



Cashmere Valley Bank

FOR IMMEDIATE RELEASE

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CASHMERE VALLEY BANK REPORTS ANNUAL EARNINGS OF \$28.2 MILLION AND INCREASES SEMI-ANNUAL DIVIDEND

CASHMERE, WA, January 21, 2025 – Cashmere Valley Bank (OTCQX: CSHX) (“Bank”), announced annual earnings of \$28.2 million for the year ended December 31, 2024. Diluted earnings per share was \$7.24, which was an increase of \$0.04 from the prior year.

On January 21, 2025, the Bank’s Board of Directors declared a semi-annual dividend payment of \$0.90 per share to shareholders of record on January 31, 2025. The dividend will be paid on February 10, 2025. The dividend rate is an increase of \$0.05 per share.

“Despite a challenging rate environment, we consider 2024 a success,” said Greg Oakes, President and CEO. “We are pleased that deposit growth has resumed. In spite of the significant costs incurred from obtaining new deposits and retaining our existing deposits, we were able to marginally improve earnings. Our capital, liquidity and interest rate risk positions all improved during the course of the year to better position us for 2025. Increasing our dividend rate is reflective of our confidence in our capital position.”

2024 Highlights

The Bank reported the following financial highlights for the period ending December 31, 2024 as compared to December 31, 2023:

- Cashmere Valley Bank was ranked seventh-best bank nationwide and second-best in its asset size based on capital, earnings and asset quality metrics by Bank Director magazine.
- Net income increased slightly to \$28.2 million for the year ended December 31, 2024
- Fourth quarter net income totaled \$7.1 million, or \$1.81 per share.
- Diluted earnings per share increased slightly from the prior year at \$7.24 per share as compared to \$7.20 in 2023.
- Return on equity decreased from 15.69% in fiscal 2023 to 12.93% for fiscal 2024. The decrease in return on equity was due to an increasing capital base from earnings and a reduction in unrealized losses on available for sale securities.
- Return on assets decreased 3 basis points to 1.36%. While earnings held steady, asset growth occurred during the second half of the year resulting in the reduction.
- The Bank’s net interest margin decreased to 3.14% in 2024 as compared to 3.31% a year ago. Retaining and growing deposit balances proved to be expensive throughout the year and significant expense was incurred. While the Bank’s yield on assets improved during the year, the improvement could not keep pace with rapidly changing deposit rates.
- The efficiency ratio rose from 53.5% to 56.6%. A significant increase was noted in personnel costs due to the inclusion of a \$3.9 million reduction to expense in 2023 for the Employee Tax Retention Credit application.

Cash, Cash Equivalents and Restricted Cash

Cash balances increased \$101.8 million to \$220.0 million at December 31, 2024 from \$118.1 million as of December 31, 2023. Deposit balances stabilized in the early part of the year, then grew throughout the third and fourth quarters. There were also a number of large loan payoffs throughout the year. Proceeds from deposit growth and reductions in the loan portfolio were initially utilized to increase on-hand liquidity. Excess proceeds have been used to purchase available for sale securities.

Investments

The fair value of AFS securities and the book value less allowance for credit losses of HTM securities totaled \$846.8 million at December 31, 2024. This represented an increase of \$56.1 million from December 31, 2023. There were no available for sale security sales in 2024.

Security purchases totaling \$172.5 million were made during 2024. The overwhelming majority of purchases were amortizing asset-backed securities in which portions of principal are returned to the Bank on a monthly basis.

Unrealized losses on available for sale securities decreased \$3.9 million during 2024 and totaled \$63.4 million as of December 31, 2024.

Loans and Credit Quality

At December 31, 2024 gross loans totaled \$962.4 million, representing a decrease of \$80.1 million, or 7.7%, from December 31, 2023. Significant loan payoffs adversely affected loan totals. Larger loan payoff activity occurred primarily in the multifamily and municipal loan portfolios. Additionally, loan demand on qualifying projects was soft throughout the year due in part to higher loan rates.

The allowance for credit losses on loans (ACL) was 1.32%, or \$12.7 million, as of December 31, 2024 as compared to 1.26%, or \$13.1 million, as of December 31, 2023.

The Bank recorded provision expense of \$2.0 million in 2024 as compared to \$2.9 million in 2023. The decrease in provision expense was largely due to a decrease in charged-off loans. Charged-off loans totaled \$3.5 million as compared to \$4.5 million in 2023. The majority of charged-off loans came from the equipment finance division which was adversely affected by a recession in long-haul trucking.

Non-performing loan totals were largely unchanged from the prior year. As of December 31, 2024, non-performing loans totaled \$3.3 million, or 0.34%, of gross loans as compared to \$2.0 million, which represented 0.19% of gross loans as of December 31, 2023.

