



Cashmere Valley Bank

FOR IMMEDIATE RELEASE

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CASHMERE VALLEY BANK REPORTS QUARTERLY EARNINGS OF \$7.3 MILLION

CASHMERE, WA, April 16, 2024 – Cashmere Valley Bank (OTCQX: CSHX) (“Bank”), announced quarterly earnings of \$7.3 million for the quarter ended March 31, 2024. Diluted earnings per share was \$1.87, representing a decrease of \$0.12 per share, or 6.0%.

“In spite of a challenging environment our core earnings remain strong,” said Greg Oakes, President and CEO. “One year ago, our net interest margin was expanding nicely, however, deposit costs have been rapidly increasing and adversely affecting our margin. We are relieved to show slight deposit growth in the quarter; however, the cost of the deposit growth is significant. The inversion in the yield curve creates a tough environment for all financial institutions. We were pleased to navigate through the environment with another quarter of strong earnings.”

Q1 Highlights

The Bank reported the following statement of condition highlights as of March 31, 2024:

- As of March 31, 2024, gross loans totaled \$1.041 billion, representing an increase from March 31, 2023 of \$25.2 million.
- Deposit balances totaled \$1.785 billion as of March 31, 2024. Deposit balances decreased \$56.3 million, or 3.1%, from March 31, 2023. Deposit balances increased from December 31, 2023 by \$11.1 million, or 0.6%. Non-interest deposits totaled \$399.0 million as of March 31, 2024, which represents 22.4% of total deposits.
- Return on assets decreased from 1.51% to 1.44%, due to an increase in assets and the reduction in earnings.
- Return on equity decreased from 18.7% to 14.4%, due to equity growth and the reduction in earnings.

Cash, Cash Equivalents and Restricted Cash

Total cash, cash equivalents and restricted cash totaled \$138.2 million at March 31, 2024, compared to \$110.5 million at March 31, 2023. The \$27.7 million increase was primarily due to efforts to retain higher cash balances on overnight funds that are paying approximately 5.40%, and to help insure against further deposit losses. Available borrowing lines from the Federal Home Loan Bank and the Federal Reserve totaled approximately \$416.6 million.

Investments

The investment portfolio totaled \$793.6 million at March 31, 2024, an increase of \$2.9 million from March 31, 2023. As of March 31, 2024, available for sale securities totaled \$655.7 million and held to maturity securities totaled \$137.9 million. For the quarter ended March 31, 2024, securities earned 3.94% as compared to 3.17% one year ago. The increase in the earnings rate is attributable to increasing yields on floating rate securities in combination with higher rates on new securities purchases.

As of March 31, 2024, unrealized losses on available for sale securities totaled \$66.9 million as compared to \$76.7 million as of March 31, 2023. A combination of strategies was utilized to achieve this reduction including new investment purchases, sales of securities and interest rate swaps.

Loans and Credit Quality

Gross loans totaled \$1.041 billion as of March 31, 2024, which is an increase of \$25.1 million from March 31, 2023. Since March 31, 2023, multifamily loans increased \$33.7 million and municipal loans increased \$11.5 million, while commercial real estate loans decreased \$16.0 million and construction and land development loans decreased \$13.1 million.

The Bank adopted the Current Expected Credit Losses (CECL) Methodology on January 1, 2023. The allowance for credit losses on loans (ACL) was 1.24% of gross loans as compared to 1.26% one year ago. During the first quarter of 2024, the Bank recorded \$264,000 in provision expense on loans, and the allowance totaled \$12.9 million.

Credit quality remains exceptionally strong with non-performing loans representing 0.23% of gross loans as of March 31, 2024. This is a slight increase from 0.15% as of March 31, 2023.

Deposits

Deposits totaled \$1.78 billion at March 31, 2024. The average cost of deposits increased 138 basis points to 2.01% for the quarter ended March 31, 2024 as compared to 0.63% for the quarter ended March 31, 2023.

Equity

Tier 1 capital remains strong at 12.4% as of March 31, 2024. Tier 1 capital increased to \$259.7 million as of March 31, 2024, which represents an increase from \$238.0 million at March 31, 2023. The increase was primarily due to earnings less dividends paid. The first quarter dividend was paid February 5, 2024 at a rate of \$0.85 per share.

As of March 31, 2024, GAAP capital reflects an increase of \$31.9 million from March 31, 2023. As of March 31, 2024, the Bank's GAAP capital ratio was 10.17%. The increase in GAAP capital was primarily due to net income from the prior twelve months and a reduction in unrealized losses, due to sales of securities and a reduction in the treasury yield curve.

Earnings

Net Interest Income

Net interest income totaled \$15.6 million in the first quarter of 2024, compared to \$17.3 million in the same quarter a year ago. The decrease from the prior year first quarter was attributable to an improvement in yields on earning assets of 70 basis points as compared to an increase of 138 basis points in deposit expenses.

Loan interest income increased \$2.1 million over the same quarter one year ago as the average yield on loans increased from 4.40% to 4.99%.

Interest income on available for sale and held to maturity securities increased \$1.2 million from one year ago. The average yield on securities increased to 3.94% as compared to 3.17% one year ago.

Interest income from deposits with other financial institutions fell \$168,000 due to a decrease in average cash balances with other financial institutions.

The net interest margin was 3.12% for the first quarter of 2024 due to significantly higher deposit costs, as compared to 3.42% during the first quarter of 2023.

