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CASHMERE VALLEY BANK REPORTS RECORD ANNUAL EARNINGS OF \$29.0 MILLION

CASHMERE, WA, January 18, 2022 – Cashmere Valley Bank (OTCQX: CSHX) (“Bank”), announced annual earnings of \$29.0 million for the year ended December 31, 2021. Diluted earnings per share was \$7.39, representing an increase of \$0.97 per share, or 15.1%. Earnings per share growth of 15.1% marks consecutive years with double digit earnings per share growth.

As of December 31, 2021, deposit balances totaled \$1.9 billion. Deposit balances increased approximately \$216.6 million from December 31, 2020 representing a 12.6% increase, which also makes consecutive years with double-digit growth.

On January 18, 2022 the Bank’s Board of Director’s declared a semi-annual dividend payment of \$0.85 per share to shareholders of record on January 28, 2022. The dividend will be paid on February 7, 2022.

“2021 was an outstanding year for Cashmere Valley Bank” said Greg Oakes, President and CEO.

“Though the interest rate environment and personnel expenses provided challenges, the Bank was able to attain significant income growth and achieve record earnings. The one-time nature of Payment Protection Program loan income will provide challenges going forward to repeat these results especially if the labor market continues at its current trajectory.”

2021 Highlights

Net income increased 13.8% to \$29.0 million for the year ended December 31, 2021 versus \$25.5 million for fiscal year 2020.

Diluted earnings per share increased 15.1% to \$7.39 per share. Earnings per share improved as a result of increased earnings in combination with a reduced share count due to the Bank’s second quarter share repurchase. The total number of shares repurchased in 2021 was 98,223. The repurchase increased diluted earnings per share \$0.12 for the year ended December 31, 2021.

Return on equity increased 65 basis points 12.24% from 11.59%.

Return on assets decreased five basis points to 1.36%. Significant asset growth in combination with declining asset yields contributed to the decrease.

The Bank’s net interest margin declined to 2.60% from 2.71% a year ago. Margin compression was due to significant deposit growth which has increased the Bank’s lower yielding securities portfolio. The margin was also affected because cash balances remained high throughout the year and yields on cash were near zero in 2021.

The efficiency ratio increased slightly to 55.6% from 54.2% during the same time period one year ago. The efficiency ratio increased as a result of increasing costs, largely in salaries and benefits.

Pandemic Response Update

- Payment Protection Program (PPP) loan balances decreased from \$53.5 million on December 31, 2020 to \$10.0 million on December 31, 2021.
- Income from PPP loans increased by \$2.8 million in 2021 as compared to 2020. PPP loan income increased due to a significant increase in PPP forgiveness.
- As of December 31, 2021, the Bank had approximately \$440,000 in PPP fees to record into income upon forgiveness from SBA.

Cash, Cash Equivalents and Restricted Cash

Cash balances decreased to \$114.0 million at December 31, 2021 from \$135.7 million as of December 31, 2020. Cash was reduced as the Bank put its deposits to work in the loan portfolio and available for sale securities.

Available for Sale Securities

- Balances on available for sale securities increased 28.8% during 2021 to \$1.1 billion.
- The book value of municipal securities increased \$117.2 million, collateralized mortgage obligations (CMO's) increased \$111.1 million, corporate securities increased \$28.1 million and treasury securities increased \$27.3 million.
- As of December 31, 2021, the average portfolio yield was 1.94% which represented a decrease from December 31, 2020 of two basis points.
- As of December 31, 2021, non-governmental securities had a book value of \$150.6 million. This was an increase from \$34.0 million at December 31, 2020.

Loans and Credit Quality

- December 31, 2021 gross loans totaled \$940.8 million representing a decrease of \$10.2 million or 1.1% from December 31, 2020.
- Excluding PPP loans, net loan growth was \$33.3 million during 2021. Commercial real estate loans increased \$20.3 million, construction loans increased \$17.2 million and equipment finance loans increased \$11.4 million.
- The allowance for loan and lease losses (ALLL) was 1.46%, which represented a two-basis point increase from December 31, 2020.
- The Bank did not record any provisions for loan losses during 2021. Activity through the ALLL represented only nominal charge-off and recovery activity which increased the ALLL by \$44,000.
- Non-performing loans totaled \$404,000 as of December 31, 2021, representing .04% of gross loans.

