

# Cashmere Valley Bank

Greg Oakes, President and Chief Executive Officer  
Mike Lundstrom, Chief Financial Officer



# Forward-Looking Statements

This discussion of financial results 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 discussion of financial results or to reflect the occurrence of unanticipated events.





# Overview – We Answer the Phone

- Cashmere Valley Bank was established in 1932 and is headquartered in Cashmere, Washington
- 11 branches throughout North Central Washington
- Provides loan and deposit services to predominantly small and middle-market business and retail customers.
- The Bank is majority owner of Mitchell, Reed and Schmitten Insurance, Inc. (MRS), which helps create a diversified revenue stream.
- 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.
- Ease of contact sets us apart, allowing customers to choose their preferred method of contact. We have customer-focused staff answering calls in our Wenatchee-based contact center, physical branches with skilled employees providing quality service in our branches, and extensive drive-up lanes.



# About Cashmere Valley Bank

## Company Highlights

Listing	OTCQX: CSHX
Total Assets	\$2.12 Billion
Total Loans	\$967.4 Million
Total Deposits	\$1.83 Billion
Market Cap	\$247.5 Million
Price to Book Value	103.4%
Earnings per Share (Q4 2024)	\$7.24
Dividends per Share	\$1.80



## 2024 Awards

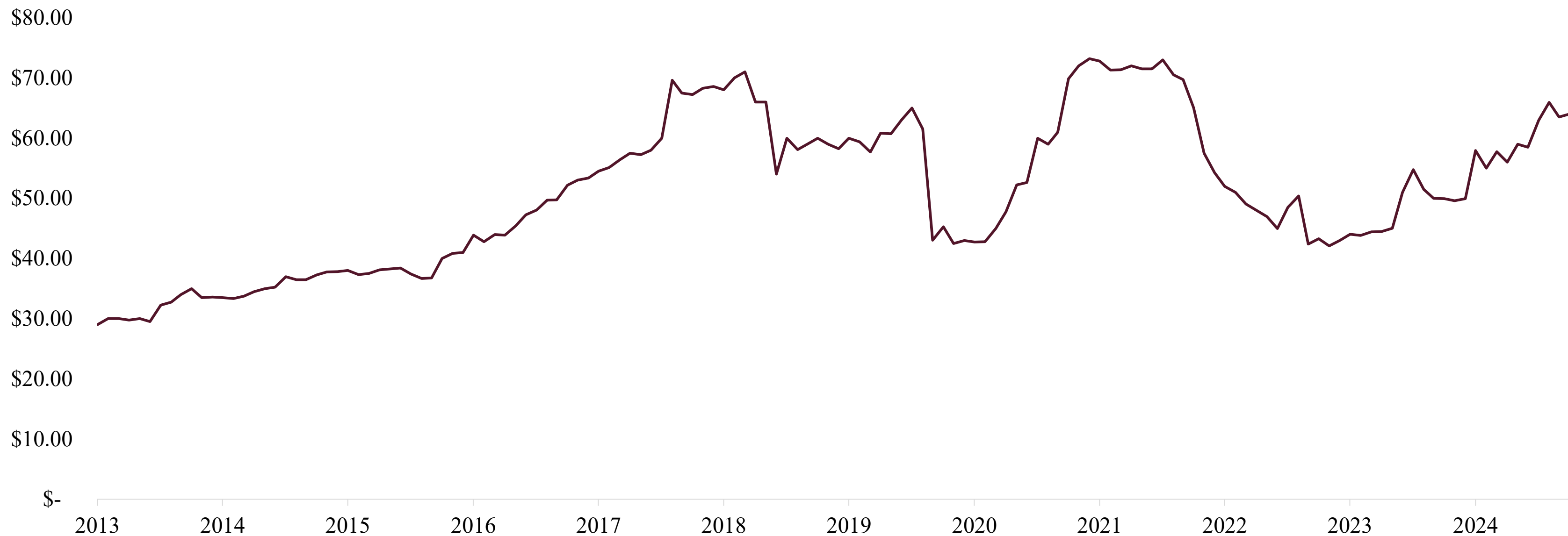
- BankDirector magazine ranked Cashmere Valley Bank as seventh-best bank nationwide.



- BankDirector magazine ranked Cashmere Valley Bank second in its asset size based on capital, earnings and asset quality metrics.

# Historical Stock Performance

Historical Stock Price Performance





# Market Area

- Chelan County is home to tourist destinations of Leavenworth and Lake Chelan. Wenatchee and East Wenatchee are separated by the Columbia River.
- Cashmere Valley Bank is separated from Seattle by the Cascade Mountain Range.
- Union Gap near Yakima opened in September 2023 and the Bank closed the Summitview location.
- The Bank hired two new Commercial Lenders in Yakima and one new Commercial Lender in Ellensburg in Fall 2024.

<i>(\$ in thousands)</i>	Chelan County	Douglas County	Kittitas County	Yakima County
Market Size	\$2,657,821	\$853,235	\$1,040,903	\$3,860,433
CVB Deposits	\$1,180,972	\$264,315	\$265,234	\$61,951
Market Share	44.43%	30.98%	24.48%	1.60%
Overall Rank	1	1	1	10
Year Entered Market	1932	1984	2003	2010
Population	79,074	42,938	44,337	256,728
Growth 25E-30E	4.13%	5.32%	5.80%	2.87%
Household Income	\$76,722	\$80,374	\$69,928	\$69,525
Unemployment	4.70%	5.50%	4.00%	6.30%

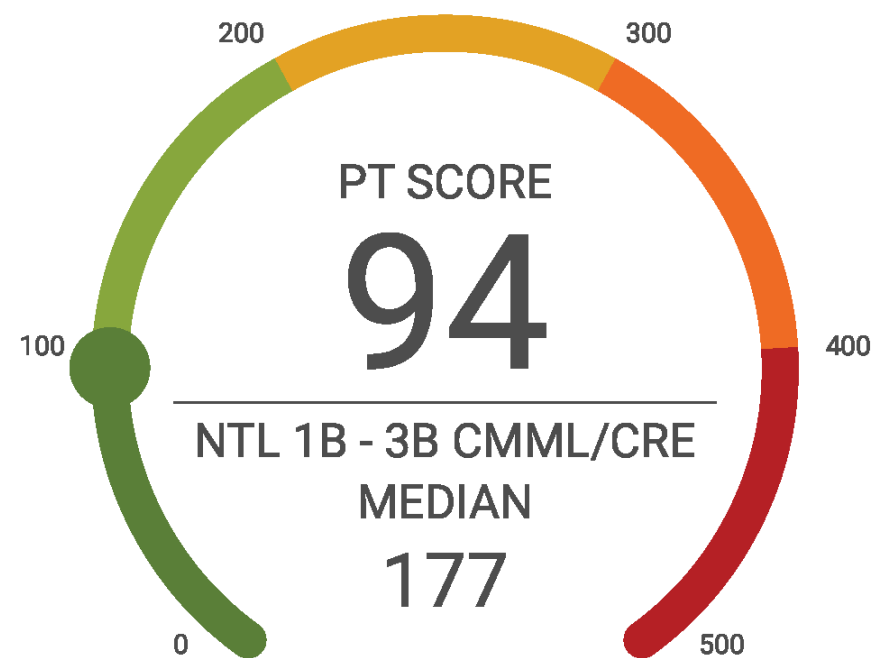


# Q1 2025 PT Score Overview

- Cashmere Valley Bank is considered a very low risk institution.
- Earnings relative to risk level are very strong.

## Score Overview

PT SCORE® OVERVIEW



NTL 1B - 3B CMML/CRE  
MEDIAN  
29



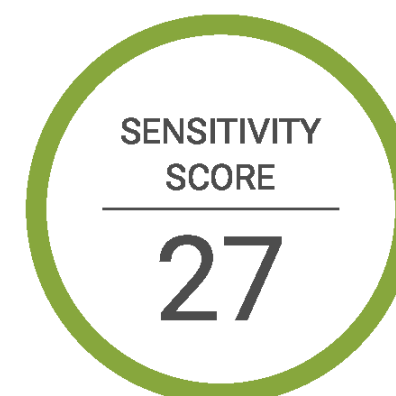
NTL 1B - 3B CMML/CRE  
MEDIAN  
48



NTL 1B - 3B CMML/CRE  
MEDIAN  
24



NTL 1B - 3B CMML/CRE  
MEDIAN  
43



NTL 1B - 3B CMML/CRE  
MEDIAN  
19

● Very Low Risk ● Low Risk ● Moderate Risk ● Elevated Risk ● High Risk



# Q1 2025 Highlights

- The Bank purchased property for a new branch in East Wenatchee, scheduled to open in 2026. East Wenatchee is located in Douglas County, which is expected to grow in the next few years.
- Net interest margin was 3.17% in Q1 2025, compared to 3.12% Q1 2024. Net interest margin was 3.14% in Q4 2024.
- Cost of interest bearing liabilities was 2.01% in Q1 2025, compared to 2.05% in Q4 2024. Cost of interest bearing liabilities was 1.89% as of Q1 2024.
- Loan balances increased \$5.0 million since December 31, 2024.
- Net interest income grew over prior year by \$600,000, or 3.8%.