Deposits

Total deposits were \$1.8 billion as of December 31, 2024, which represented an increase of \$64.2 million, or 3.6%, from December 31, 2023. Non-interest bearing deposits totaled \$395.3 million, which was 21.5% of total deposits. Certificate of deposit balances increased significantly from \$393.1 million at December 31, 2023 to \$502.5 million as of December 31, 2024. The majority of the increase in CD balances occurred due to three-month and seven-month CD specials offered by the Bank.

Capital

As of December 31, 2024, shareholders' equity totaled \$232.2 million, a 14.5% increase from \$202.8 million at December 31, 2023. Equity increased due to an improvement in unrealized losses on available for sale securities totaling \$7.1 million in combination with annual earnings less dividends paid. At period end, the Bank's GAAP capital to assets ratio was 10.94% as compared to 9.91% one year ago.

Earnings

Net Interest Income

Net interest income totaled \$63.2 million for the year ended December 31, 2024 as compared to \$65.6 million for the year ended December 31, 2023. The decrease of \$2.5 million represented a decline of 3.7%.

Interest income increased \$11.8 million, while interest expense increased by \$14.2 million. Loan income increased \$5.2 million, securities income increased \$4.6 million, and fed funds and deposits with other financial institutions increased \$2.0 million.

The average yield on earning assets improved from 4.14% to 4.66%, while the Bank's cost of funds increased from 0.91% to 1.68%. The cost of interest-bearing liabilities more than doubled from 1.02% to 2.14%. The significant increases in deposit costs were a result of increases in the interest rate environment and customer expectations.

Non-Interest Income

Non-interest income increased \$6.2 million, or 43.7%, as compared to 2023. Losses on sales of available for sale securities improved by \$4.8 million as no securities were sold at a loss in 2024. Insurance commission and fees increased \$1.0 million in 2024, and brokerage commissions increased \$383,000.

Non-Interest Expense

Non-interest expense increased \$4.9 million, or 11.6%. In large part, non-interest expense increased primarily due to a \$3.9 million Employee Retention Tax Credit (ERTC) application submitted and recorded in 2023. Payment from the IRS for the ERTC remains pending. Salaries and benefits increased \$5.2 million, of which \$3.9 million was attributed to the ERTC. Occupancy expense decreased \$542,000.

The provision for loan losses decreased \$971,000 in 2024, as charged-off loans decreased from the prior year.

Federal income tax expense decreased approximately \$385,000 from the prior year. The Bank's effective tax rate was 17.1% for 2024 as compared to 18.1% in 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

	December 31, 2024	September 30, 2024	December 31, 2023
Assets			
Cash and Cash Equivalent:			
Cash & due from banks	\$27,642	\$33,150	\$26,619
Interest bearing deposits	188,370	149,764	87,432
Fed funds sold	3,909	3,982	4,085
Total Cash and Cash Equivalent	219,921	186,896	118,136
Securities available for sale	716,508	711,205	650,905
Securities held to maturity, net of allowance for credit losses of \$16, \$17 and \$20, respectively	130,254	131,558	139,775
Federal Home Loan Bank stock, at cost	2,846	2,891	3,008
Loans held for sale	4	964	4
Loans	962,369	997,119	1,042,453
Allowance for credit losses	(12,748)	(13,134)	(13,085)
Net loans	949,621	983,985	1,029,368
Premises and equipment	19,472	19,645	21,017
Accrued interest receivable	8,952	9,466	9,411
Other real estate and foreclosed assets	97	97	97
Bank Owned Life Insurance	27,647	27,428	26,809
Goodwill	7,579	7,579	7,576
Intangibles	2,749	2,964	3,465
Mortgage servicing rights	2,441	2,460	2,536
Net deferred tax assets	18,037	15,548	19,563
Other assets	15,435	10,152	12,068
Total assets	\$2,121,563	\$2,112,838	\$2,043,738
Liabilities and Shareholders' Equity			
Liabilities			
Deposits:			
Non-interest bearing demand	\$395,327	\$409,407	\$424,380
Savings and interest-bearing demand	940,084	928,238	956,290
Time	502,542	487,341	393,097
Total deposits	1,837,953	1,824,986	1,773,767
Accrued interest payable	2,842	2,991	2,216
Short-term borrowings	36,000	37,000	48,858
Other liabilities	12,601	15,007	15,099
Total liabilities	1,889,396	1,879,984	1,839,940
Shareholders' Equity			
Common stock (no par value); authorized 10,000,000 shares;			
Issued and outstanding: 12/31/2024 -- 3,891,000 ;			
9/30/2024 -- 3,890,990 ; 12/31/2023 -- 3,883,986	--	--	--
Additional paid-in capital	5,229	5,233	4,833
Treasury stock	(16,784)	(16,784)	(16,784)
Retained Earnings	301,636	294,578	280,087
Other comprehensive income	(58,674)	(50,652)	(65,758)
Total Cashmere Valley Bank shareholders' equity	231,407	232,375	202,378
Noncontrolling interest	760	479	420
Total shareholders' equity	232,167	232,854	202,798
Total liabilities and shareholders' equity	\$2,121,563	\$2,112,838	\$2,042,738