Deposits

Total deposits showed continued strength with a second consecutive year of double-digit growth as they increased \$216.6 million or 12.6%. Non-interest bearing checking accounts increased to \$432.6 million, an increase of \$67.0 million or 18.3%. Savings, money market and interest bearing checking accounts increased \$180.1 million or 14.9%. Certificates of deposit balances decreased \$30.4 million or 13.0%.

Capital

As of December 31, 2021, shareholder's equity totaled \$239.2 million, a modest increase from \$238.7 million at December 31, 2020. The Bank repurchased \$6.9 million in stock in 2021 and paid cash dividends of \$6.1 million. Capital also decreased \$16.1 million due to a decrease in the Bank's unrealized gain on available for sale investment securities which was primarily due to an increase in treasury rates during 2021. These reductions in capital were offset by the Bank's year-to-date earnings.

A total of \$13.0 million was returned to shareholders in the form of dividends and a share repurchase in 2021, while \$13.5 million was paid to shareholders in the form of regular and special dividends during 2020.

Earnings

Net Interest Income

Net interest income totaled \$52.7 million for the year ended December 31, 2021 as compared to \$46.7 million for the year ended December 31, 2020. The increase of \$6.0 million represented an increase of 12.9%. Interest income on PPP loans increased \$2.8 million in 2021 as compared to 2020. Increase in PPP income was driven by forgiveness on PPP loans during 2021. Interest income also increased due to the expansion in balances of available for sale securities. Interest income on available for sale securities increased \$3.6 million in fiscal year 2021 as compared to 2020. Interest expense decreased \$1,741,000 or 25.3% from the prior year. The majority of the decrease was realized in time deposits. The Bank's cost of funds decreased from 0.55% in 2020 to 0.35% in 2021.

Non-Interest Income

Non-interest income decreased \$1.1 million, 5.3% as compared to 2020. 2020 was a banner year in mortgage banking due to an extremely high level of mortgage refinances. Mortgage banking revenue decline from \$7.6 million to \$5.5 million in 2021. Debit card interchange income increased to \$3.9 million from \$2.2 million as a result of a vendor switch and a \$1.1 million non-recurring event.

Non-Interest Expense

Non-interest expense increased \$3.6 million or 10.2% in 2021. The Bank was not exempt from labor market challenges throughout 2021. Our regional labor market presented challenges as salaries and benefits expenses increased \$2.2 million or 10.8%. Non-interest expenses outside of salaries and benefits increased \$1.4 million or 9.4%. Professional and legal fees increased \$491,000 largely as a result of consulting fees related to the Bank's core processing renewal negotiation. These fees will be amortized over the life of the seven-year contract and total \$310,000 annually.

The provision for loans losses increased \$81,000 in 2021 due to charge off and recovery activity. In 2020, provision expense totaled \$3.2 million due to concerns related to COVID.

Federal income tax expense increased approximately \$930,000 from the prior year due to an increase in earnings and a small increase in the Bank's effective tax rate. The Bank's effective tax rate was 14.6% for 2021 as compared to 13.6% in 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 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

	December 31, 2021	September 30, 2021	December 31, 2020
Assets			
Cash and Cash Equivalent:			
Cash & due from banks	\$22,450	\$26,878	\$27,258
Interest bearing deposits	81,399	56,910	97,466
Fed funds sold	10,155	8,352	10,990
Total Cash and Cash Equivalent	114,004	92,140	135,714
Securities available for sale	1,103,232	1,086,559	856,327
Federal Home Loan Bank stock, at cost	2,393	2,393	1,982
Loans held for sale	1,148	356	1,470
Loans	940,802	946,843	950,970
Allowance for credit losses	(13,774)	(13,760)	(13,730)
Net loans	927,028	933,083	937,240
Premises and equipment	17,058	17,061	16,381
Accrued interest receivable	8,553	8,851	7,829
Bank Owned Life Insurance	26,485	26,313	15,908
Goodwill	7,576	7,518	7,182
Intangibles	4,285	2,044	1,564
Mortgage servicing rights	2,802	2,759	2,856
Other assets	9,738	10,187	9,835
Total assets	\$2,224,302	\$2,189,264	\$1,994,288
Liabilities and Shareholders' Equity			
Liabilities			
Deposits:			
Non-interest bearing demand	\$432,621	\$443,846	\$365,645
Savings and interest-bearing demand	1,301,169	1,257,270	1,121,111
Time	202,787	209,088	233,215
Total deposits	1,936,577	1,910,204	1,719,971
Accrued interest payable	403	437	612
Short-term borrowings	34,504	29,344	16,395
Other liabilities	13,721	13,976	18,631
Total liabilities	1,985,205	1,953,961	1,755,609
Shareholders' Equity			
Common stock (no par value); authorized 10,000,000 shares;			
Issued and outstanding: 12/31/2021 -- 3,880,811 ;			
9/30/2021 -- 3,880,786 ; 12/31/2020 -- 3,972,149	4,186	4,150	3,723
Treasury stock	(16,784)	(16,784)	(9,908)
Retained Earnings	240,439	233,608	217,487
Accumulated other comprehensive income	11,256	14,329	27,377
Total shareholders' equity	239,097	235,303	238,679
Total liabilities and shareholders' equity	\$2,224,302	\$2,189,264	\$1,994,288

