



Cashmere Valley Bank

FOR IMMEDIATE RELEASE

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CASHMERE VALLEY BANK REPORTS ANOTHER STRONG QUARTER OF EARNINGS AT \$7.2 MILLION, YEAR TO DATE EARNINGS OF \$21.1 MILLION

CASHMERE, WA, October 22, 2024 – Cashmere Valley Bank (OTCQX: CSHX) (“Bank”), announced quarterly earnings of \$7.2 million for the quarter ended September 30, 2024. Year to date earnings totaled \$21.1 million as compared to \$20.3 million for the nine months ended September 30, 2023. Year to date diluted earnings per share were \$5.42, representing an increase of \$0.20 per share, or 3.9%. Third quarter earnings per share totaled \$1.84, which represented a decrease of \$0.01 per diluted share from the third quarter 2023.

As of September 30, 2024, deposit balances totaled \$1.825 billion, an increase of \$51.2 million, or 2.9%, from December 31, 2023. For the third quarter, deposit balances increased \$52.5 million, or 3.0%. Non-interest deposits totaled \$409.4 million, which represented 22.4% of total deposits. During the third quarter non-interest deposits grew \$19.8 million, or 5.1%.

“We are extremely pleased that deposit balances are increasing again,” said Greg Oakes, President and CEO. “The rate of increase in the cost of our deposits also slowed. The combination of these two is a tremendous relief. Seeing an expansion in our net interest margin in the quarter was a pleasant surprise and should bode well for us to wrap up another successful year.”

Q3 Highlights

The Bank reported the following statement of condition highlights as of September 30, 2024:

- As of September 30, 2024, gross loans totaled \$997.1 million, representing a decrease from December 31, 2023 of \$45.3 million. Gross loans decreased during the third quarter by \$18.3 million as originations remained soft.
- For the third quarter, return on assets was 1.37%. The Bank’s return on assets year to date increased to 1.37% from 1.34% one year ago.
- The Bank’s year to date return on equity was 13.25% as compared to 15.31% one year ago. For the third quarter, return on equity was 12.82%. The decrease in return on equity was primarily related to an increasing capital base. Year to date earnings and a reduction in unrealized loss on available for sale securities have increased the Bank’s capital position.

Cash, Cash Equivalents and Restricted Cash

Total cash, cash equivalents and restricted cash totaled \$186.9 million at September 30, 2024, compared to \$117.1 million at December 31, 2023. The Bank has made a concerted effort to maintain large cash balances through security sales and paydowns without full reinvestment of principal, and through deposit growth that occurred during the third quarter.

Investments

The book value of the Bank’s investment portfolio totaled \$890.6 million at September 30, 2024, an increase of \$32.6 million from December 31, 2023. As of September 30, 2024, \$131.6 million in

securities were classified as held-to-maturity as compared to \$139.8 million as of December 31, 2023. Unrealized losses on securities have decreased from \$67.3 million as of December 31, 2023 to \$47.8 million as of September 30, 2024.

As of September 30, 2024, the Bank had not realized any losses on security sales. In 2023, the Bank realized \$2.3 million in security losses through September 30, 2023.

Loans and Credit Quality

Gross loans decreased \$18.3 million from the prior quarter and totaled \$997.1 million as of September 30, 2024. Gross loans have decreased \$45.3 million from December 31, 2023. During 2024, auto dealer loans have decreased \$20.2 million, commercial real estate loans have decreased \$18.1 million, and multifamily loans are down \$11.4 million.

As of September 30, 2024, the allowance for credit losses on loans (ACL) was 1.32% of gross loans as compared to 1.26% one year ago. The Bank allocated \$1,506,000 to the loan loss provisions through the third quarter of 2024 as compared to \$1,828,000 through the third quarter of 2023. The balance in the allowance for credit losses was \$13.1 million at September 30, 2024.

Credit quality remains strong. Non-performing loans represented 0.28% of gross loans as of September 30, 2024, as compared to 0.23% as of September 30, 2023.

Deposits

Total deposits increased by \$52.5 million from June 30, 2024 to September 30, 2024. Year to date, the Bank's cost of funds was 1.68%.

Equity

GAAP capital reflected an increase of \$54.1 million from September 30, 2023, and an increase of \$30.0 million from December 31, 2023. Earnings during those time periods along with significant reductions in unrealized losses on available for sale securities bolstered the Bank's capital position. The capital to assets ratio was 11.0% as of September 30, 2024.

