



Cashmere Valley Bank

FOR IMMEDIATE RELEASE

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## **CASHMERE VALLEY BANK REPORTS ROBUST EARNINGS OF \$8.0 MILLION**

CASHMERE, WA, October 19, 2021 – Cashmere Valley Bank (OTCQX: CSHX) (“Bank”), announced 2021 quarterly earnings of \$8.0 million and year to date earnings of \$22.2 million for the periods ended September 30, 2021. Year to date diluted earnings per share were \$5.64, representing an increase of \$0.98 per share, or 20.9%.

As of September 30, 2021, deposit balances totaled \$1.9 billion. Deposit balances have increased approximately \$234.5 million from September 30, 2020, representing an 14.0% increase. Deposit balances continued to increase throughout the quarter. The quarterly increase was \$37.9 million.

“We were pleasantly surprised that our deposit balances have continued to increase at a significant pace” said Greg Oakes, President and CEO. “Our earnings continue to increase year-over-year though we would like improvement in our net interest margin, which is inflated at this time due to PPP forgiveness.”

### **Third Quarter Highlights**

The Bank reported the following statement of condition highlights as of September 30, 2021:

- September 30, 2021 gross loans and leases totaled \$946.8 million representing a decrease of \$33.8 million from September 30, 2020. PPP loans have decreased \$47.3 million due to ongoing PPP forgiveness. Excluding PPP loans, the Bank has increased its loan portfolio from September 30, 2020 by \$13.5 million. During the third quarter gross loans increased by \$5.7 million. PPP loans decreased by \$16.7 million which results in non-PPP loan growth of \$22.4 million in the third quarter.
- Total deposits have increased by \$234.5 million or 14.0% from September 30, 2020. Non-interest bearing deposits total \$443.8 million and represent 23.2% of total deposits. During the third quarter deposits increased by \$37.9 million.
- Net income for the quarter was \$8.0 million, an increase of \$1,465,000 or 22.5% over the same quarter one year ago. Diluted earnings per share increased \$0.41 per share to \$2.05 per share. Included in third quarter of 2021 earnings is a one-time settlement of \$1.1 million which will not reoccur.
- Year-over-year return on assets has increased 1 basis point to 1.41%.
- Year-to-date return on equity has increased 110 basis points to 12.53%. The increase from the prior year is due to increased earnings. The Bank’s capital ratios have not substantially increased due to the Bank’s asset growth.

## **Pandemic Response Update**

As of September 30, 2021, the remaining balance on PPP loans totaled \$22.7 million. Remaining fees to be earned totaled \$1.1 million. During the quarter, net deferred fees reported through income totaled \$810,000 and year to date net deferred fees totaled \$2,645,000.

The Bank began providing support to its employees at the onset of COVID-19 including at-risk employees, and employees with child care needs. During the past year the Bank has continued to provide child care support as well as support to get vaccinated and recover from vaccination side effects.

## **Cash, Cash Equivalents and Restricted Cash**

Total cash, cash equivalents and restricted cash totaled \$92.1 million at September 30, 2021, compared to \$151.3 million at September 30, 2020. The decrease in cash has been intentional as the Bank has deployed excess cash into loans and available for sale securities.

## **Investments**

The investment portfolio totaled \$1.1 billion at September 30, 2021, an increase of \$326.6 million from September 30, 2020. The increase is a result of significant deposit growth combined with efforts to deploy excess cash. The Bank has intentionally increased the credit risk in the securities portfolio in an attempt to mitigate the decreasing loan to asset ratio. Non-agency asset backed securities total \$79.1 million and corporate debt totaled \$42.8 million.

## **Loans and Credit Quality**

Gross loans totaled \$946.8 million as of September 30, 2021 an increase of \$5.6 million from June 30, 2021 and a decrease of \$33.8 million from September 30, 2020. As compared to September 30, 2020 real estate balances consisting of multifamily and consumer adjustable rate mortgages have decreased \$34.7 million as many residential real estate loans have refinanced into fixed rate Freddie Mac loans that were sold off of the Bank's balance sheet. Commercial and agriculture balances have decreased \$15.6 million. The decrease in commercial and agriculture balances were primarily the result of a decrease of \$47.3 million in PPP loans which were partially offset by increases in commercial loans. Commercial real estate loans have increased \$9.5 million and construction and land development loans have increased \$9.2 million since September 30, 2020.

The allowance for loans and lease losses (ALLL) was 1.45% of gross loans as compared to 1.38% one year ago. The Bank has not made any provisions during 2021 and the allowance totals \$13.8 million.

Credit quality remains exceptionally strong with non-performing loans totaling \$712,000 representing 0.08% of total loans as of September 30, 2021.

## **Deposits**

Deposits totaled \$1.910 billion at September 30, 2021, as compared to \$1.676 billion at September 30, 2020. The \$234.5 million increase in deposits from September 30, 2020 represented a 14.0% increase. Transaction accounts grew \$271.8 million while time deposits decreased \$37.3 million over the prior 12 months.