Quarterly Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,		
	December 31, 2024	September 30, 2024	December 31, 2023
Interest Income			
Loans	\$13,102	\$13,210	\$12,767
Fed funds sold and deposits at other financial institutions	2,037	2,193	1,086
Securities available for sale:			
Taxable	7,511	7,921	6,750
Tax-exempt	344	348	357
Securities held to maturity:			
Taxable	764	759	787
Tax-exempt	24	24	46
Total interest income	23,782	24,455	21,793
Interest Expense			
Deposits	7,348	7,561	5,163
Short-term borrowings	457	548	150
Total interest expense	7,805	8,109	5,313
Net interest income	15,977	16,346	16,480
Provision for Credit Losses	465	904	1,115
Net interest income after provision for credit losses	15,512	15,442	15,365
Non-Interest Income			
Service charges on deposit accounts	541	543	473
Mortgage banking operations	413	399	374
Net gain (loss) on sales of securities available for sale	--	--	(2,560)
Brokerage commissions	317	346	232
Insurance commissions and fees	2,402	2,177	2,007
Net interchange income (expense)	1,105	1,169	1,043
BOLI cash value	220	216	182
Dividends from correspondent banks	102	60	19
Other	276	302	367
Total non-interest income	5,376	5,212	2,137
Non-Interest Expense			
Salaries and employee benefits	7,197	6,781	2,512
Occupancy and equipment	918	818	1,025
Audits and examinations	21	108	56
State and local business and occupation taxes	300	374	345
FDIC insurance & WA state assessments	253	244	229
Legal and professional fees	238	290	622
Check losses and charge-offs	127	115	128
Low income housing investment losses	156	157	154
Data processing	1,562	1,555	1,676
Product delivery	326	354	324
Other	1,037	1,074	858
Total non-interest expense	12,135	11,870	7,929
Income before income taxes	8,753	8,784	9,573
Income Taxes	1,677	1,587	1,858
Net income	\$7,076	\$7,197	\$7,715
Net income attributable to noncontrolling interest	17	25	27
Net income attributable to Cashmere Valley Bank	\$7,059	\$7,172	\$7,688
Earnings Per Share			
Basic	\$ 1.81	\$ 1.84	\$ 1.98
Diluted	\$ 1.81	\$ 1.84	\$ 1.98

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

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the twelve months ended,	
	December 31, 2024	December 31, 2023
Interest Income		
Loans	\$52,597	\$47,393
Fed funds sold and deposits at other financial institutions	6,986	4,992
Securities available for sale:		
Taxable	29,797	24,548
Tax-exempt	1,313	1,886
Securities held to maturity:		
Taxable	3,094	3,151
Tax-exempt	142	184
Total interest income	93,929	82,154
Interest Expense		
Deposits	28,524	16,259
Short-term borrowings	2,226	257
Total interest expense	30,750	16,516
Net interest income	63,179	65,638
Provision for Credit Losses	1,971	2,942
Net interest income after provision for credit losses	61,208	62,696
Non-Interest Income		
Service charges on deposit accounts	2,045	2,128
Mortgage banking operations	1,565	1,514
Net gain (loss) on sales of securities available for sale	--	(4,818)
Brokerage commissions	1,382	999
Insurance commissions and fees	8,754	7,720
Net interchange income (expense)	4,571	4,743
BOLI cash value	838	704
Dividends from correspondent banks	255	86
Other	1,147	1,234
Total non-interest income	20,557	14,310
Non-Interest Expense		
Salaries and employee benefits	27,584	22,359
Occupancy and equipment	3,471	4,013
Audits and examinations	507	409
State and local business and occupation taxes	1,247	1,346
FDIC insurance & WA state assessments	965	1,017
Legal and professional fees	1,073	1,361
Check losses and charge-offs	509	582
Low income housing investment losses	483	633
Data processing	6,295	6,372
Product delivery	1,380	1,255
Other	4,188	3,411
Total non-interest expense	47,702	42,758
Income before income taxes	34,063	34,248
Income Taxes	5,829	6,214
Net income	28,234	28,034
Net income attributable to noncontrolling interest	75	50
Net income attributable to Cashmere Valley Bank	\$28,159	\$27,984
Earnings Per Share		
Basic	\$ 7.24	\$ 7.20
Diluted	\$ 7.24	\$ 7.20