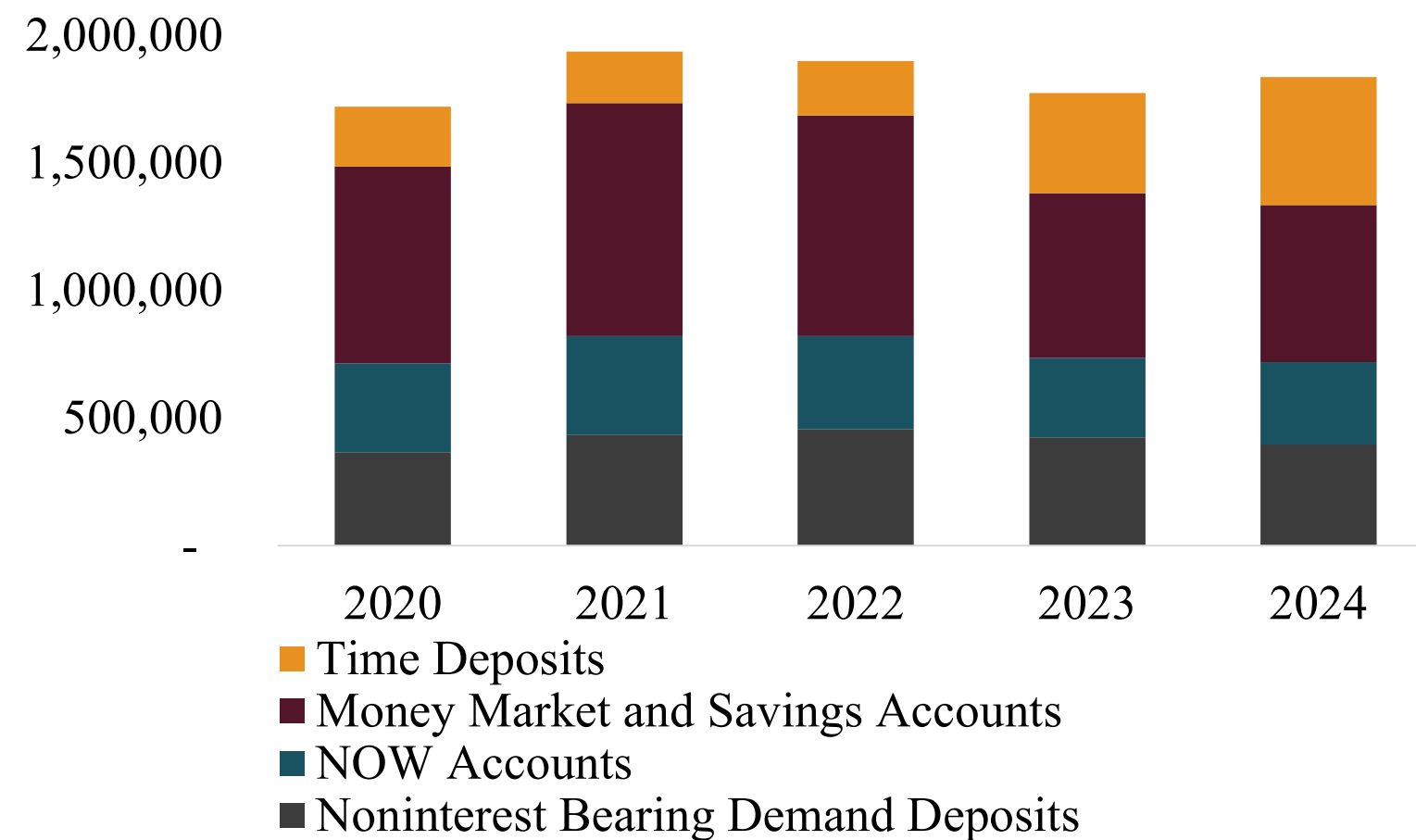




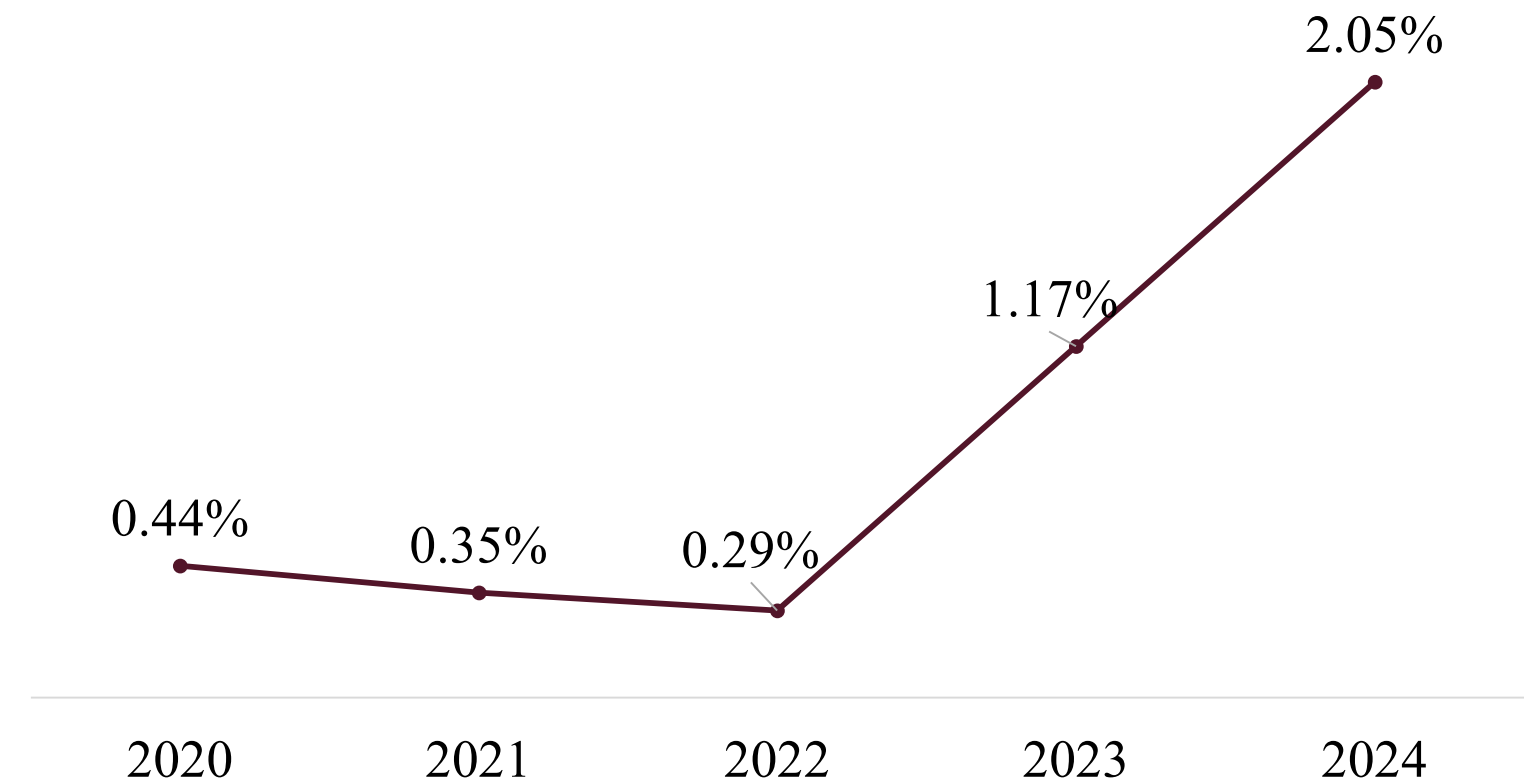
# Year End Deposit Portfolio Detail

- Noninterest bearing deposits increased \$29.8 million, or 8.14%, from 2020 to 2024.
- As of Q4 2024, noninterest bearing deposits represented 21.5% of total deposits.

**Deposit Portfolio Detail at Year End**  
*(\$ in Thousands)*



**Cost of Interest Bearing Liabilities**

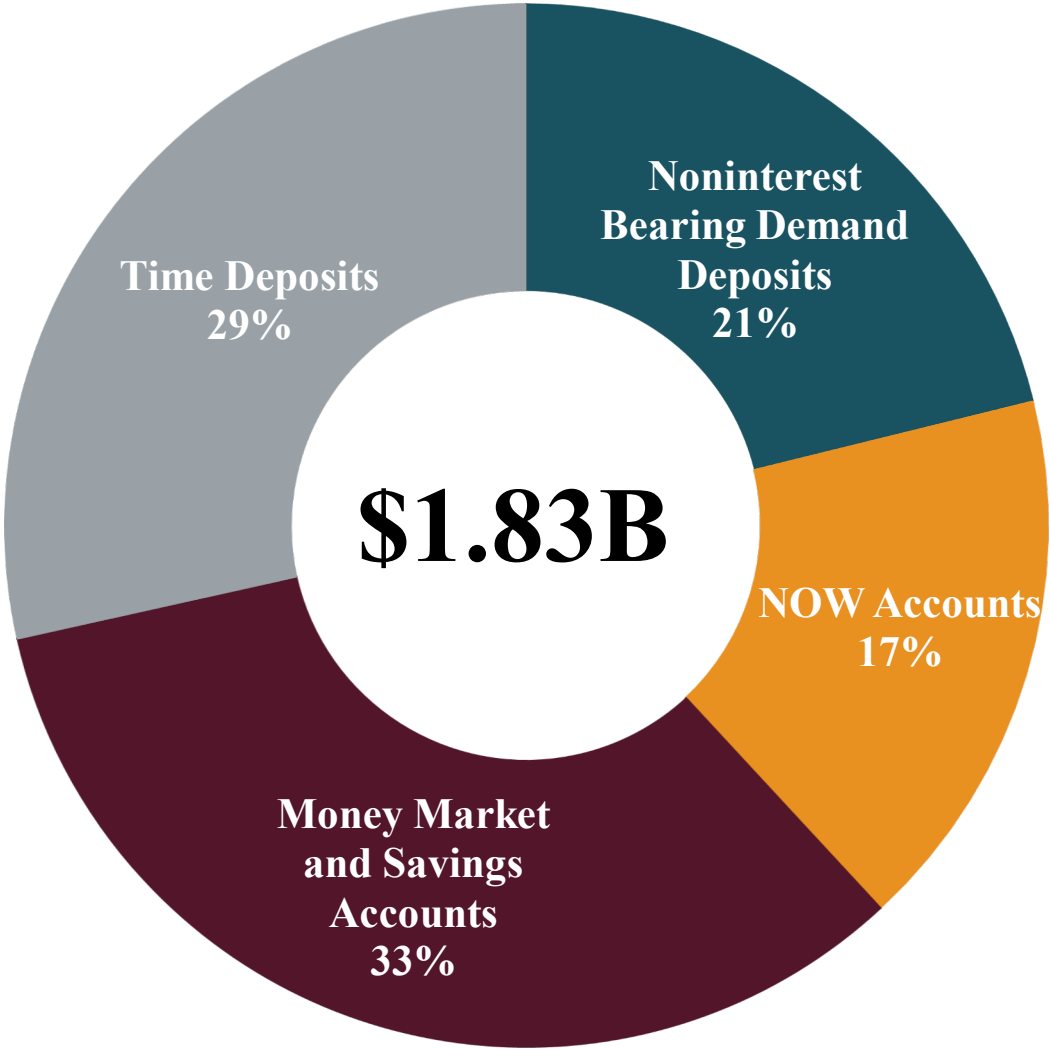


# Q1 2025 Deposit Portfolio Detail

- CDs increased \$18.5 million, or 3.7%, in Q1 2025, and totaled \$521.0 million as of Q1 2025.
- \$483.3 million, or 92.8% of total CDs, reprice within one year.

Deposit Growth Trends (\$ in Thousands)			
	5 Year CAGR	2024 Y/Y Avg Growth	2024 Avg Balance
Noninterest Bearing Demand Deposits	3.8%	(7.0)%	\$395,226
NOW Accounts	0.6%	(5.1)%	309,678
Money Market and Savings Accounts	(2.0)%	(14.4)%	618,176
Time Deposits	13.2%	38.2%	465,529
Total	2.7%	(1.2)%	\$1,788,609

Q1 2025 Deposit Mix

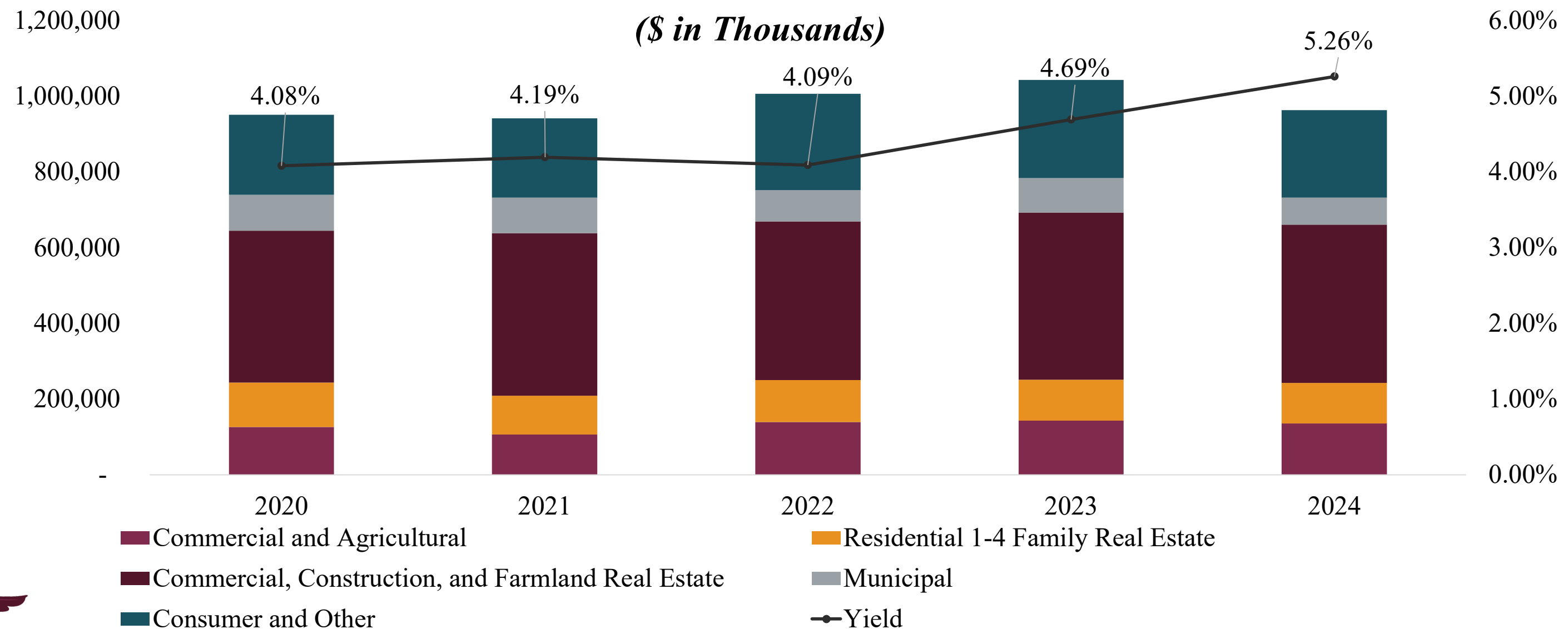




# Year End Loan Portfolio Detail

- As of Q4 2024, dealer paper represented \$206.9 million of Consumer and Other loans.
- As of Q4 2024, equipment finance represented \$94.2 million of Commercial and Agricultural loans.