## **Capital**

Capital levels remain strong. Tier 1 capital was \$210.3 million as of September 30, 2021 as compared to \$194.7 million as of September 30, 2020.

The Bank has returned \$13.0 million to shareholder in the form of dividends and stock repurchases in 2021. Dividend payments represented \$6.1 million and the share repurchase totaled \$6.9 million.

## **Earnings**

### *Net Interest Income*

Net interest income totaled \$13.4 million during the third quarter of 2021 and \$38.9 million year to date as compared to \$11.4 million during the third quarter of 2020 and \$34.6 million during the first nine months of 2020. The primary reason for increases in net interest income were increases in PPP fees which are recorded into income at the time of PPP loan forgiveness. Net PPP fees totaled approximately \$2.6 million in the first nine months of 2021. Net fees in the second quarter were approximately \$810,000. PPP fees recognized in the first nine months of 2020 were negligible.

Interest income from available for sale securities totaled \$13.5 million in the first nine months of 2021, compared to \$11.2 million in the comparable period from one year ago. As compared to the prior year, yields on investment securities have decreased from 2.39% to 1.88%.

The net interest margin was 2.60% for the first nine months of 2021, compared to 2.75% in the first nine months of 2020. Loan yields have increased 13 basis points, while cash and available for sale securities yields have decreased 37 and 51 basis points respectively. PPP forgiveness was attributable for 17 basis points of the net interest margin for the nine months ended September 31, 2021. Absent PPP forgiveness the Bank's net interest margin was 2.43%.

### *Non-Interest Income*

Year-to-date non-interest income totals \$15.1 million versus \$16.1 million during the prior year. Included in 2021 non-interest income is a one-time gain of \$1.1 million. The decrease in non-interest income was due to a \$2.5 million reduction on gains on security sales and a reduction of \$1.2 million in income from mortgage banking.

### *Non-Interest Expense*

Non-interest expense has increased 7.3% year-over-year, or \$1.9 million. Wages and benefits have increased \$973,000 as wage rates have been under pressure and health insurance premiums have increased.

Professional and legal expenses have increased \$296,000 due primarily to consulting expenses.

The Bank's efficiency ratio remains strong and was 54.7% through the first nine months of 2021 as compared to 54.3% in the first nine months of 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 & 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.

**Consolidated Balance Sheets (UNAUDITED)***(Dollars in Thousands)*

Cashmere Valley Bank and Subsidiary

	September 30, 2021	June 30, 2021	September 30, 2020
<b>Assets</b>			
Cash and Cash Equivalent:			
Cash & due from banks	\$26,878	\$21,890	\$22,130
Interest bearing deposits	56,910	94,013	121,931
Fed funds sold	8,352	18,743	7,202
Total Cash and Cash Equivalent	92,140	134,646	151,263
Securities available for sale	1,086,559	1,007,823	759,994
Federal Home Loan Bank stock, at cost	2,393	2,393	1,982
Loans held for sale	356	532	4,109
Loans	946,843	941,176	980,598
Allowance for credit losses	(13,760)	(13,854)	(13,496)
<b>Net loans</b>	<b>933,083</b>	<b>927,322</b>	<b>967,102</b>
Premises and equipment	17,061	17,348	16,605
Accrued interest receivable	8,851	8,181	7,905
Bank Owned Life Insurance	26,313	26,138	15,791
Goodwill	7,518	7,518	7,182
Intangibles	2,044	2,233	1,683
Mortgage servicing rights	2,759	2,808	2,776
Other assets	10,187	10,552	8,078
<b>Total assets</b>	<b>\$2,189,264</b>	<b>\$2,147,494</b>	<b>\$1,944,470</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities</b>			
Deposits:			
Non-interest bearing demand	\$443,846	\$422,606	\$376,319
Savings and interest-bearing demand	1,257,270	1,232,659	1,053,022
Time	209,088	217,057	246,376
<b>Total deposits</b>	<b>1,910,204</b>	<b>1,872,322</b>	<b>1,675,717</b>
Accrued interest payable	437	506	653
Short-term borrowings	29,344	25,409	15,590
Other liabilities	13,976	14,587	23,718
<b>Total liabilities</b>	<b>1,953,961</b>	<b>1,912,824</b>	<b>1,715,678</b>
<b>Shareholders' Equity</b>			
Common stock (no par value); authorized 10,000,000 shares;			
Issued and outstanding: 9/30/2021 -- 3,880,786 ;			
6/30/2021 -- 3,876,931 ; 9/30/2020 -- 3,972,149	4,150	3,898	3,685
Treasury stock	(16,784)	(16,784)	(9,908)
Retained Earnings	233,608	228,723	210,495
Accumulated other comprehensive income	14,329	18,833	24,520
<b>Total shareholders' equity</b>	<b>235,303</b>	<b>234,670</b>	<b>228,792</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$2,189,264</b>	<b>\$2,147,494</b>	<b>\$1,944,470</b>