Year-to-Date Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the twelve months ended,	
	December 31, 2021	December 31, 2020
Interest Income		
Loans	\$39,151	\$38,119
Fed funds sold and deposits at other financial institutions	106	412
Securities available for sale:		
Taxable	12,041	9,368
Tax-exempt	6,595	5,711
Total interest income	57,893	53,610
Interest Expense		
Deposits	5,094	6,847
Short-term borrowings	50	38
Total interest expense	5,144	6,885
Net interest income	52,749	46,725
Provision for Credit Losses	81	3,174
Net interest income after provision for credit losses	52,668	43,551
Non-Interest Income		
Service charges on deposit accounts	1,634	1,247
Mortgage banking operations	5,531	7,621
Net gain (loss) on sales of securities available for sale	1	2,520
Brokerage commissions	1,327	1,002
Insurance commissions and fees	5,368	4,616
Net interchange income (expense)	3,948	2,246
BOLI cash value	578	461
Dividends from correspondent banks	74	66
Other	1,439	1,237
Total non-interest income	19,900	21,016
Non-Interest Expense		
Salaries and employee benefits	22,120	19,969
Occupancy and equipment	3,123	2,997
Audits and examinations	433	479
State and local business and occupation taxes	1,032	952
FDIC insurance & WA state assessments	627	472
Legal and professional fees	991	500
Check losses and charge-offs	540	413
Low income housing investment losses	588	688
Data processing	4,637	4,636
Product delivery	1,126	1,030
Other	3,369	2,891
Total non-interest expense	38,586	35,027
Income before income taxes	33,982	29,540
Income Taxes	4,949	4,019
Net income	\$29,033	\$25,521
Earnings Per Share		
Basic	\$ 7.42	\$ 6.43
Diluted	\$ 7.39	\$ 6.42

Quarterly Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,		
	December 31, 2021	September 30, 2021	December 31, 2020
Interest Income			
Loans	\$9,794	\$9,779	\$9,761
Fed funds sold and deposits at other financial institutions	26	32	28
Securities available for sale:			
Taxable	3,481	3,143	2,259
Tax-exempt	1,652	1,646	1,617
Total interest income	14,953	14,600	13,665
Interest Expense			
Deposits	1,110	1,206	1,515
Short-term borrowings	16	14	9
Total interest expense	1,126	1,220	1,524
Net interest income	13,827	13,380	12,141
Provision for Credit Losses	36	41	321
Net interest income after provision for credit losses	13,791	13,339	11,820
Non-Interest Income			
Service charges on deposit accounts	486	466	327
Mortgage banking operations	1,237	1,050	2,110
Net gain (loss) on sales of securities available for sale	(19)	-	-
Brokerage commissions	453	290	202
Insurance commissions and fees	1,459	1,393	1,182
Net interchange income (expense)	655	1,801	587
BOLI cash value	172	176	117
Dividends from correspondent banks	19	18	15
Other	329	332	332
Total non-interest income	4,791	5,526	4,872
Non-Interest Expense			
Salaries and employee benefits	6,128	5,429	4,951
Occupancy and equipment	770	852	799
Audits and examinations	20	87	76
State and local business and occupation taxes	277	275	239
FDIC insurance & WA state assessments	167	166	139
Legal and professional fees	293	258	98
Check losses and charge-offs	121	87	99
Low income housing investment losses	144	144	134
Data processing	1,213	1,160	1,155
Product delivery	322	287	255
Other	929	907	788
Total non-interest expense	10,384	9,652	8,733
Income before income taxes	8,198	9,213	7,959
Income Taxes	1,367	1,226	967
Net income	\$6,831	\$7,987	\$6,992
Earnings Per Share			
Basic	\$ 1.76	\$ 2.06	\$ 1.76
Diluted	\$ 1.75	\$ 2.05	\$ 1.76