**Loan Portfolio Detail at Year End**  
*(\$ in Thousands)*

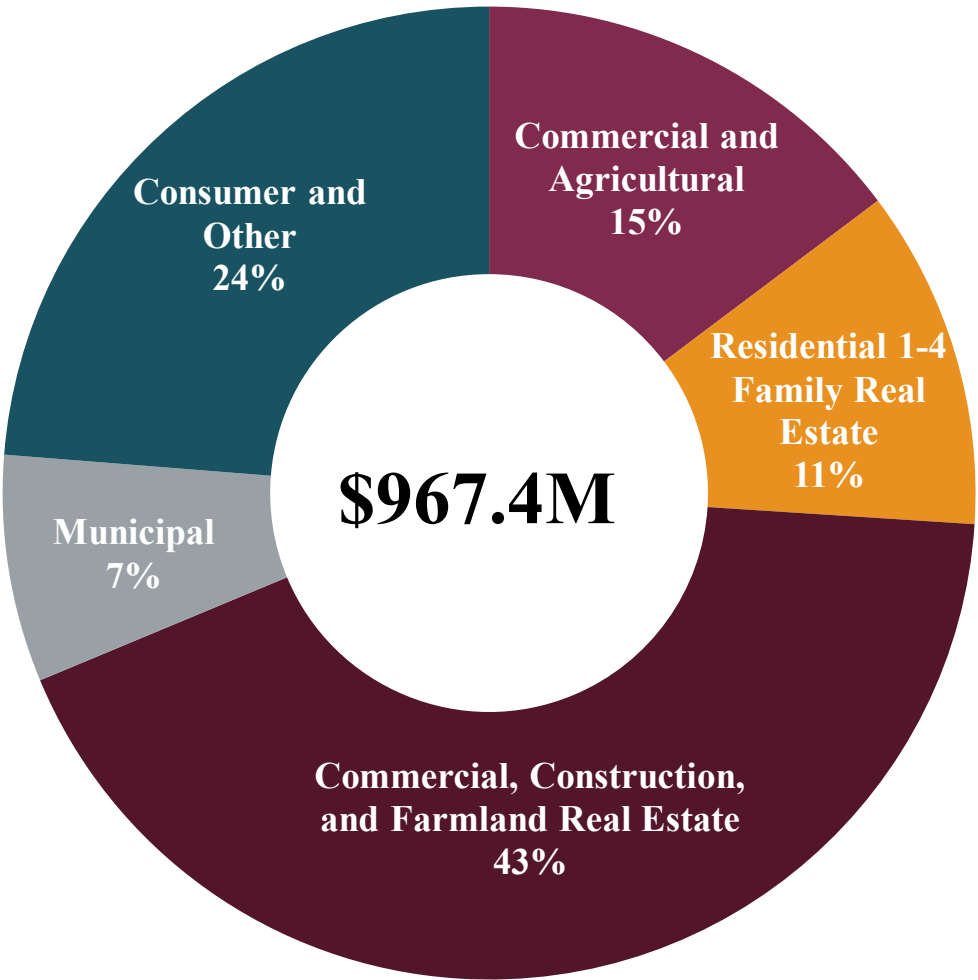


# Q1 2025 Loan Portfolio Detail

- Yield on loans was 5.40% as of March 31, 2025.
- The decrease in municipal loans was strategic to counter increases in treasury curve rates, and to shorten the duration in the portfolio.
- Since year end, Commercial and Agricultural loans increased by \$7.6, or 5.6%.

Q1 2025 Loan Mix

Loan Growth Trends (\$ in Thousands)			
	5 Year CAGR	Y/Y Growth 2024	2024 Avg Balances
Commercial and Agricultural	5.7%	(2.79)%	\$206,276
Residential 1-4 Family Real Estate	(3.7)%	(1.38)%	161,092
Commercial, Construction, and Farmland Real Estate	1.2%	(1.93)%	639,172
Municipal	(3.3)%	(11.74)%	116,728
Consumer and Other	2.4%	(6.60)%	360,328
Total	1.0%	(3.99)%	\$1,483,596





# Loan Portfolio Repricing

Repricing Term (\$ in Thousands)							
	3 Mos or Less	3-12 Mos	1-3 Years	3-5 Years	5-15 Years	Over 15 Years	Total
Commercial and Agricultural	\$18,529	\$19,757	\$27,811	\$57,277	\$19,228	\$--	\$142,602
Residential 1-4 Family Real Estate	44,654	21,944	14,737	4,412	3,498	19,871	109,116
Commercial, Construction, and Farmland Real Estate	17,236	23,601	72,430	111,628	188,098	--	412,993
Municipal	3,207	718	6,209	23,194	39,686	--	73,014
Consumer and Other	12,582	2,541	34,674	105,264	74,545	67	229,673
<b>Total</b>	<b>\$96,208</b>	<b>\$68,561</b>	<b>\$155,861</b>	<b>\$301,775</b>	<b>\$325,055</b>	<b>\$19,938</b>	<b>\$967,398</b>
<b>Percent of Total</b>	<b>9.95%</b>	<b>7.09%</b>	<b>16.11%</b>	<b>31.19%</b>	<b>33.60%</b>	<b>2.06%</b>	<b>100.00%</b>
<b>Weighted Average Rate</b>	<b>6.65%</b>	<b>6.15%</b>	<b>5.75%</b>	<b>6.65%</b>	<b>4.99%</b>	<b>6.35%</b>	<b>5.91%</b>

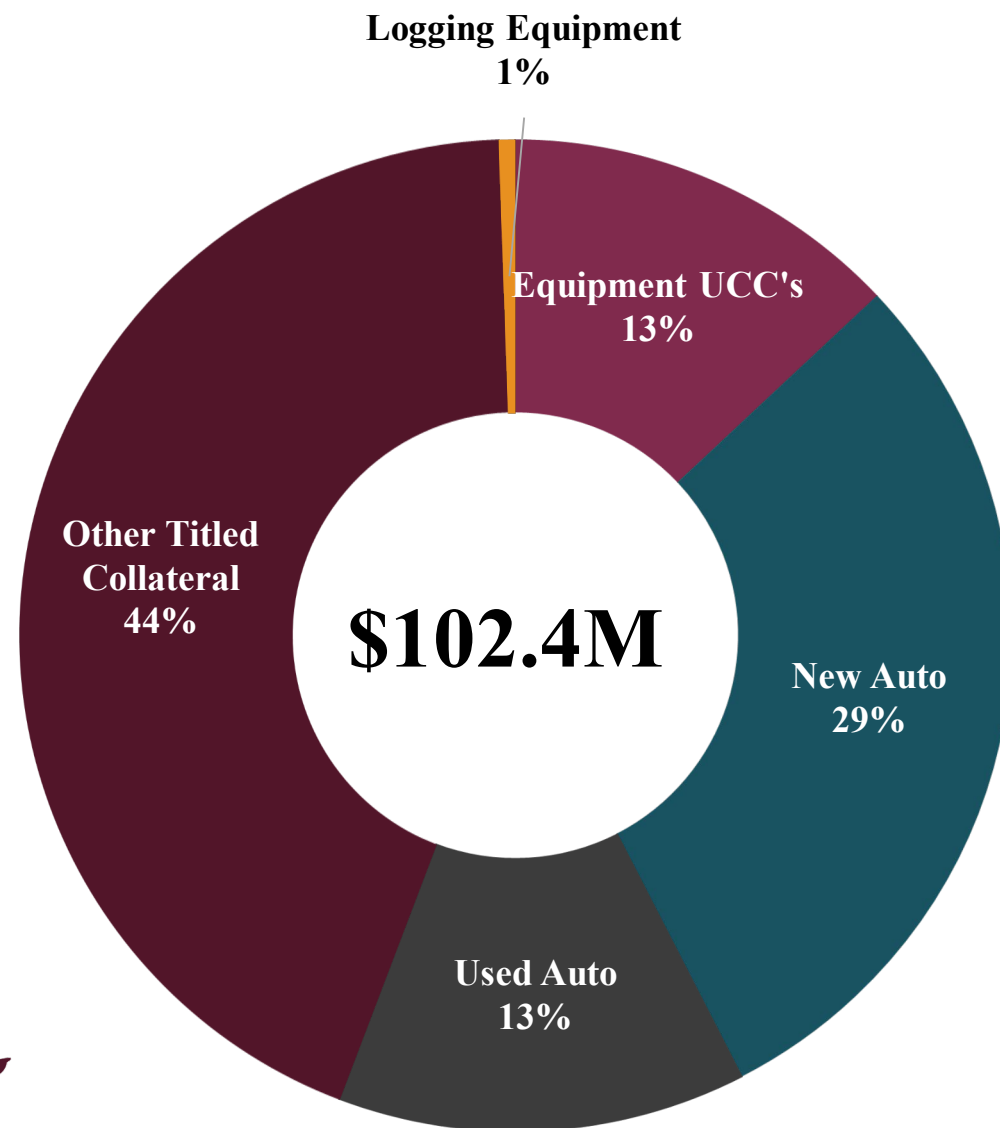
Rate Structure (\$ in Thousands)					
	Fixed Rate	Variable Rate	Variable Rate at Floor	Variable Rate at Ceiling	Weighted Average Rate
Commercial and Agricultural	\$127,541	\$15,061	\$678	\$--	8.94%
Residential 1-4 Family Real Estate	10,258	98,858	18,154	112	6.44%
Commercial, Construction, and Farmland Real Estate	264,146	148,847	89,934	--	5.13%
Municipal	63,709	9,305	--	--	2.95%
Consumer and Other	224,647	5,026	1,052	--	6.09%
<b>Total</b>	<b>\$690,301</b>	<b>\$277,097</b>	<b>\$109,818</b>	<b>\$112</b>	<b>5.91%</b>



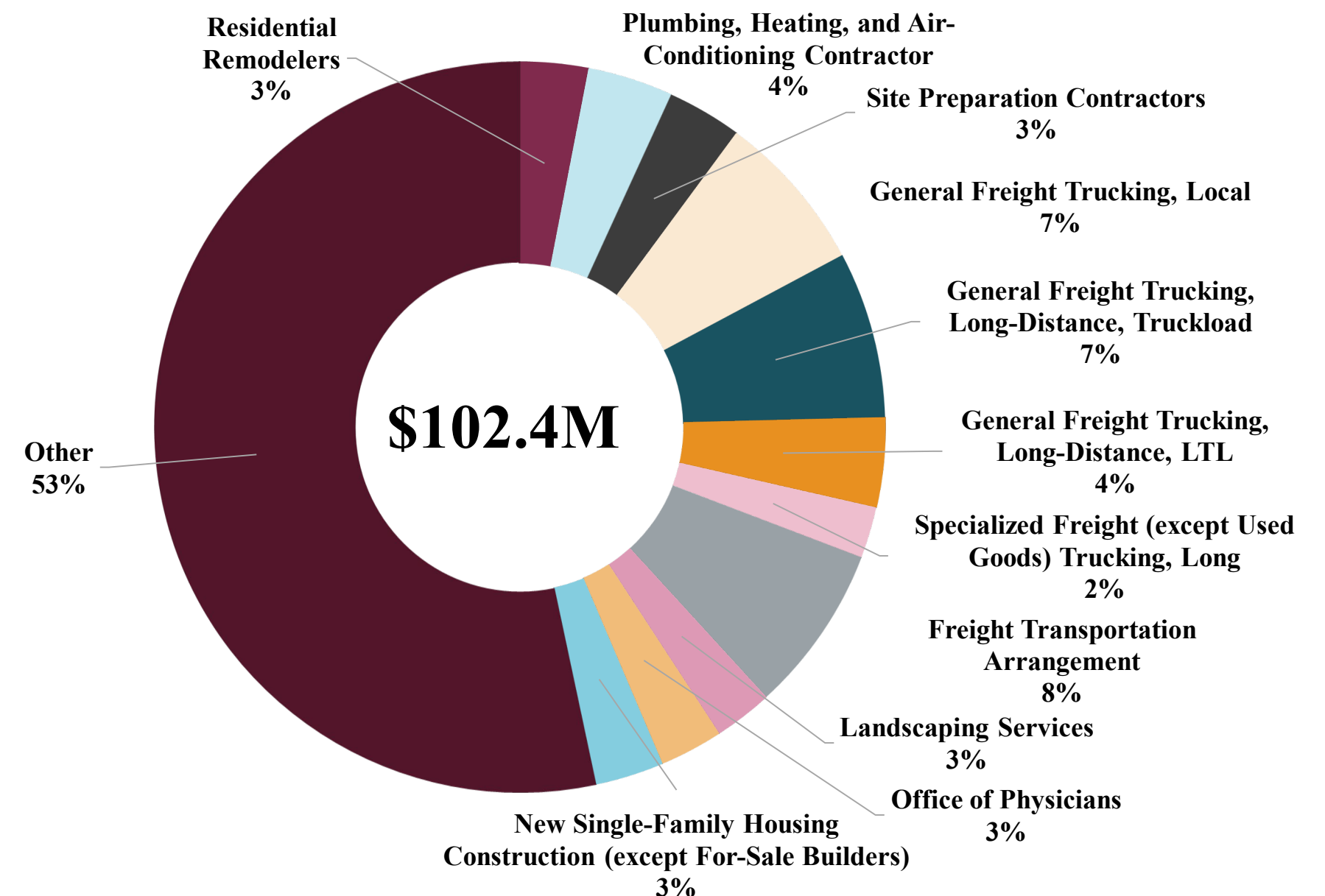
# Equipment Finance Portfolio

- As of Q1 2025, 20.7% of equipment finance loans were concentrated in trucking.
- In 2023, the Bank adjusted the lease requirements to include a minimum of five trucks in the lease. Further, in 2025, the Bank tightened standards over type of freight to counter charge-off activity.