Earnings

Net Interest Income

For the nine months ended September 30, 2024, net interest income totaled \$47.2 million as compared to \$49.2 million during the same period one year ago. The decrease from the prior year was due to rapidly increasing costs on deposits. Deposit rates changed substantially due to an increase in fed funds rates along with competition for deposits. Higher rates have benefited the Bank's assets. Income from loans increased \$4.9 million, securities income increased \$3.9 million, and cash income increased \$1.0 million as compared to the prior year.

Net interest income increased \$1.1 million over the prior quarter. Deposit costs continued to rise during the quarter, however, the rate of increase slowed substantially. Deposit balances also grew, which enabled the Bank to hold more cash on hand, invest in securities, and resulted in higher interest income for the quarter. Interest expense increased from the prior quarter by \$330,000, or 4.2%, while interest income increased \$1.4 million, or 6.1%.

The net interest margin was 3.14% for the first nine months of 2024, compared to 3.29% during the first nine months of 2023. The margin has been adversely affected by deposit costs. For the quarter ended September 30, 2024 the net interest margin showed improvement over the same quarter one year ago. The quarterly margin was 3.22% as compared to 3.07% one year ago.

Non-Interest Income

Non-interest income totaled \$15.2 million in the first nine months of 2024 as compared to \$12.2 million in the first nine months of 2023. The primary driver for the increase in non-interest income was a reduction in realized losses on available for sale securities. Available for sale security losses totaled \$2.3 million through September 30, 2023 and no security losses were realized through September 30, 2024. Insurance commissions also increased \$639,000 and wealth management commissions increased \$298,000.

Non-Interest Expense

Non-interest expense totaled \$35.6 million in the first nine months of 2024 as compared to \$34.8 million in the first nine months of 2023. The increase in costs totaled \$738,000, or 2.1%.

Increases in salary and benefits were primarily responsible for the increase in non-interest expense. As compared to the same period one year ago, wages and benefits expense increased \$540,000, or 2.7%. In late 2023, the Bank applied for and recorded a \$3.9 million reduction in payroll taxes due to the Employee Retention Tax Credit. To date, the Bank's application has not been reviewed or approved by the IRS.

The Bank's efficiency ratio was 57.0% in the first nine months of 2024 as compared to 56.8% in the first nine months of 2023.

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 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

	September 30, 2024	June 30, 2024	September 30, 2023
Assets			
Cash and Cash Equivalent:			
Cash & due from banks	\$33,150	\$21,484	\$26,859
Interest bearing deposits	149,764	134,051	105,325
Fed funds sold	3,982	3,578	2,662
Total Cash and Cash Equivalent	186,896	159,113	134,846
Securities available for sale	711,205	652,136	600,278
Securities held to maturity, net of allowance for credit losses of \$17, \$18 and \$21, respectively	131,558	133,434	141,258
Federal Home Loan Bank stock, at cost	2,891	2,936	2,505
Loans held for sale	964	673	1,223
Loans	997,119	1,015,444	1,026,040
Allowance for credit losses	(13,134)	(13,198)	(13,252)
Net loans	983,985	1,002,246	1,012,788
Premises and equipment	19,645	20,097	21,061
Accrued interest receivable	9,466	9,416	8,734
Other real estate and foreclosed assets	97	97	97
Bank Owned Life Insurance	27,428	27,212	26,628
Goodwill	7,579	7,579	7,576
Intangibles	2,964	3,152	3,557
Mortgage servicing rights	2,460	2,477	2,567
Net deferred tax assets	15,548	18,394	23,735
Other assets	10,152	14,404	12,302
Total assets	\$2,112,838	\$2,053,366	\$1,999,155
Liabilities and Shareholders' Equity			
Liabilities			
Deposits:			
Non-interest bearing demand	\$409,407	\$389,580	\$441,561
Savings and interest-bearing demand	928,238	918,205	1,008,861
Time	487,341	464,688	346,346
Total deposits	1,824,986	1,772,473	1,796,768
Accrued interest payable	2,991	2,642	1,476
Short-term borrowings	37,000	48,322	8,267
Other liabilities	15,007	11,725	14,243
Total liabilities	1,879,984	1,835,162	1,820,754
Shareholders' Equity			
Common stock (no par value); authorized 10,000,000 shares;			
Issued and outstanding: 9/30/2024 -- 3,890,990 ;			
6/30/2024 -- 3,890,990 ; 9/30/2023 -- 3,883,981	--	--	--
Additional paid-in capital	5,233	5,184	4,782
Treasury stock	(16,784)	(16,784)	(16,784)
Retained Earnings	294,578	290,710	272,400
Other comprehensive income	(50,652)	(61,360)	(82,171)
Total Cashmere Valley Bank shareholders' equity	232,375	217,750	178,227
Noncontrolling interest	479	454	174
Total shareholders' equity	232,854	218,204	178,401
Total liabilities and shareholders' equity	\$2,112,838	\$2,053,366	\$1,999,155

