



Cashmere Valley Bank

FOR IMMEDIATE RELEASE

MEDIA CONTACT:

Greg Oakes, CEO, (509) 782-2092 or
Mike Lundstrom, CFO, (509) 782-5495

CASHMERE VALLEY BANK DISCUSSES IMPACT FROM TREASURY YIELD CURVE CHANGES

CASHMERE, WA, May 25, 2022 – Cashmere Valley Bank (OTCQX: CSHX) (“Bank”), announced an update to shareholders related to the fair value of the bank’s investment portfolio. Specifically, those investments classified as available for sale (AFS) and carried at fair value on the Bank’s balance sheet. The fair value of these AFS securities have been adversely impacted by the upward movement of the treasury yield curve during the first three months of 2022. The five-year and ten-year treasury yields increased 116 and 80 basis points, respectively. Generally accepted accounting principles (GAAP) require the Bank to adjust the carrying value of its AFS securities portfolio to the portfolio’s fair value at each reporting date. As the treasury yield curve increases, the fair value of the Bank’s AFS securities tend to decline which creates an unrealized loss on the securities. As the yield curve declines, the fair value of the AFS securities tend to increase, which creates an unrealized gain on the securities. At December 31, 2021, the Bank held a net unrealized gain on its AFS securities of \$14.2 million and by March 31, 2022 due to the significant increase in the treasury yield curve the net unrealized gain had become a net unrealized loss of \$52.7 million. The net impact on the carrying value of the Bank’s AFS portfolio was \$66.9 million. Under GAAP the offsetting entry for the change is to an account referred to as accumulated other comprehensive income included in the shareholders’ equity of the Bank for GAAP purposes. Because this is an unrealized loss it is not included by the Bank’s regulators in calculating regulatory capital ratios.

Greg Oakes, President and CEO stated, “The treasury yield curve movement we witnessed in the early part of 2022 was the fastest rate movement since the early 1980’s. Cashmere Valley Bank was affected more than some institutions due to the size of our AFS investment portfolio. While the AFS portfolio is of sound credit quality and the AFS portfolio provides a reliable earnings stream; we determined that the Bank should act to reduce future potential impacts of upward treasury yield curve movements. As such, during the second quarter, we liquidated approximately \$54.1 million in AFS treasury and taxable municipal securities at a realized loss of approximately \$8.2 million. We further changed the classification of \$55.6 million in AFS asset backed and municipal securities from AFS to held to maturity in accordance with GAAP.”

“The sale and held to maturity transfer do not eliminate our unrealized loss, but the actions taken do help to limit our exposure should the treasury yield curve continue to increase. We will continue to evaluate alternatives to moderate the impact of future yield curve increases through held to maturity, sales and hedges.” said Greg Oakes, President and CEO.

Greg Oakes further commented, “The proceeds from the sales have been partially absorbed into higher rate loans, which should help our future revenue streams. The remainder of the proceeds are currently held as overnight cash to further increase our liquidity position.”

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 & Schmitten 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.