## Equipment Finance Loans by Collateral Type



## Equipment Finance Loans by NAICS



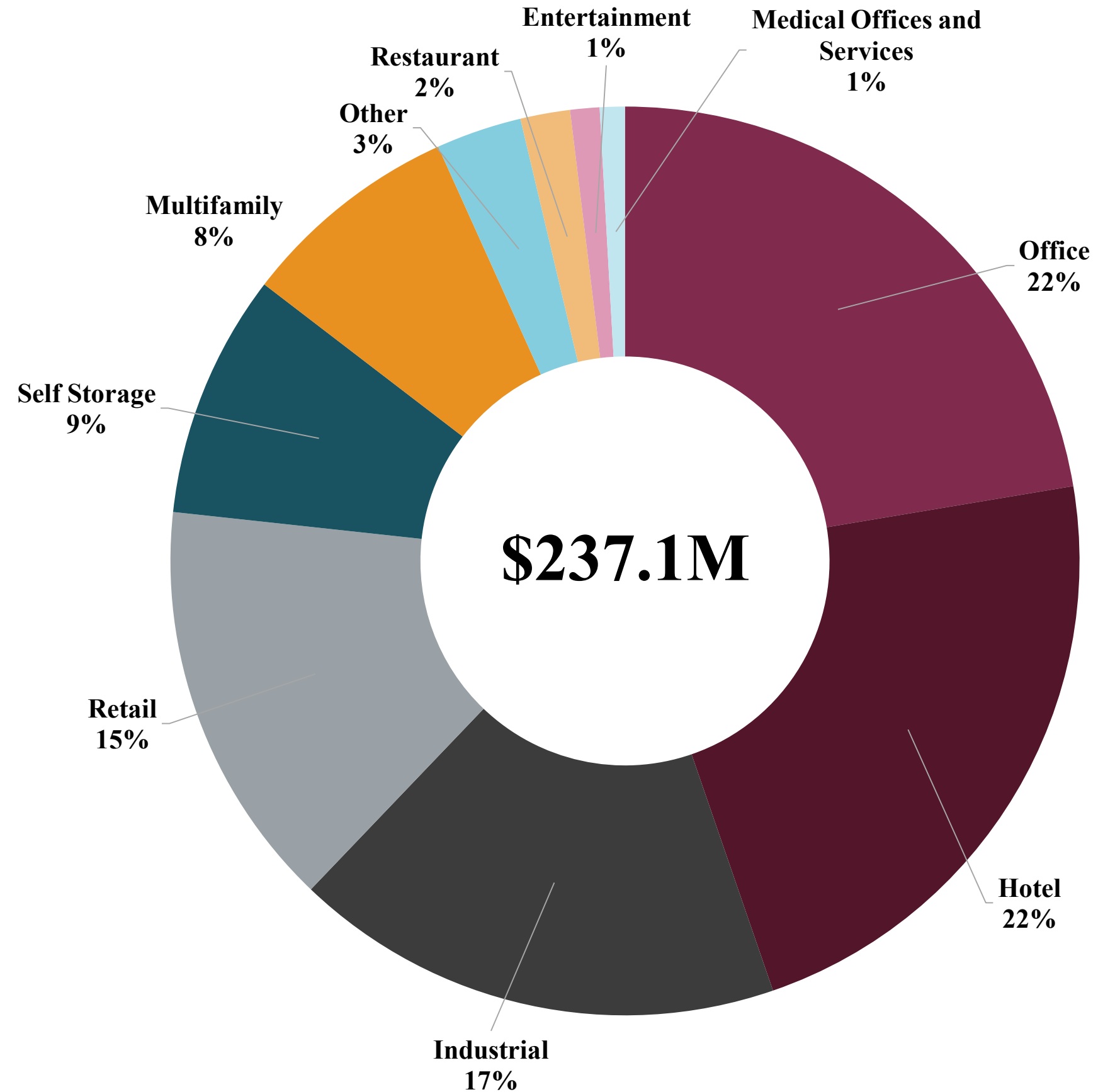


# Commercial Real Estate Portfolio

- Commercial real estate loans represented 98.7% of total capital as of March 31, 2025, which is significantly under the regulatory guidance of 300%.
- As of March 31, 2024, commercial real estate loans represented 111.2% of total capital.



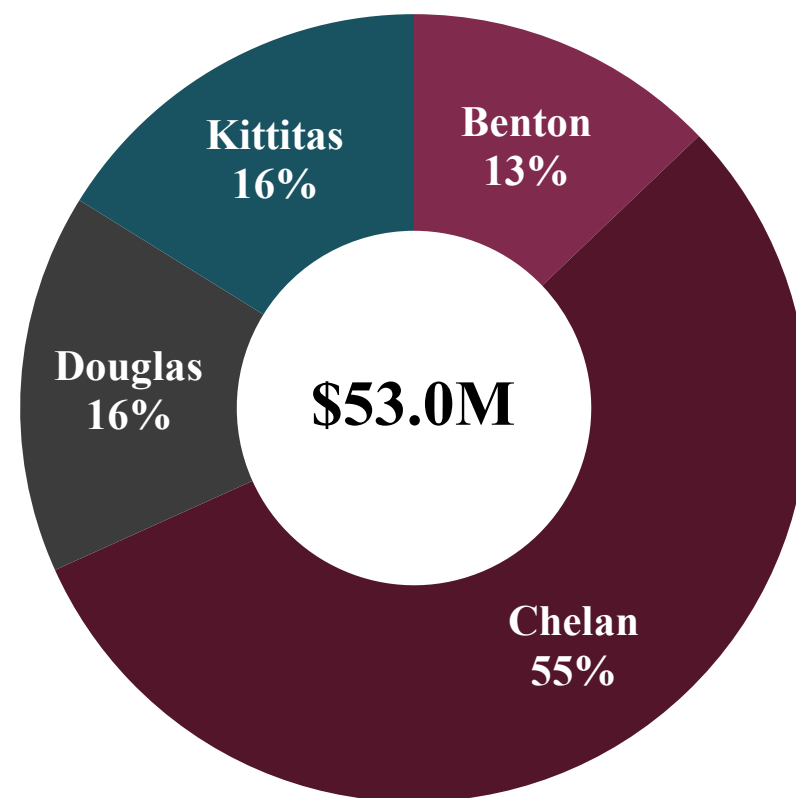
## CRE by Property Type



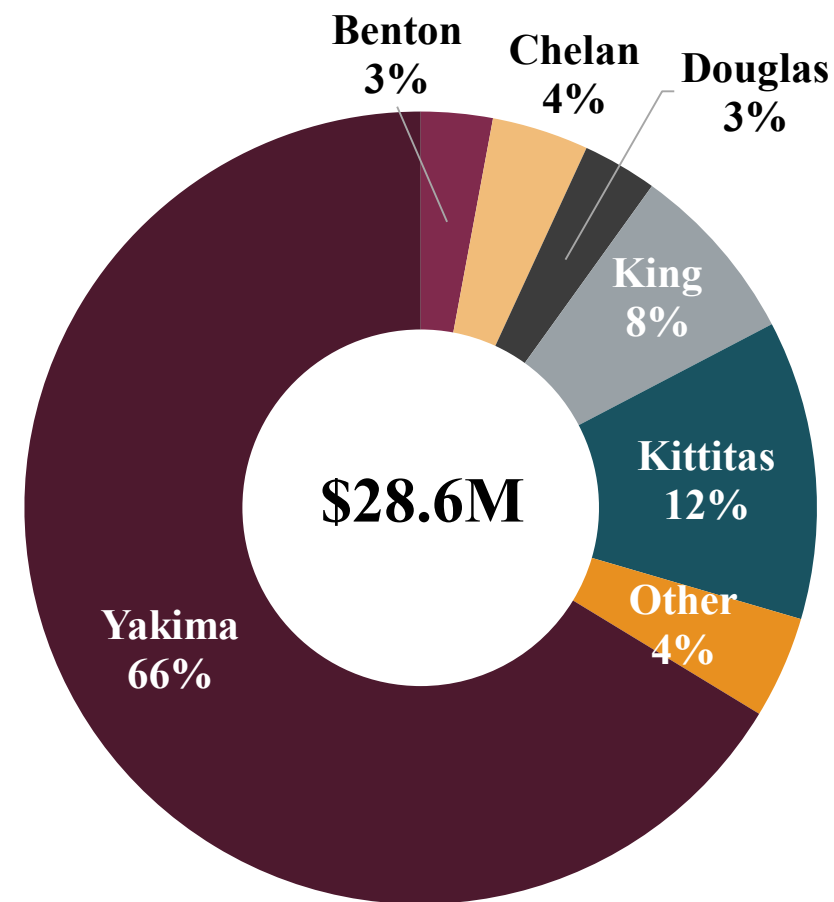
# CRE Non-Owner Occupied

- Seattle is located in King County and may contain elevated risk relative to more rural counties.
- As of March 31, 2025, non-owner occupied commercial real estate in King County totaled \$14.8 million. The remaining commercial real estate loans are more rural in nature.

