



Cashmere Valley Bank

FOR IMMEDIATE RELEASE

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## **CASHMERE VALLEY BANK REPORTS ROBUST YEAR-TO-DATE EARNINGS OF \$13.9 MILLION**

CASHMERE, WA, July 16, 2024 – Cashmere Valley Bank (OTCQX: CSHX) (“Bank”), announced quarterly earnings of \$6.6 million for the quarter ended June 30, 2024. Year-to-date earnings totaled \$13.9 million as compared to \$13.1 million for the six months ended June 30, 2023. Year-to-date diluted earnings per share equaled \$3.58, representing an increase of \$0.21 per share, or 6.1%. Quarterly diluted earnings per share totaled \$1.71 in the second quarter, an increase of \$0.32 per share, or 23.1%, from the second quarter 2023.

As of June 30, 2024, deposit balances totaled \$1.772 billion, a decrease of \$1.3 million, or 0.1%, from December 31, 2023. For the second quarter, deposit balances fell by \$12.3 million, or 0.7%.

“Our deposits have stabilized in 2024,” said Greg Oakes, President and CEO. “We are relieved that pressures on deposit balances have somewhat subsided. Additionally, our net interest margin appears to have settled in at a level above our projections. Our core earnings remain very strong, especially in comparison to peers, and we are extremely pleased with our second quarter results.”

### **Q2 Highlights**

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

- On July 16, 2024, the Bank’s Board of Directors declared a dividend of \$0.85 per share. The dividend will be payable on August 5, 2024 for shareholders of record on July 26, 2024.
- As of June 30, 2024, gross loans totaled \$1.015 billion representing a decrease from June 30, 2023 of \$10.7 million. The reduction was primarily due to a pair of significant multifamily loan payoffs.
- Non-interest deposits totaled \$389.6 million, or 22.0% of the Bank’s total deposits.
- The Bank’s year to date return on assets increased to 1.37% from 1.30%
- The Bank’s return on equity through the first six months of 2024 was 13.48% as compared to 15.21% one year ago. Return on equity has declined as the Bank’s capital levels have increased through earnings and a reduction in unrealized losses.

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

Total cash, cash equivalents and restricted cash totaled \$159.1 million at June 30, 2024, compared to \$121.3 million at June 30, 2023. The Bank has made a concerted effort to bolster its cash position through loan and security maturities and paydowns without full reinvestment of principal.

## **Investments**

The fair value of the Bank's investment portfolio totaled \$652.1 million at June 30, 2024, which represents an increase of \$24.5 million from June 30, 2023. As of June 30, 2024, \$133.5 million in securities were classified as held-to-maturity as compared to \$142.8 million one year ago. Yields on securities have significantly increased to 3.91% for the first six months of 2024 from 3.24% for the first six months of 2023. Yields have increased due to new purchases in the current rate environment and floating rate securities repricing upwards.

The Bank has not sold any securities at a loss in 2024. In 2023, the Bank realized losses of \$2.3 million on security sales through the second quarter.

## **Loans and Credit Quality**

Gross loans totaled \$1.015 billion as of June 30, 2024, which represents a decrease of \$27.0 million from December 31, 2023 and a decrease of \$10.7 million from June 30, 2023. Since December 31, 2023, multifamily loans have decreased \$23.7 million and commercial real estate loans have decreased \$13.6 million. Construction and land development totals increased by \$10.5 million.

At June 30, 2024, the allowance for credit losses on loans (ACL) was 1.30% of gross loans as compared to 1.22% one year ago.

Credit quality remains exceptionally strong with non-performing loans representing 0.23% of gross loans as of June 30, 2024. This is a slight increase from 0.14% as of June 30, 2023.

## **Deposits**

Total deposits decreased by \$26.3 million, or 1.5%, from June 30, 2023. From December 31, 2023 to June 30, 2024 total deposits decreased \$1.3 million, or 0.1%. Non-interest deposits totaled \$389.6 million as of June 30, 2024, which represents 22.0% of total deposits. The average cost of interest-bearing liabilities increased 109 basis points to 2.10% as compared to the six months ended June 30, 2023.

## **Equity**

As of June 30, 2024, Tier 1 capital remains strong. Tier 1 capital increased to \$266.7 million from \$243.5 million at June 30, 2023, due to earnings less dividends paid during 2024.

GAAP capital reflected an increase of \$35.6 million from June 30, 2023, and an increase of \$15.4 million from December 31, 2023. As of June 30, 2024, the Bank's GAAP capital to assets ratio was 10.60% as compared to 9.07% one year ago. GAAP capital levels increased primarily due to Bank earnings and a reduction of \$12.9 million in unrealized losses. As of June 30, 2024, unrealized losses on available for sale securities totaled \$61.4 million.

## **Earnings**

### *Net Interest Income*

For the six months ended June 30, 2024, net interest income totaled \$30.9 million compared to \$32.9 million in the same period one year ago. The decrease from the prior quarter was a result of increasing interest expense. Interest expense grew \$8.4 million dollars to \$14.8 million from the prior year. The significant increase in interest expense was partially offset by increases in loan income of \$3.8 million and securities income of \$2.3 million.