Quarterly Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,		
	September 30, 2024	June 30, 2024	September 30, 2023
Interest Income			
Loans	\$13,210	\$13,264	\$12,115
Fed funds sold and deposits at other financial institutions	2,193	1,458	1,448
Securities available for sale:			
Taxable	7,921	7,145	6,254
Tax-exempt	348	344	372
Securities held to maturity:			
Taxable	759	786	778
Tax-exempt	24	47	46
Total interest income	24,455	23,044	21,013
Interest Expense			
Deposits	7,560	7,166	4,709
Short-term borrowings	548	612	49
Total interest expense	8,108	7,778	4,758
Net interest income	16,347	15,266	16,255
Provision for Credit Losses	904	657	743
Net interest income after provision for credit losses	15,443	14,609	15,512
Non-Interest Income			
Service charges on deposit accounts	543	502	553
Mortgage banking operations	399	463	465
Net gain (loss) on sales of securities available for sale	--	--	-
Brokerage commissions	346	349	247
Insurance commissions and fees	2,177	2,225	1,830
Net interchange income (expense)	1,169	1,131	1,188
BOLI cash value	216	203	180
Dividends from correspondent banks	60	59	19
Other	303	309	298
Total non-interest income	5,213	5,241	4,780
Non-Interest Expense			
Salaries and employee benefits	6,781	6,537	6,374
Occupancy and equipment	818	855	1,041
Audits and examinations	108	195	157
State and local business and occupation taxes	374	239	346
FDIC insurance & WA state assessments	244	224	265
Legal and professional fees	290	303	232
Check losses and charge-offs	115	148	185
Low income housing investment losses	157	169	153
Data processing	1,555	1,578	1,657
Product delivery	354	369	301
Other	1,073	1,087	817
Total non-interest expense	11,869	11,704	11,528
Income before income taxes	8,787	8,146	8,764
Income Taxes	1,587	1,472	1,574
Net income	\$7,200	\$6,674	\$7,190
Net income attributable to noncontrolling interest	25	27	7
Net income attributable to Cashmere Valley Bank	\$7,175	\$6,647	\$7,183
Earnings Per Share			
Basic	\$ 1.84	\$ 1.71	\$ 1.85
Diluted	\$ 1.84	\$ 1.71	\$ 1.85

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

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the nine months ended,	
	September 30, 2024	September 30, 2023
Interest Income		
Loans	\$39,495	\$34,626
Fed funds sold and deposits at other financial institutions	4,949	3,906
Securities available for sale:		
Taxable	22,286	17,797
Tax-exempt	969	1,529
Securities held to maturity:		
Taxable	2,330	2,364
Tax-exempt	118	138
Total interest income	70,147	60,360
Interest Expense		
Deposits	21,177	11,096
Short-term borrowings	1,768	108
Total interest expense	22,945	11,204
Net interest income	47,202	49,156
Provision for Credit Losses	1,506	1,828
Net interest income after provision for credit losses	45,696	47,328
Non-Interest Income		
Service charges on deposit accounts	1,504	1,656
Mortgage banking operations	1,152	1,140
Net gain (loss) on sales of securities available for sale	--	(2,258)
Brokerage commissions	1,065	767
Insurance commissions and fees	6,352	5,713
Net interchange income (expense)	3,467	3,700
BOLI cash value	619	523
Dividends from correspondent banks	153	66
Other	868	867
Total non-interest income	15,180	12,174
Non-Interest Expense		
Salaries and employee benefits	20,387	19,847
Occupancy and equipment	2,553	2,988
Audits and examinations	486	353
State and local business and occupation taxes	947	1,001
FDIC insurance & WA state assessments	712	788
Legal and professional fees	834	740
Check losses and charge-offs	382	454
Low income housing investment losses	327	479
Data processing	4,732	4,696
Product delivery	1,054	931
Other	3,153	2,552
Total non-interest expense	35,567	34,829
Income before income taxes	25,309	24,673
Income Taxes	4,152	4,356
Net income	21,157	20,317
Net income attributable to noncontrolling interest	57	23
Net income attributable to Cashmere Valley Bank	\$21,100	\$20,294
Earnings Per Share		
Basic	\$ 5.43	\$ 5.23
Diluted	\$ 5.42	\$ 5.22