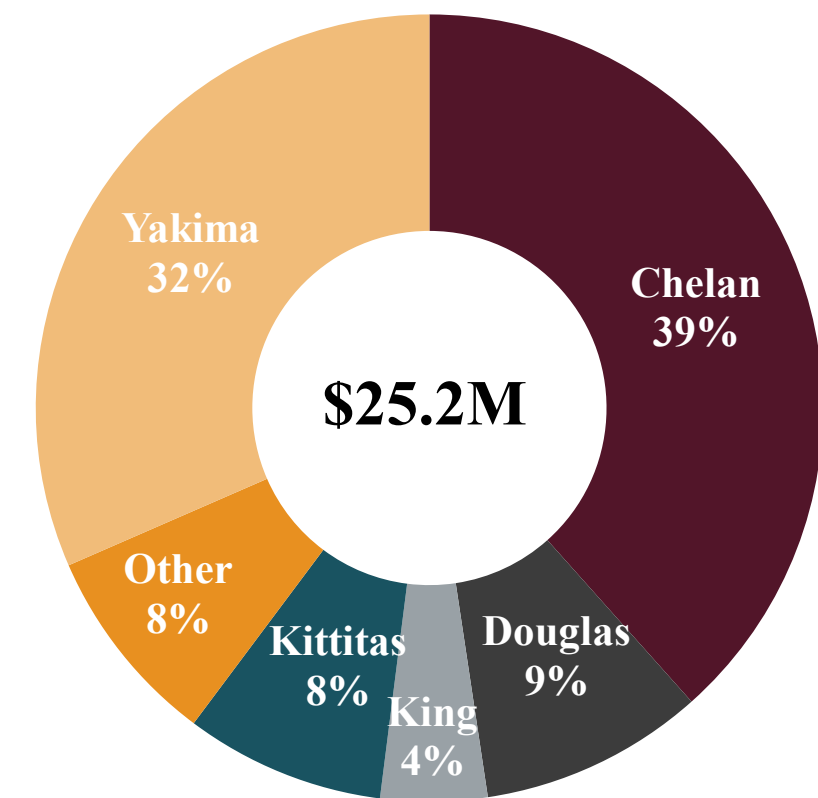
**Hotel**



**Industrial**



**Retail**

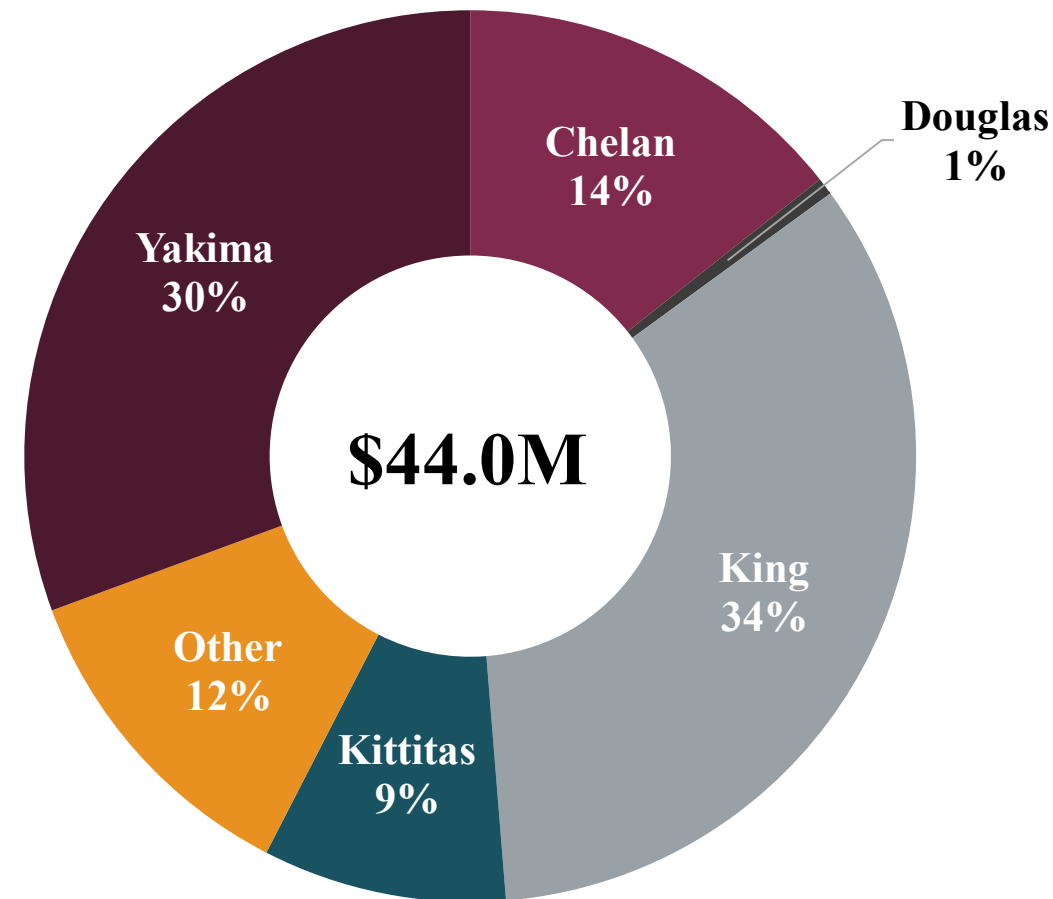




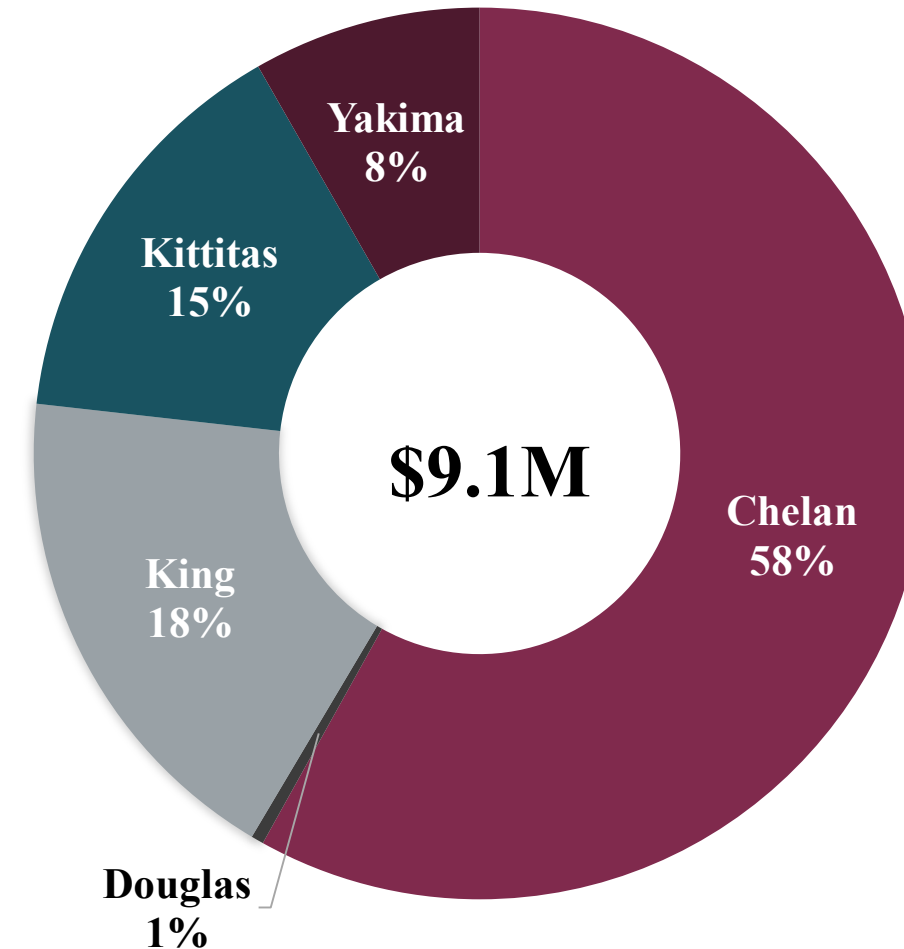
# CRE Office

- Three relationships make up the majority of the CRE owner-occupied and non-owner occupied office loans located in King County.
- Total commercial real estate office loans in King County declined by 3.4% from Q1 2024 to Q1 2025.

**CRE NOO Office**



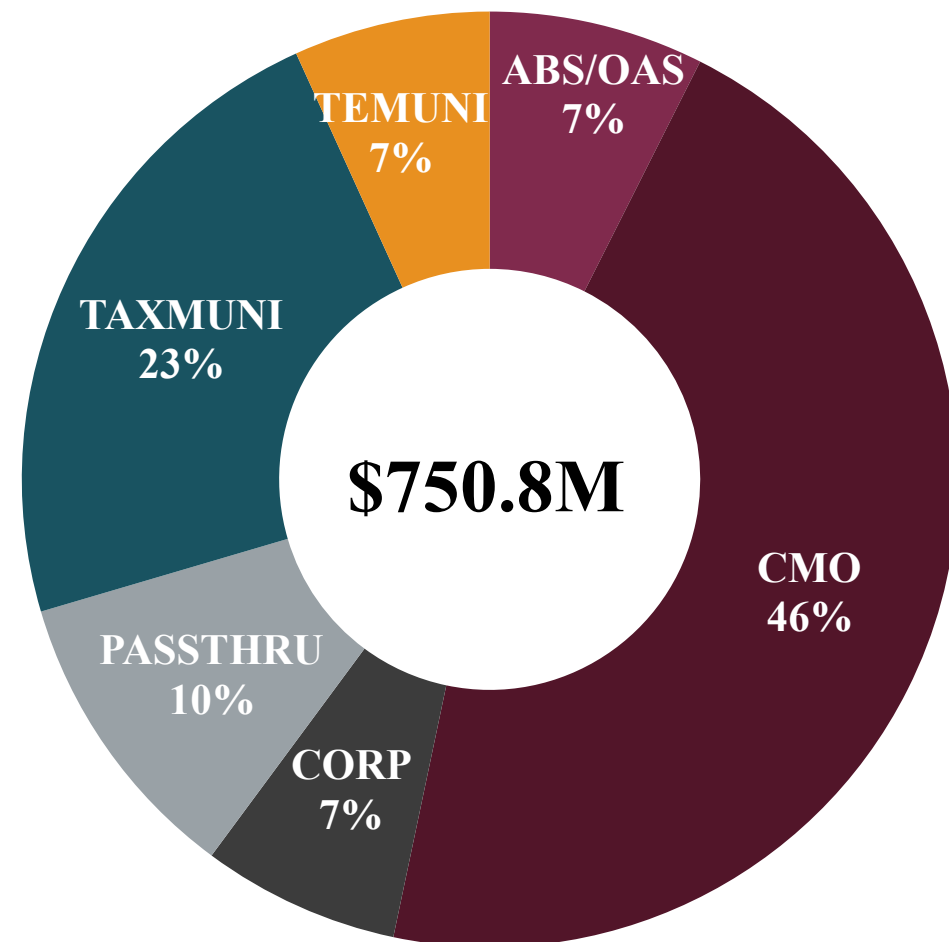
**CRE OO Office**



# Securities Portfolio

- The Bank entered into several pay fixed, receive variable swap agreements with a notional value totaling \$165.0 million. The book value of hedged securities totaled \$265.8 million as of Q1 2025.

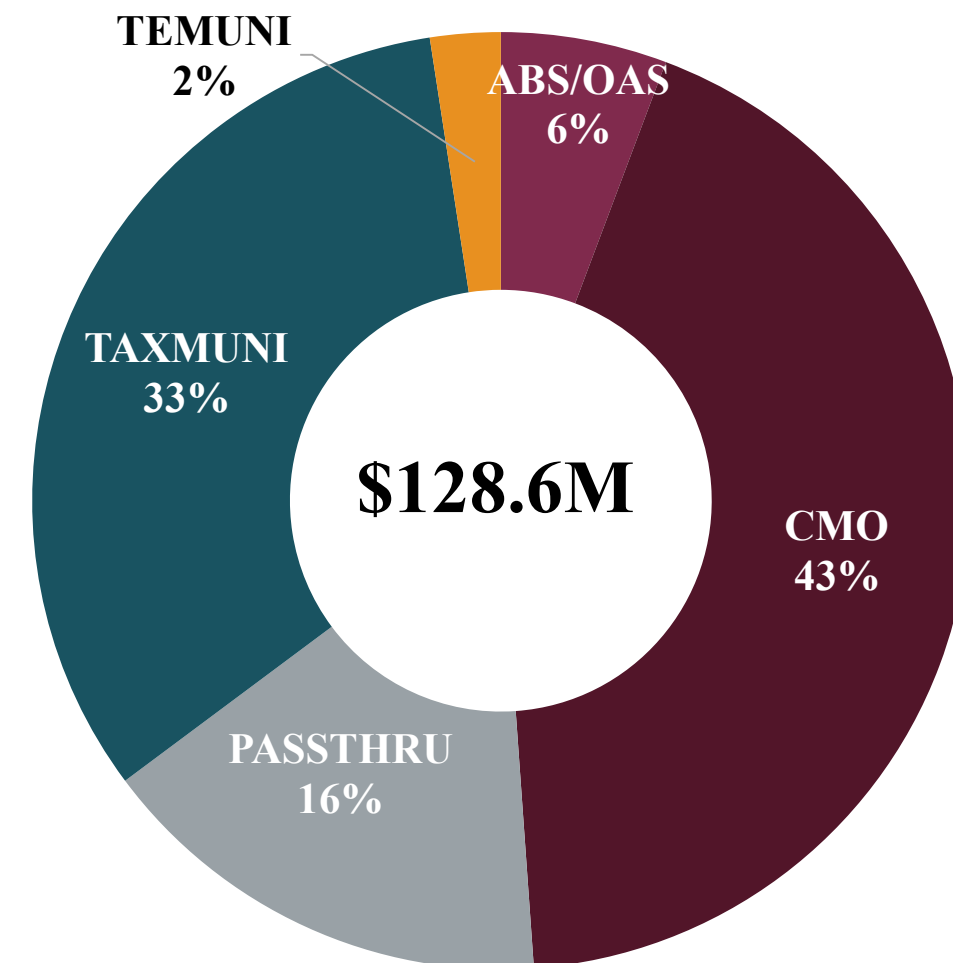
**Q1 2025 AFS**



*(\$ in millions at Fair Value)*

Average Yield – 3.90%  
Duration – 4.22 Years  
Unrealized Loss – \$55.4 Million

**Q1 2025 HTM**



*(\$ in millions at Cost)*

Average Yield – 3.59%  
Duration – 5.87 Years  
Unrealized Loss – \$8.6 Million



# Non-Agency Securities

- A portion of the securities portfolio is made up of non-agency securities. The Bank remains under policy limit for non-agency securities.

