remains strong. Tier 1 capital increased to \$217.9 million from \$214.8 at December 31, 2021 due to earnings less dividends paid during the first quarter. The first quarter dividend was paid February 7, 2022 at a rate of \$0.85 per share. Regulatory capital remains well capitalized with a Tier 1 capital ratio of 9.87% which is a decrease of 0.01% from December 31, 2021.

GAAP capital reflects a decrease of \$49.9 million. The decrease was a result of market value changes in securities as a result of the increase in the treasury yield curve.

Earnings

Net Interest Income

Net interest income totaled \$13.6 million in the first quarter of 2022, compared to \$13.8 million in the prior quarter and \$12.7 million in the same quarter a year ago. The decrease from the prior quarter was primarily due to an anticipated slowdown in PPP forgiveness which was partially offset by an increase in income from available-for-sale securities.

Interest income from available for sale securities totaled \$5.4 million in the first quarter of 2022, compared to \$5.1 million in the previous quarter and \$4.2 million in the first quarter of 2021. Yields on investment securities have increased approximately 6 basis points from one year ago as variable rate securities repriced and yields on newly purchased securities have increased.

The net interest margin was 2.58% for the first quarter of 2022, compared to 2.66% during the first quarter of 2021. The eight-basis point decrease from the prior year was primarily due to decreased loan income from PPP loan forgiveness.

Non-Interest Income

Non-interest income totaled \$4.5 million in the first quarter of 2022 as compared to \$4.8 million in the fourth quarter of 2021 and compared to \$5.0 million in the first quarter of 2021. As mortgage refinances have slowed, income from mortgage banking operations has decreased to \$755,000 in the first quarter of 2022 as compared to \$1.2 million in the fourth quarter of 2021 and \$1.9 million in the first quarter of 2021. Income from insurance commission and fees increased to \$1.7 million from \$1.3 million in the first quarter of 2021.

Non-Interest Expense

Non-interest expense totaled \$11.0 million in the first quarter of 2022 as compared to \$10.4 million in the fourth quarter of 2021 and \$9.1 million in the first quarter of 2021.

The primary driver of the increase in non-interest expense has been the increase in salaries and benefits. As compared to the same period one year ago, wages and benefits expense increased \$1.2 million or 22.9%. Wages and health care premiums are up substantially in an effort to attract and retain employees.

The Bank's efficiency ratio was 61.0% in the first quarter of 2022 as compared to 51.5% in the first quarter of 2021.

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 and 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, 2022	December 31, 2021	March 31, 2021
Assets			
Cash and Cash Equivalent:			
Cash & due from banks	\$24,697	\$22,450	\$21,959
Interest bearing deposits	54,485	81,399	101,786
Fed funds sold	8,434	10,155	7,435
Total Cash and Cash Equivalent	87,616	114,004	131,180
Securities available for sale	1,060,851	1,103,232	972,609
Federal Home Loan Bank stock, at cost	2,669	2,393	2,393
Loans held for sale	910	1,148	1,163
Loans	971,745	940,802	963,046
Allowance for credit losses	(13,707)	(13,774)	(13,776)
Net loans	958,038	927,028	949,270
Premises and equipment	17,047	17,058	16,811
Accrued interest receivable	9,237	8,553	8,685
Bank Owned Life Insurance	26,653	26,485	16,022
Goodwill	7,576	7,576	7,182
Intangibles	4,115	4,285	1,451
Mortgage servicing rights	2,744	2,802	2,843
Other assets	22,051	9,738	9,900
Total assets	\$2,199,507	\$2,224,302	\$2,119,509
Liabilities and Shareholders' Equity			
Liabilities			
Deposits:			
Non-interest bearing demand	\$440,821	\$432,621	\$414,109
Savings and interest-bearing demand	1,325,500	1,301,169	1,214,123
Time	195,719	202,787	224,021
Total deposits	1,962,040	1,936,577	1,852,253
Accrued interest payable	363	403	551
Short-term borrowings	34,887	34,504	18,752
Other liabilities	13,027	13,720	19,475
Total liabilities	2,010,317	1,985,204	1,891,031
Shareholders' Equity			
Common stock (no par value); authorized 10,000,000 shares;			
Issued and outstanding: 3/31/2022 -- 3,883,801 ;			
12/31/2021 -- 3,880,811 ; 3/31/2021 -- 3,972,304	--	--	--
Additional paid-in capital	4,393	4,186	3,762
Treasury stock	(16,784)	(16,784)	(9,908)
Retained Earnings	243,219	240,440	221,823
Other comprehensive income	(41,638)	11,256	12,801
Total shareholders' equity	189,190	239,098	228,478
Total liabilities and shareholders' equity	\$2,199,507	\$2,224,302	\$2,119,509

Quarterly Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,		
	March 31, 2022	December 31, 2021	March 31, 2021
Interest Income			
Loans	\$9,197	\$9,794	\$9,922
Fed funds sold and deposits at other financial institutions	33	26	25
Securities available for sale:			
Taxable	3,746	3,481	2,554
Tax-exempt	1,646	1,652	1,641
Total interest income	14,622	14,953	14,142
Interest Expense			
Deposits	1,029	1,110	1,437
Short-term borrowings	16	16	8
Total interest expense	1,045	1,126	1,445
Net interest income	13,577	13,827	12,697
Provision for Credit Losses	47	36	(4)
Net interest income after provision for credit losses	13,530	13,791	12,701
Non-Interest Income			
Service charges on deposit accounts	491	486	327
Mortgage banking operations	755	1,237	1,879
Net gain (loss) on sales of securities available for sale	135	(19)	-
Brokerage commissions	276	453	215
Insurance commissions and fees	1,673	1,459	1,252
Net interchange income (expense)	654	655	710
BOLI cash value	168	172	114
Dividends from correspondent banks	25	19	22
Other	311	329	463
Total non-interest income	4,488	4,791	4,982
Non-Interest Expense			
Salaries and employee benefits	6,405	6,128	5,213
Occupancy and equipment	906	770	745
Audits and examinations	193	20	158
State and local business and occupation taxes	279	277	251
FDIC insurance & WA state assessments	173	167	145
Legal and professional fees	209	293	222
Check losses and charge-offs	133	121	201
Low income housing investment losses	144	144	144
Data processing	1,283	1,213	1,050
Product delivery	323	322	233
Other	979	929	742
Total non-interest expense	11,027	10,384	9,104
Income before income taxes	6,991	8,198	8,579
Income Taxes	913	1,367	1,264
Net income	\$6,078	\$6,831	\$7,315
Earnings Per Share			
Basic	\$ 1.57	\$ 1.76	\$ 1.84
Diluted	\$ 1.56	\$ 1.75	\$ 1.84