Non-Interest Income

Non-interest income totaled \$4.7 million in the first quarter of 2024 as compared to \$4.5 million in the first quarter of 2023.

Non-Interest Expense

Non-interest expense totaled \$12.0 million in the first quarter of 2024 as compared to \$11.8 million in the first quarter of 2023.

The Bank's efficiency ratio was 59.0% in the first quarter of 2024 as compared to 54.0% in the first quarter 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

	March 31, 2024	December 31, 2023	March 31, 2023
Assets			
Cash and Cash Equivalent:			
Cash & due from banks	\$21,393	\$26,619	\$24,027
Interest bearing deposits	113,141	86,432	82,565
Fed funds sold	3,639	4,085	3,863
Total Cash and Cash Equivalent	138,173	117,136	110,455
Securities available for sale	655,680	650,905	691,926
Securities held to maturity, net of allowance for credit losses of \$19, \$20 and \$347, respectively	137,936	139,775	144,381
Federal Home Loan Bank stock, at cost	2,981	3,008	2,505
Loans held for sale	342	4	4
Loans	1,041,410	1,042,453	1,016,257
Allowance for credit losses	(12,947)	(13,085)	(12,831)
Net loans	1,028,463	1,029,368	1,003,426
Premises and equipment	20,510	21,017	19,286
Accrued interest receivable	9,444	9,411	8,486
Other real estate and foreclosed assets	97	97	-
Bank Owned Life Insurance	27,009	26,809	26,275
Goodwill	7,576	7,576	7,576
Intangibles	3,291	3,465	3,715
Mortgage servicing rights	2,485	2,536	2,628
Net deferred tax assets	18,695	19,037	21,293
Other assets	13,569	12,594	7,861
Total assets	\$2,066,251	\$2,042,738	\$2,049,817
Liabilities and Shareholders' Equity			
Liabilities			
Deposits:			
Non-interest bearing demand	\$398,960	\$424,380	\$425,526
Savings and interest-bearing demand	936,416	956,290	1,093,805
Time	449,462	393,097	321,767
Total deposits	1,784,838	1,773,767	1,841,098
Accrued interest payable	2,661	2,216	1,060
Short-term borrowings	54,636	48,858	14,163
Other liabilities	14,008	15,099	15,326
Total liabilities	1,856,143	1,839,940	1,871,647
Shareholders' Equity			
Common stock (no par value); authorized 10,000,000 shares;			
Issued and outstanding: 3/31/2024 -- 3,884,186 ;			
12/31/2023 -- 3,883,986 ; 3/31/2023 -- 3,883,971	--	--	--
Additional paid-in capital	4,895	4,833	4,660
Treasury stock	(16,784)	(16,784)	(16,784)
Retained Earnings	284,062	280,087	263,123
Other comprehensive income	(62,491)	(65,758)	(72,986)
Total Cashmere Valley Bank shareholders' equity	209,682	202,378	178,013
Noncontrolling interest	426	420	157
Total shareholders' equity	210,108	202,798	178,170
Total liabilities and shareholders' equity	\$2,066,251	\$2,042,738	\$2,049,817

Quarterly Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,		
	March 31, 2024	December 31, 2023	March 31, 2023
Interest Income			
Loans	\$13,021	\$12,767	\$10,953
Fed funds sold and deposits at other financial institutions	1,299	1,087	1,467
Securities available for sale:			
Taxable	7,220	6,750	5,568
Tax-exempt	277	357	689
Securities held to maturity:			
Taxable	785	787	804
Tax-exempt	47	46	46
Total interest income	22,649	21,794	19,527
Interest Expense			
Deposits	6,449	5,163	2,230
Short-term borrowings	609	150	7
Total interest expense	7,058	5,313	2,237
Net interest income	15,591	16,481	17,290
Provision for Credit Losses	(54)	1,115	605
Net interest income after provision for credit losses	15,645	15,366	16,685
Non-Interest Income			
Service charges on deposit accounts	460	473	541
Mortgage banking operations	290	374	312
Net gain (loss) on sales of securities available for sale	--	(2,560)	(365)
Brokerage commissions	369	232	270
Insurance commissions and fees	1,950	2,007	1,863
Net interchange income (expense)	1,166	1,043	1,360
BOLI cash value	200	182	170
Dividends from correspondent banks	34	19	27
Other	257	367	287
Total non-interest income	4,726	2,137	4,465
Non-Interest Expense			
Salaries and employee benefits	7,069	2,512	7,075
Occupancy and equipment	880	1,025	928
Audits and examinations	183	56	89
State and local business and occupation taxes	335	345	323
FDIC insurance & WA state assessments	244	229	165
Legal and professional fees	242	622	245
Check losses and charge-offs	120	128	117
Low income housing investment losses	--	154	155
Data processing	1,599	1,676	1,539
Product delivery	330	324	314
Other	993	859	807
Total non-interest expense	11,995	7,930	11,757
Income before income taxes	8,376	9,573	9,393
Income Taxes	1,093	1,858	1,670
Net income	\$7,283	\$7,715	\$7,723
Net income attributable to noncontrolling interest	6	27	6
Net income attributable to Cashmere Valley Bank	\$7,277	\$7,688	\$7,717
Earnings Per Share			
Basic	\$ 1.87	\$ 1.98	\$ 1.99
Diluted	\$ 1.87	\$ 1.98	\$ 1.99