Non-Agency Securities (\$ in Thousands)			
	Total Book Value	% of Capital	% of Portfolio
Subordinated Debt	\$54,191	22.56%	6.75%
CFGs	35,190	14.65%	4.38%
HECMs	16,868	7.02%	2.10%
Commercial MBSs	25,950	10.80%	3.23%
Residential MBSs	63,622	26.48%	7.92%
<b>Total Non-Agency Securities</b>	<b>\$195,823</b>	<b>81.51%</b>	<b>24.38%</b>

Projected Cash Flows and Maturities (\$ in Thousands)			
	Projected Cash Flow	Projected Maturities at Par Value	Average Yield of Projected Maturities
2025	\$112,747	\$29,779	3.97%
2026	\$137,992	\$36,510	5.10%
2027	\$98,299	\$62,808	5.07%



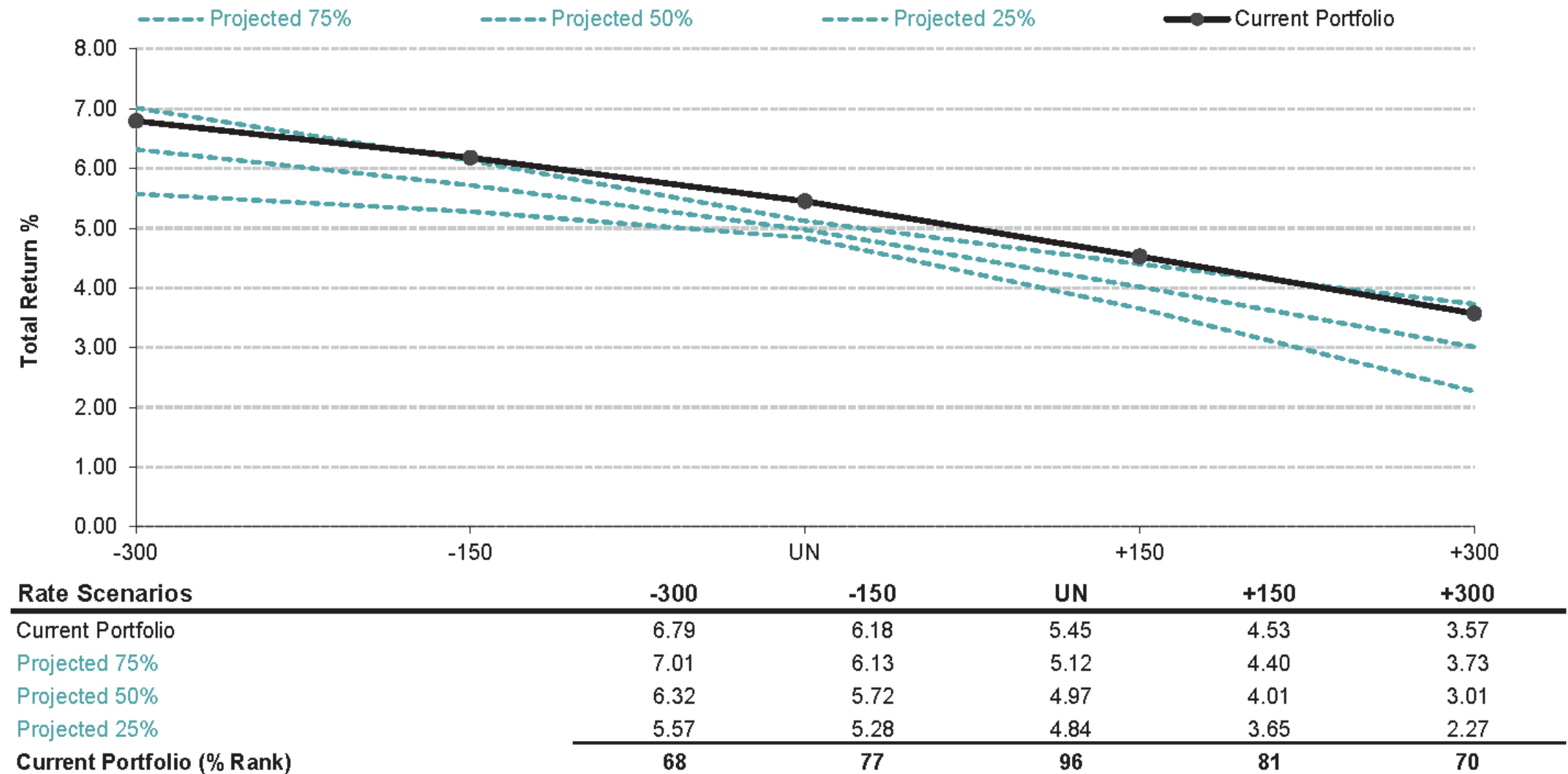


# Income Statement

## – Total Return

- Total return measures the income earned over a time period plus or minus the change in market value, all divided by the starting principal invested.
- The total return shape has changed dramatically from 2022 as the Bank has focused on being more interest rate neutral.
- The Bank performed above peers in all scenarios.

3-Year Total Return

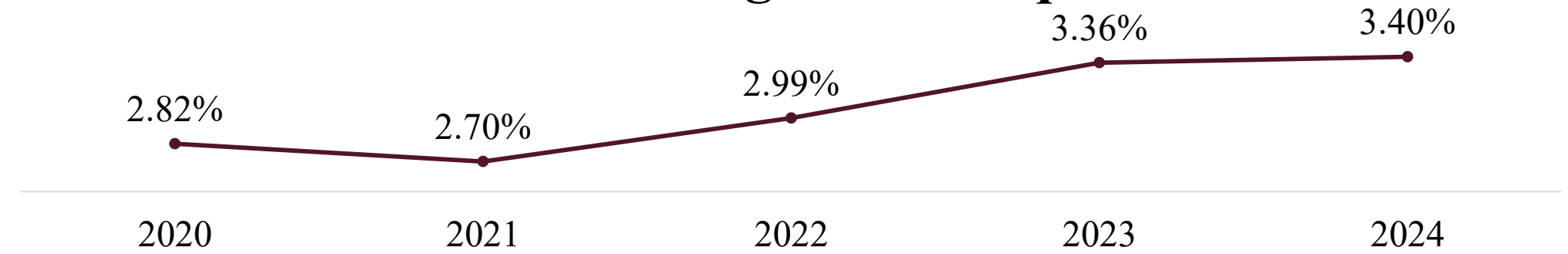


# Income Statement — Key Ratios

- The Bank tries to maintain a low cost structure and keep operating expenses down.
- In 2023, the Bank recognized \$3.9 million for the Employee Retention Tax Credit.
- 2023 had a net realized loss on sales of AFS securities of \$4.8 million.
- 2022 had a net realized loss on sales of AFS securities of \$8.2 million.
- 2020 included a special dividend of \$2.00 per share.



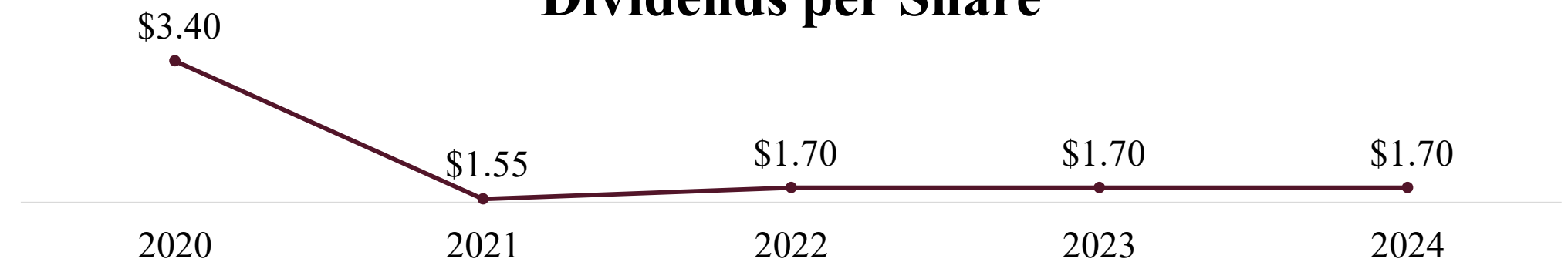
## Net Interest Margin – Tax Equivalent



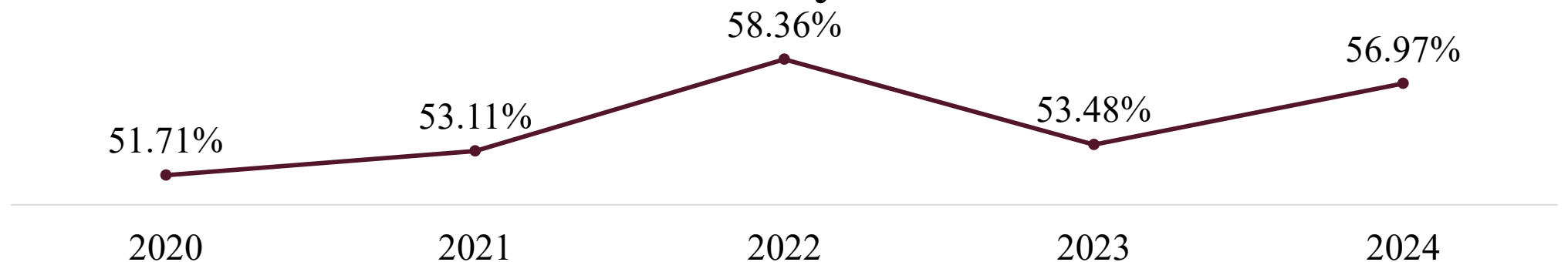
## Earnings per Share - Basic



## Dividends per Share

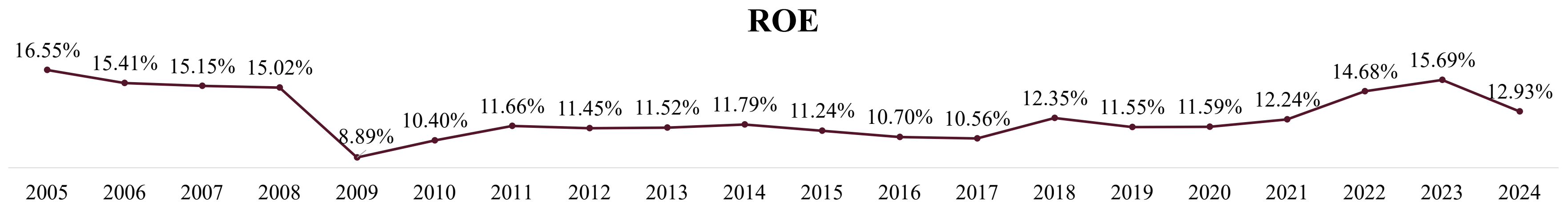
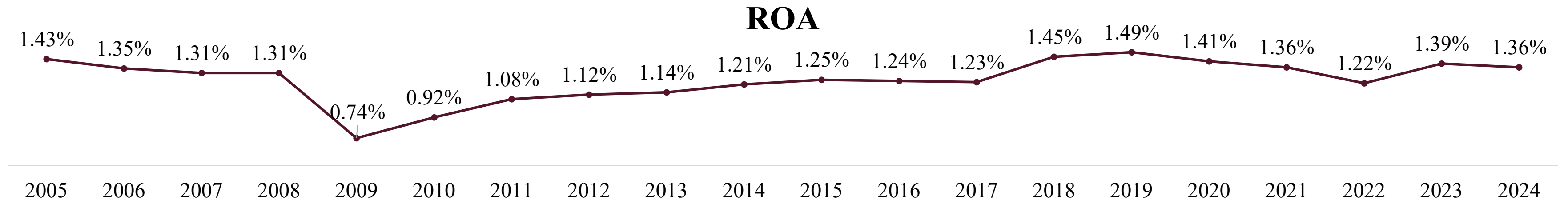


## Efficiency Ratio



# Historical Returns

- Cashmere Valley Bank produces consistent returns on assets and equity.
- During the Great Recession, the Bank continued to have positive net income.