## Quarterly Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,		
	September 30, 2021	June 30, 2021	September 30, 2020
<b>Interest Income</b>			
Loans	\$9,779	\$9,656	\$9,460
Deposits at other financial institutions	32	23	34
Federal funds sold			
Securities available for sale:			
Taxable	3,143	2,862	2,061
Tax-exempt	1,646	1,657	1,531
<b>Total interest income</b>	<b>14,600</b>	<b>14,198</b>	<b>13,086</b>
<b>Interest Expense</b>			
Deposits	1,206	1,341	1,682
Short-term borrowings	14	11	12
<b>Total interest expense</b>	<b>1,220</b>	<b>1,352</b>	<b>1,694</b>
<b>Net interest income</b>	<b>13,380</b>	<b>12,846</b>	<b>11,392</b>
<b>Provision for Credit Losses</b>	41	8	386
<b>Net interest income after provision for credit losses</b>	<b>13,339</b>	<b>12,838</b>	<b>11,006</b>
<b>Non-Interest Income</b>			
Service charges on deposit accounts	466	354	254
Mortgage banking operations	1,050	1,364	2,242
Net gain (loss) on sales of securities available for sale	-	21	-
Brokerage commissions	290	369	338
Insurance commissions and fees	1,393	1,264	1,105
Net interchange income (expense)	1,801	783	705
BOLI cash value	176	116	116
Dividends from correspondent banks	18	15	15
Other	332	314	333
<b>Total non-interest income</b>	<b>5,526</b>	<b>4,600</b>	<b>5,108</b>
<b>Non-Interest Expense</b>			
Salaries and employee benefits	5,429	5,349	4,808
Occupancy and equipment	852	756	720
Audits and examinations	87	168	85
State and local business and occupation taxes	275	228	251
FDIC insurance & WA state assessments	166	148	137
Legal and professional fees	258	217	125
Check losses and charge-offs	87	131	94
Low income housing investment losses	144	155	136
Data processing	1,160	1,214	1,211
Product delivery	287	284	223
Other	907	797	747
<b>Total non-interest expense</b>	<b>9,652</b>	<b>9,447</b>	<b>8,537</b>
<b>Income before income taxes</b>	<b>9,213</b>	<b>7,991</b>	<b>7,577</b>
<b>Income Taxes</b>	<b>1,226</b>	<b>1,092</b>	<b>1,055</b>
<b>Net income</b>	<b>\$7,987</b>	<b>\$6,899</b>	<b>\$6,522</b>
<b>Earnings Per Share</b>			
Basic	\$ 2.06	\$ 1.76	\$ 1.64
Diluted	\$ 2.05	\$ 1.75	\$ 1.64

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

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the nine months ended,	
	September 30, 2021	September 30, 2020
<b>Interest Income</b>		
Loans	\$29,357	\$28,358
Deposits at other financial institutions	80	385
Federal Funds Sold		
Securities available for sale:		
Taxable	8,559	7,109
Tax-exempt	4,944	4,094
<b>Total interest income</b>	<b>42,940</b>	<b>39,946</b>
<b>Interest Expense</b>		
Deposits	3,984	5,333
Short-term borrowings	33	30
<b>Total interest expense</b>	<b>4,017</b>	<b>5,363</b>
<b>Net interest income</b>	<b>38,923</b>	<b>34,583</b>
<b>Provision for Credit Losses</b>	45	2,853
<b>Net interest income after provision for credit losses</b>	<b>38,878</b>	<b>31,730</b>
<b>Non-Interest Income</b>		
Service charges on deposit accounts	1,147	921
Mortgage banking operations	4,294	5,511
Net gain (loss) on sales of securities available for sale	21	2,520
Brokerage commissions	875	800
Insurance commissions and fees	3,910	3,434
Net interchange income (expense)	3,293	1,659
BOLI cash value	406	344
Dividends from correspondent banks	55	51
Other	1,110	906
<b>Total non-interest income</b>	<b>15,111</b>	<b>16,146</b>
<b>Non-Interest Expense</b>		
Salaries and employee benefits	15,991	15,018
Occupancy and equipment	2,353	2,198
Audits and examinations	413	403
State and local business and occupation taxes	755	713
FDIC insurance & WA state assessments	460	333
Legal and professional fees	697	401
Check losses and charge-offs	419	314
Low income housing investment losses	444	554
Data processing	3,424	3,481
Product delivery	804	775
Other	2,444	2,105
<b>Total non-interest expense</b>	<b>28,204</b>	<b>26,295</b>
<b>Income before income taxes</b>	<b>25,785</b>	<b>21,581</b>
<b>Income Taxes</b>	<b>3,583</b>	<b>3,052</b>
<b>Net income</b>	<b>\$22,202</b>	<b>\$18,529</b>
<b>Earnings Per Share</b>		
Basic	\$ 5.66	\$ 4.67
Diluted	\$ 5.64	\$ 4.66