For the quarter ended June 30, 2024, net interest income decreased a modest \$325,000 from the quarter ended March 31, 2024. The decrease from the prior quarter was due to increasing cost of funds on deposits, which increased approximately \$720,000 quarter over quarter.

The net interest margin was 3.11% for the first six months of 2024, compared to 3.30% during the first six months of 2023. For the quarter ended June 30, 2024 the net interest margin was 3.07% as compared to 3.17% in the second quarter of 2023.

#### *Non-Interest Income*

Non-interest income totaled \$10.0 million in the first six months of 2024 as compared to \$7.4 million in the first six months of 2023. Losses on securities sales represented \$2.3 million reduction to income in 2023. Increases were noted in non-interest income from insurance commissions and fees, brokerage commissions and mortgage banking operations.

#### *Non-Interest Expense*

Non-interest expense totaled \$23.7 million in the first six months of 2024, as compared to \$23.3 million in the first six months of 2023. The rate of increase in salaries and benefits, occupancy and data processing have all slowed greatly contributing to the modest increase in non-interest expense.

The Bank's efficiency ratio was 58.1% in the first six months of 2024 as compared to 57.8% in the first six 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 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

	June 30, 2024	March 31, 2024	June 30, 2023
<b>Assets</b>			
Cash and Cash Equivalent:			
Cash & due from banks	\$21,484	\$21,393	\$26,674
Interest bearing deposits	134,051	113,141	91,422
Fed funds sold	3,578	3,639	3,179
<b>Total Cash and Cash Equivalent</b>	<b>159,113</b>	<b>138,173</b>	<b>121,275</b>
Securities available for sale	652,136	655,680	627,646
Securities held to maturity, net of allowance for credit losses of \$18, \$19 and \$22, respectively	133,434	137,936	142,796
Federal Home Loan Bank stock, at cost	2,936	2,981	2,505
Loans held for sale	673	342	165
Loans	1,015,444	1,041,410	1,026,191
Allowance for credit losses	(13,198)	(12,947)	(12,540)
<b>Net loans</b>	<b>1,002,246</b>	<b>1,028,463</b>	<b>1,013,651</b>
Premises and equipment	20,097	20,510	20,749
Accrued interest receivable	9,416	9,444	8,081
Other real estate and foreclosed assets	97	97	97
Bank Owned Life Insurance	27,212	27,009	26,447
Goodwill	7,579	7,576	7,576
Intangibles	3,152	3,291	3,633
Mortgage servicing rights	2,477	2,485	2,587
Net deferred tax assets	18,394	18,695	21,634
Other assets	14,404	13,569	9,890
<b>Total assets</b>	<b>\$2,053,366</b>	<b>\$2,066,251</b>	<b>\$2,008,732</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities</b>			
Deposits:			
Non-interest bearing demand	\$389,580	\$398,960	\$415,164
Savings and interest-bearing demand	918,205	936,416	1,023,585
Time	464,688	449,462	360,056
<b>Total deposits</b>	<b>1,772,473</b>	<b>1,784,838</b>	<b>1,798,805</b>
Accrued interest payable	2,642	2,661	1,526
Short-term borrowings	48,322	54,636	13,350
Other liabilities	11,725	14,008	12,697
<b>Total liabilities</b>	<b>1,835,162</b>	<b>1,856,143</b>	<b>1,826,378</b>
<b>Shareholders' Equity</b>			
Common stock (no par value); authorized 10,000,000 shares;			
Issued and outstanding: 6/30/2024 -- 3,890,990 ;			
3/31/2024 -- 3,884,186 ; 6/30/2023 -- 3,883,981	--	--	--
Additional paid-in capital	5,184	4,895	4,721
Treasury stock	(16,784)	(16,784)	(16,784)
Retained Earnings	290,710	284,062	268,517
Other comprehensive income	(61,360)	(62,491)	(74,266)
<b>Total Cashmere Valley Bank shareholders' equity</b>	<b>217,750</b>	<b>209,682</b>	<b>182,188</b>
Noncontrolling interest	454	426	166
<b>Total shareholders' equity</b>	<b>218,204</b>	<b>210,108</b>	<b>182,354</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$2,053,366</b>	<b>\$2,066,251</b>	<b>\$2,008,732</b>