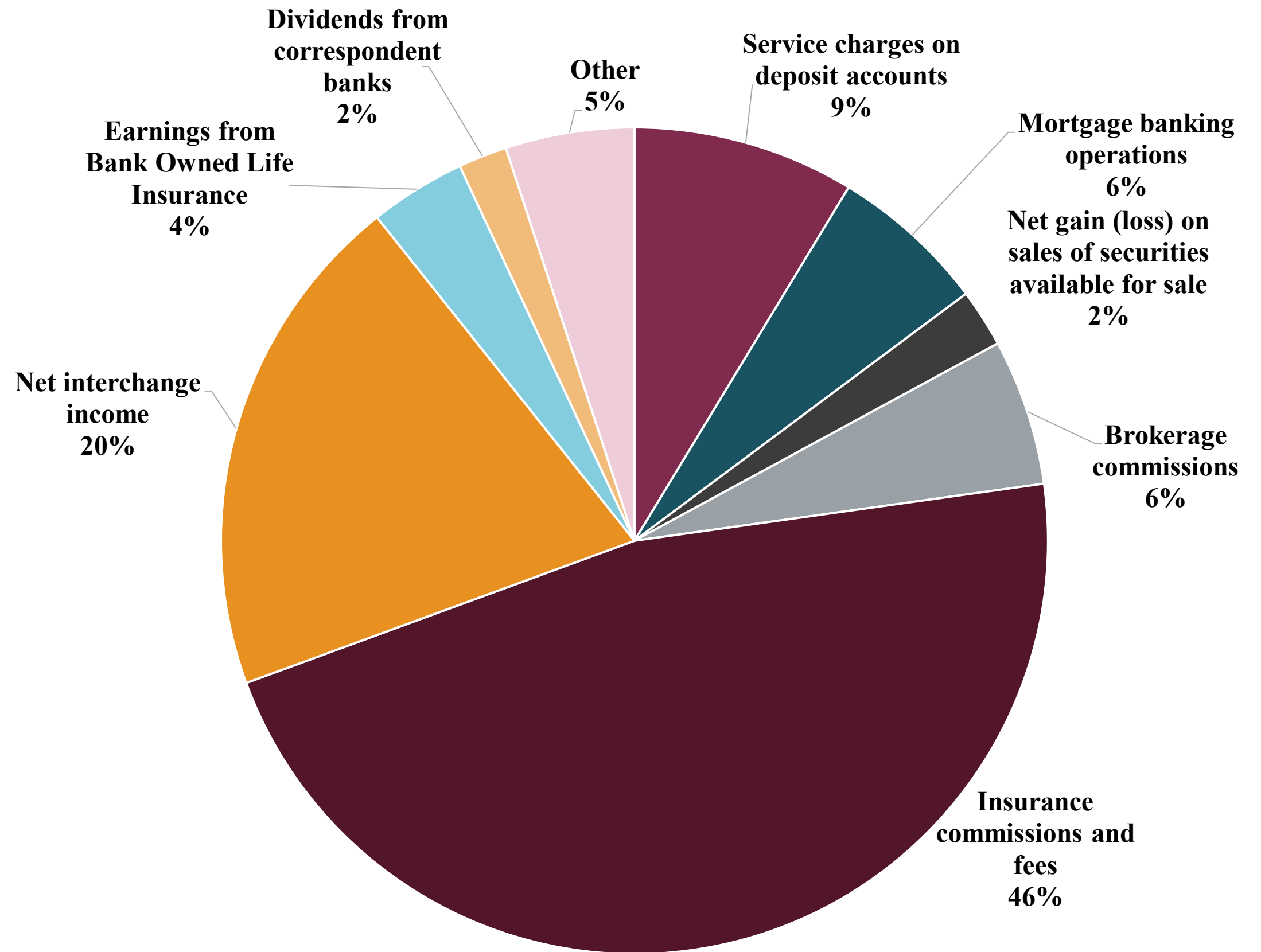




# Sources of Non-Interest Income

- The Bank has worked to grow net interchange income. Compared to Q1 2020, net interchange income has increased 183.8%.
- Growth in insurance commissions and fees is due to MRS. MRS has acquired several other insurance agencies, with the most recent acquisition occurring in 2024.

## Non-Interest Income Q1 2025

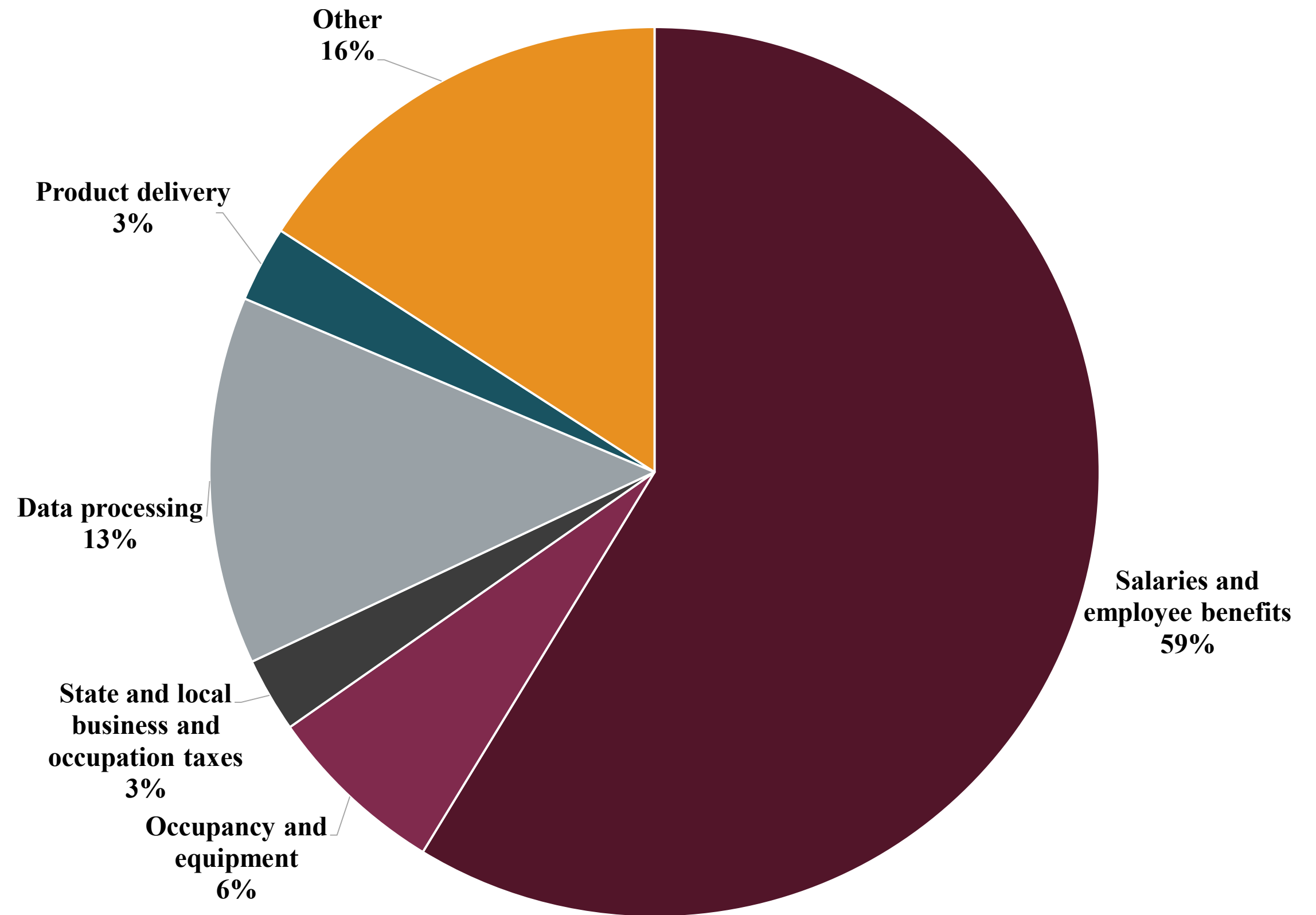


# Sources of Non-Interest Expense

- Salaries and employee benefits have increased 9.75% year over year.
- 2025 includes a significant increase in health care premiums. The Bank pays 100% of employee premiums.
- The increase in salaries and benefits was primarily from 15 officer-level promotions.
- The officer-level promotions were a result of organization-wide succession plans and retention of valuable staff.



