

COEUR D'ALENE BANCORP

April 3, 2023

Dear Shareholder,

2022 was a year with many successes including record profitability, but it was not without its challenges as it relates to inflation not seen in 40 years, rapidly rising interest rates, and workforce shortages.

The company reported earnings of \$2,164,332 or \$1.14 per share versus \$1,775,329 or \$.94 per share in 2021. Growth in earnings was a result of strong loan growth coupled with rising interest rates offsetting non-recurring income earned in 2021 from Paycheck Protection Program (PPP) loans.

Total assets decreased 1.22% ending the year at \$244.4 million, down from \$247.4 million in 2021. Total loans grew \$25 million or 30.42%. Our bond portfolio increased \$24.76 million during the year. As interest rates increased our bond portfolio went from an unrealized gain of \$498 thousand at the end of 2021 to a \$5.9 million loss at December 31, 2022. All losses are unrealized and will be recouped as bonds mature or interest rates decline.

Deposits grew \$2.97 million ending the year at \$222.5 million but declined in the fourth quarter as depositors sought out higher yields outside of bank deposits.

As we move into 2023, we expect continued deposit runoff as competition offers rates at or above the overnight federal funds rate. Our investment portfolio continues to have short duration allowing us to meet our cashflow needs and reinvest at higher yields. Our local economy is showing minimal signs of deterioration, but we anticipate a slowdown of financial activities as interest rates continue to increase. Our balance sheet remains well positioned for a rising rate environment which should benefit our net interest margin and earnings.

Enclosed are the shareholder materials for our annual shareholder meeting to be held Wednesday **May 17, 2023, at 5:30 p.m.**, for shareholders of record on April 3, 2023. At the meeting, shareholders will be asked to vote on the annual election of directors for a one-year term. Whether or not you plan on attending, we request that you vote online or return the enclosed proxy promptly via mail.

If you have any questions regarding the upcoming shareholder meeting or the annual report, please feel free to contact me.

Sincerely,

Wes Veach
President/CEO

Enclosures
Proxy Materials