## Quarterly Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,		
	June 30, 2024	March 31, 2024	June 30, 2023
<b>Interest Income</b>			
Loans	\$13,264	\$13,021	\$11,559
Fed funds sold and deposits at other financial institutions	1,458	1,299	990
Securities available for sale:			
Taxable	7,145	7,220	5,975
Tax-exempt	344	277	467
Securities held to maturity:			
Taxable	786	785	781
Tax-exempt	47	47	46
<b>Total interest income</b>	<b>23,044</b>	<b>22,649</b>	<b>19,818</b>
<b>Interest Expense</b>			
Deposits	7,166	6,449	4,156
Short-term borrowings	612	609	52
<b>Total interest expense</b>	<b>7,778</b>	<b>7,058</b>	<b>4,208</b>
<b>Net interest income</b>	<b>15,266</b>	<b>15,591</b>	<b>15,610</b>
<b>Provision for Credit Losses</b>	657	(54)	480
<b>Net interest income after provision for credit losses</b>	<b>14,609</b>	<b>15,645</b>	<b>15,130</b>
<b>Non-Interest Income</b>			
Service charges on deposit accounts	502	460	562
Mortgage banking operations	463	290	364
Net gain (loss) on sales of securities available for sale	--	--	(1,893)
Brokerage commissions	349	369	250
Insurance commissions and fees	2,225	1,950	2,020
Net interchange income (expense)	1,131	1,166	1,152
BOLI cash value	203	200	172
Dividends from correspondent banks	59	34	20
Other	309	257	283
<b>Total non-interest income</b>	<b>5,241</b>	<b>4,726</b>	<b>2,930</b>
<b>Non-Interest Expense</b>			
Salaries and employee benefits	6,537	7,069	6,399
Occupancy and equipment	855	880	1,019
Audits and examinations	195	183	106
State and local business and occupation taxes	239	335	332
FDIC insurance & WA state assessments	224	244	358
Legal and professional fees	303	242	262
Check losses and charge-offs	148	120	152
Low income housing investment losses	169	--	171
Data processing	1,578	1,599	1,500
Product delivery	369	330	316
Other	1,087	993	929
<b>Total non-interest expense</b>	<b>11,704</b>	<b>11,995</b>	<b>11,544</b>
<b>Income before income taxes</b>	<b>8,146</b>	<b>8,376</b>	<b>6,516</b>
<b>Income Taxes</b>	<b>1,472</b>	<b>1,093</b>	<b>1,113</b>
<b>Net income</b>	<b>\$6,674</b>	<b>\$7,283</b>	<b>\$5,403</b>
Net income attributable to noncontrolling interest	27	6	9
<b>Net income attributable to Cashmere Valley Bank</b>	<b>\$6,647</b>	<b>\$7,277</b>	<b>\$5,394</b>
<b>Earnings Per Share</b>			
Basic	\$ 1.71	\$ 1.87	\$ 1.39
Diluted	\$ 1.71	\$ 1.87	\$ 1.39

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

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the six months ended,	
	June 30, 2024	June 30, 2023
<b>Interest Income</b>		
Loans	\$26,285	\$22,511
Fed funds sold and deposits at other financial institutions	2,756	2,457
Securities available for sale:		
Taxable	14,365	11,544
Tax-exempt	621	1,156
Securities held to maturity:		
Taxable	1,571	1,586
Tax-exempt	94	92
<b>Total interest income</b>	<b>45,692</b>	<b>39,346</b>
<b>Interest Expense</b>		
Deposits	13,615	6,386
Short-term borrowings	1,221	59
<b>Total interest expense</b>	<b>14,836</b>	<b>6,445</b>
<b>Net interest income</b>	<b>30,856</b>	<b>32,901</b>
<b>Provision for Credit Losses</b>	602	1,085
<b>Net interest income after provision for credit losses</b>	<b>30,254</b>	<b>31,816</b>
<b>Non-Interest Income</b>		
Service charges on deposit accounts	962	1,103
Mortgage banking operations	753	676
Net gain (loss) on sales of securities available for sale	--	(2,258)
Brokerage commissions	718	520
Insurance commissions and fees	4,175	3,883
Net interchange income (expense)	2,297	2,512
BOLI cash value	403	342
Dividends from correspondent banks	93	47
Other	567	569
<b>Total non-interest income</b>	<b>9,968</b>	<b>7,394</b>
<b>Non-Interest Expense</b>		
Salaries and employee benefits	13,606	13,473
Occupancy and equipment	1,735	1,947
Audits and examinations	378	196
State and local business and occupation taxes	573	655
FDIC insurance & WA state assessments	468	523
Legal and professional fees	545	507
Check losses and charge-offs	268	269
Low income housing investment losses	169	326
Data processing	3,177	3,039
Product delivery	700	630
Other	2,079	1,735
<b>Total non-interest expense</b>	<b>23,698</b>	<b>23,300</b>
<b>Income before income taxes</b>	<b>16,524</b>	<b>15,910</b>
<b>Income Taxes</b>	<b>2,565</b>	<b>2,783</b>
<b>Net income</b>	<b>13,959</b>	<b>13,127</b>
Net income attributable to noncontrolling interest	33	16
<b>Net income attributable to Cashmere Valley Bank</b>	<b>\$13,926</b>	<b>\$13,111</b>
<b>Earnings Per Share</b>		
Basic	\$ 3.58	\$ 3.38
Diluted	\$ 3.58	\$ 3.37