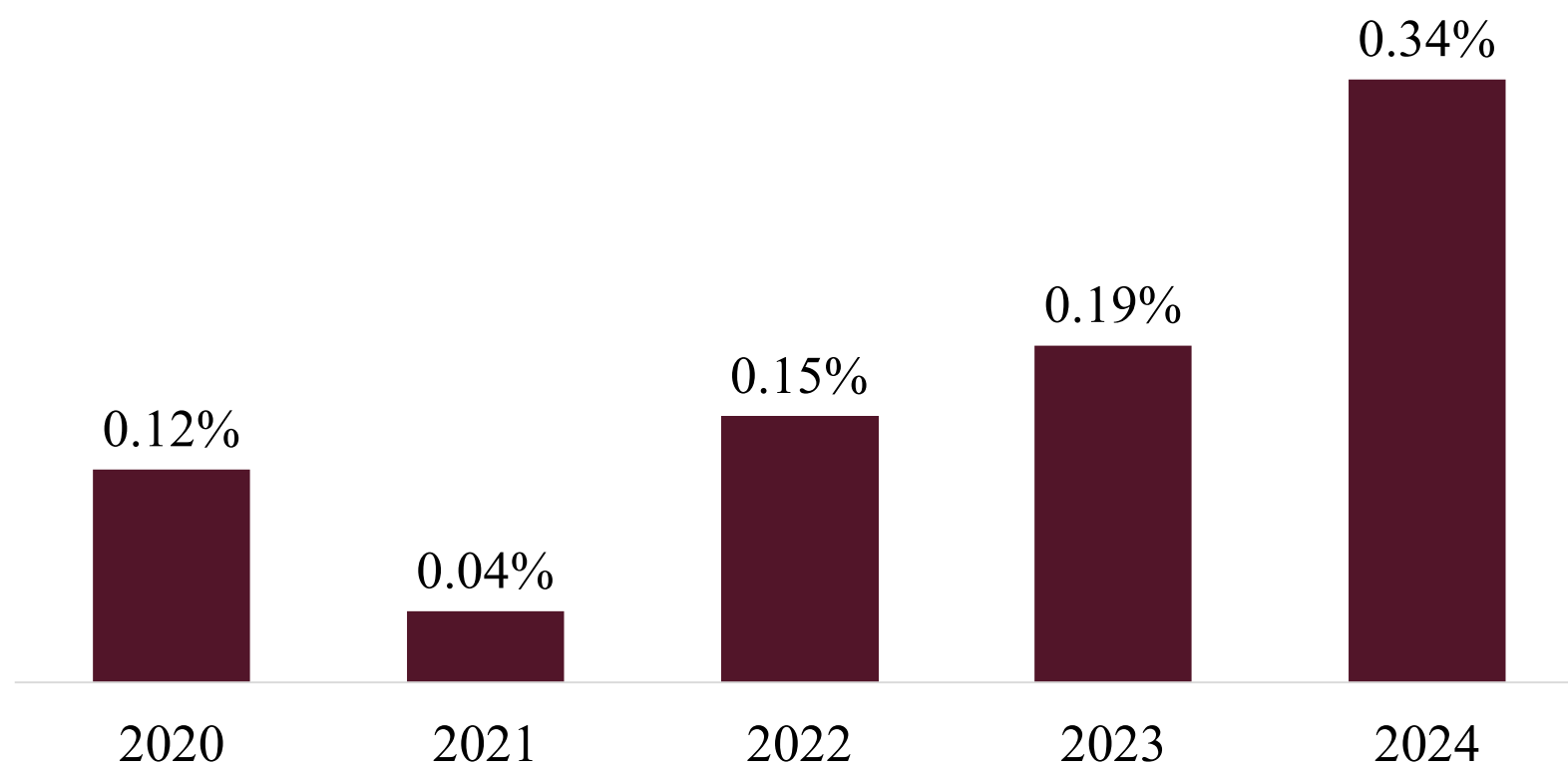
## Non-Interest Expense Q1 2025



# Nonaccrual Loan Summary

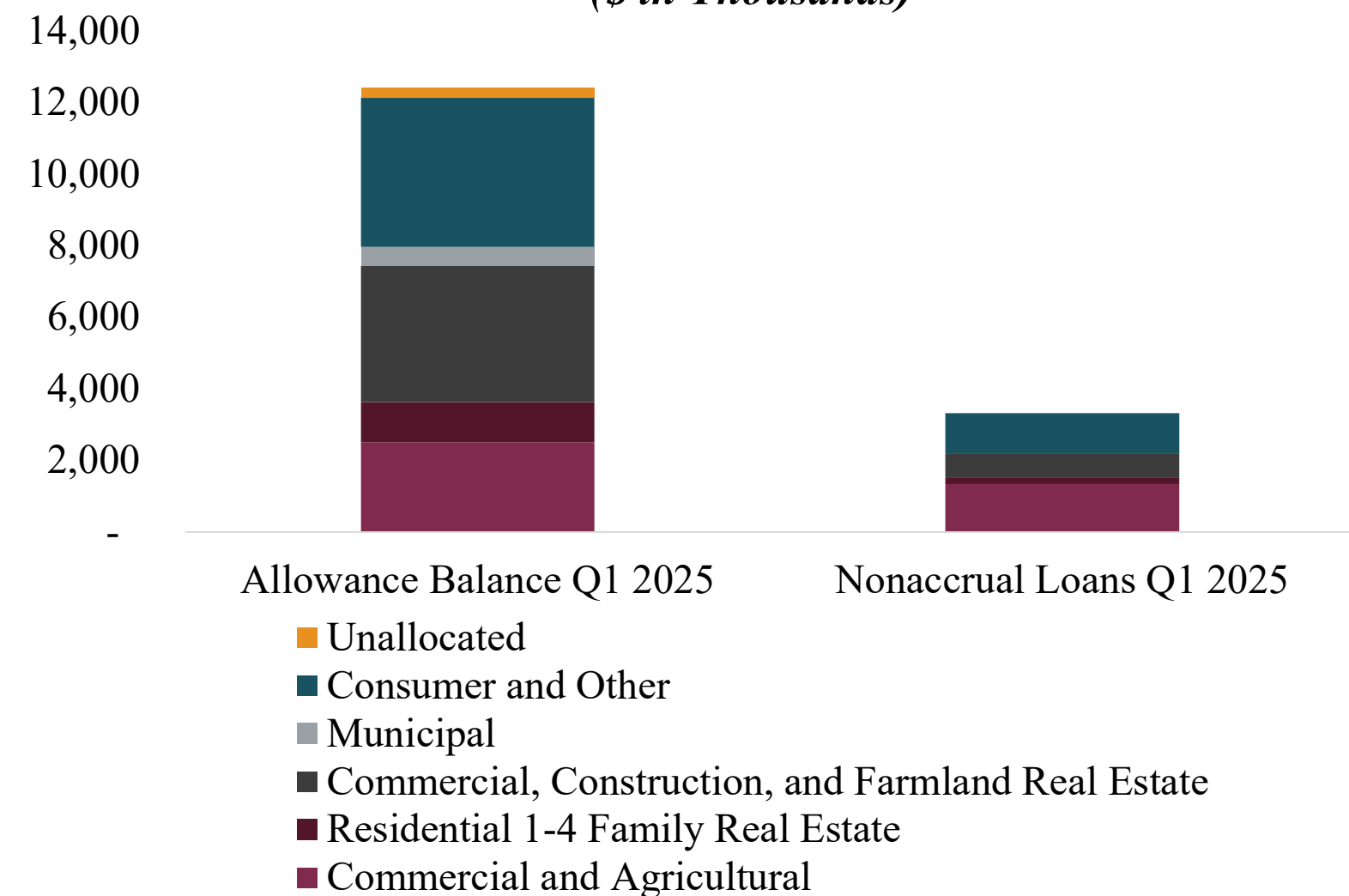
- Allowance for credit losses totaled \$12.4 million as of Q1 2025 and represented 1.28% of total loans.
- Nonaccrual loans totaled \$3.3 million as of Q1 2025. Of the total nonaccrual loans, equipment finance loans accounted for \$1.3 million, and dealer paper loans accounted for \$1.1 million.

## Nonaccrual Loans to Total Loans



## Nonaccrual Loans and Reserve Position

*(\$ in Thousands)*

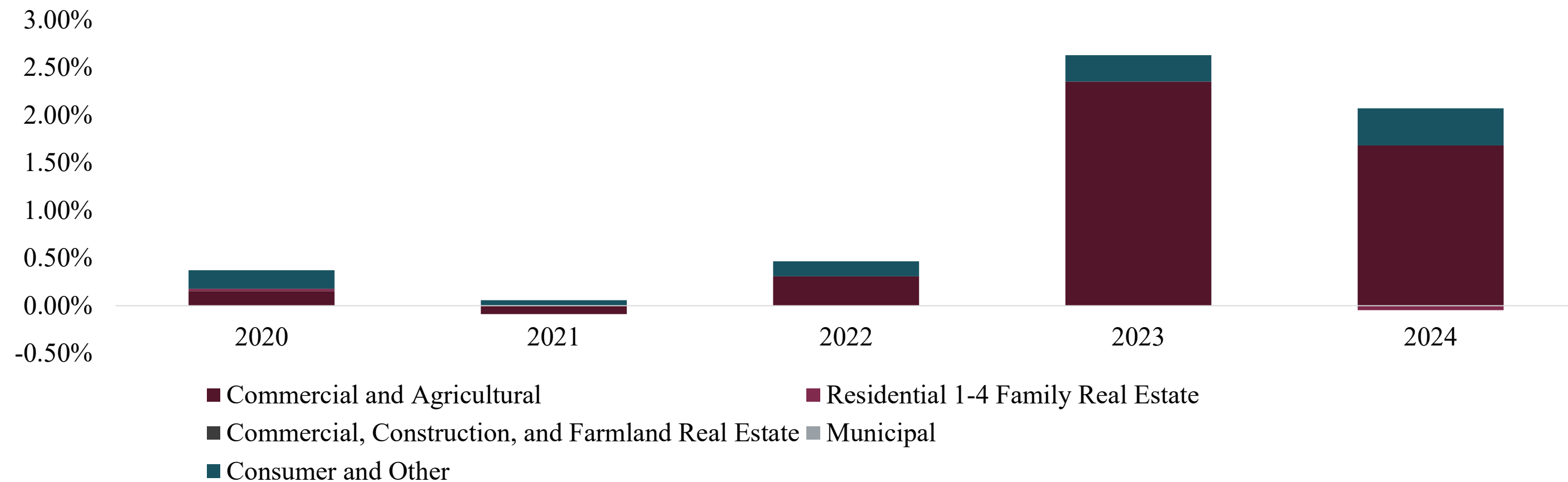




# Charge-Off Activity

- The primary driver of Commercial and Agricultural charge-off activity is equipment finance loans.
- Underwriting requirements have been adjusted for equipment finance loans noted on page 13.

**Net Charge-Offs to Total Loans By Loan Type**



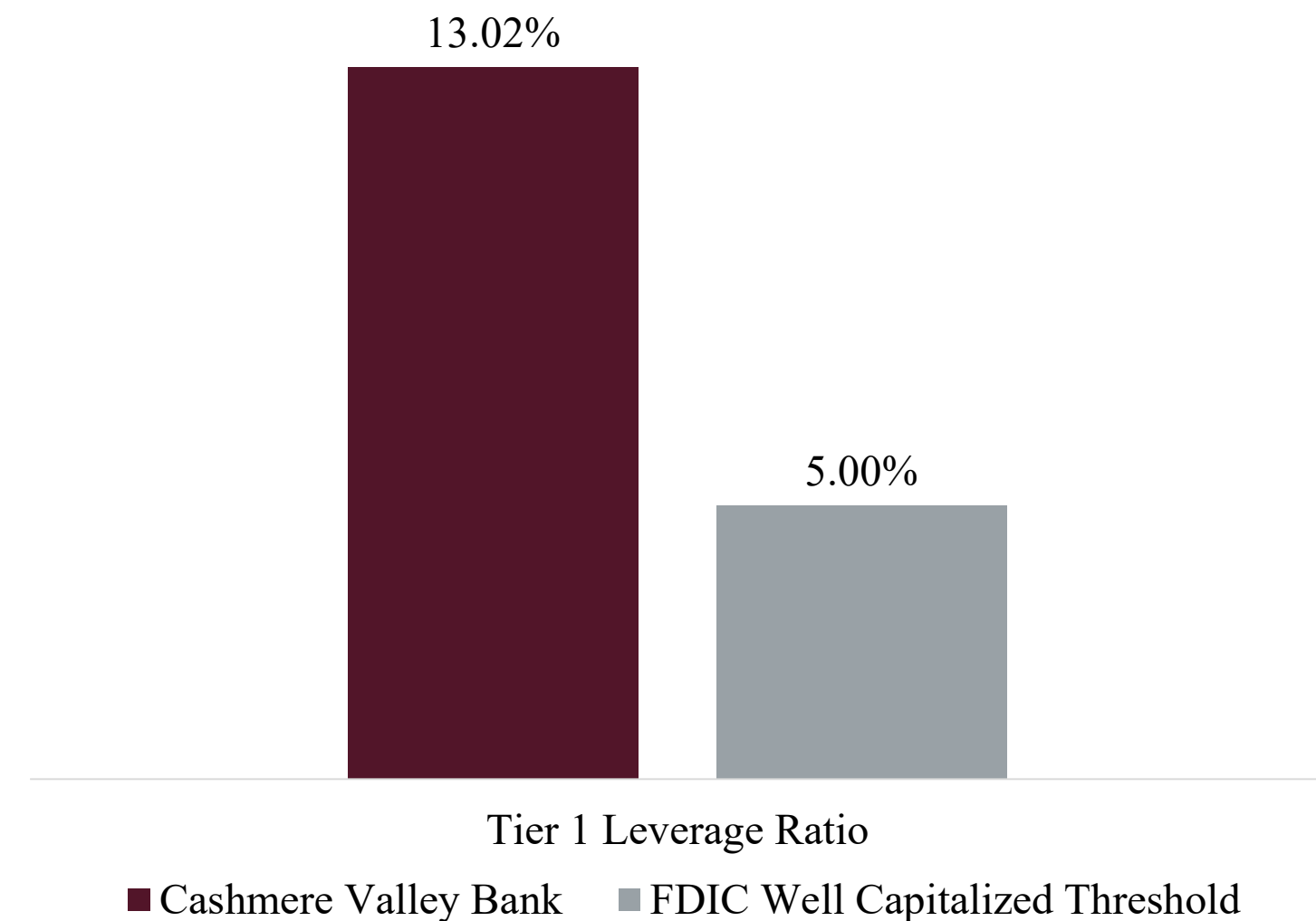
# Capital and Asset Quality

- Tier 1 capital continues to increase.
- The Bank elected to use the Community Banking Leverage Ratio (CBLR) framework, and is therefore only required to calculate a leverage ratio to measure capital adequacy.

Sensitivity Analysis – Net Interest Income				
	Year 1 - \$	Year 1 - %	Year 2 - \$	Year 2 - %
Down 300bp	\$62.5M	(0.22)%	\$61.3M	(5.35)%
Down 200bp	\$62.5M	(0.14)%	\$63.3M	(2.26)%
Down 100bp	\$62.6M	0.03%	\$64.5M	(0.45)%
Rates Unchanged	\$62.6M	0.00%	\$64.7M	0.00%
Up 100bp	\$61.6M	(1.66)%	\$62.1M	(4.10)%
Up 200bp	\$60.9M	(2.66)%	\$62.5M	(3.41)%
Up 300bp	\$60.4M	(3.57)%	\$56.7M	(12.39)%



## Tier 1 Leverage Ratio



# Liquidity

- The Bank has a loan to asset target of 65%.
- Additional earnings and a decrease in unrealized losses have improved the GAAP Capital to Assets ratio.
- The Bank aggressively utilized a variety of strategies beginning in April 2022 to lessen the risk of a continued rising rate environment.

**GAAP Capital to Assets**



**Loans to Assets**

