



Cashmere Valley Bank

FOR IMMEDIATE RELEASE

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CASHMERE VALLEY BANK REPORTS QUARTERLY EARNINGS OF \$6.4 MILLION

CASHMERE, WA, April 22, 2025 – Cashmere Valley Bank (OTCQX: CSHX) (“Bank”), announced quarterly earnings of \$6.4 million for the quarter ended March 31, 2025. Diluted earnings per share totaled \$1.64, representing a decrease of \$0.23 per share, or 12.3%, from prior year.

“We are pleased with our first quarter earnings,” said Greg Oakes, President and CEO. “Earnings dropped a bit from a year ago, but that was primarily due to increases in loan loss provision expense and tax expense. Income before taxes and provision expenses increased 4.3%, which provides positive momentum going forward. We are also pleased that the purchase of a property on Grant Road in East Wenatchee continues to progress, and we hope that location will open in 2026.”

Q1 Highlights

The Bank reported the following statement of condition highlights as of March 31, 2025:

- As of March 31, 2025, gross loans totaled \$967.4 million, representing a decrease from March 31, 2024 of \$74.0 million, or 7.1%. The Bank has experienced loan growth in 2025 as loan balances have increased \$5.0 million since December 31, 2024.
- Deposit balances totaled \$1.83 billion as of March 31, 2025. Deposit balances increased \$44.9 million, or 2.5%, from March 31, 2024. Deposit balances decreased from December 31, 2024 by \$8.3 million, or 0.4%. Non-interest deposits totaled \$386.9 million as of March 31, 2025, which represented 21.1% of total deposits.
- Return on assets decreased from 1.44% to 1.23%, due to an increase in assets and a reduction in earnings.
- Return on equity decreased from 14.4% to 11.1%, due to strong equity growth and a reduction in earnings.

Cash, Cash Equivalents and Restricted Cash

Total cash, cash equivalents and restricted cash totaled \$186.2 million at March 31, 2025, compared to \$138.2 million at March 31, 2024. The \$48.0 million increase was primarily due to efforts to retain higher cash balances on overnight funds that are paying approximately 4.40%. Available borrowing lines from the Federal Home Loan Bank and the Federal Reserve totaled approximately \$374.5 million.

Investments

The investment portfolio, net of the held to maturity allowance, totaled \$879.4 million at March 31, 2025, which represented an increase of \$85.7 million from March 31, 2024. As of March 31, 2025, available for sale securities totaled \$750.8 million and held to maturity securities, net of the allowance, totaled \$128.6 million. For the quarter ended March 31, 2025, securities earned 3.86% as compared to 3.96% one year ago. The decrease in the earnings rate is attributable to decreasing yields on floating rate securities as well as maturities of higher yielding securities.

As of March 31, 2024, unrealized losses on available for sale securities totaled \$55.4 million as compared to \$66.9 million as of March 31, 2024. A combination of strategies was utilized to achieve this reduction, which included new investment purchases, sales of securities and interest rate swaps.

During the first quarter of 2025, a gain on sale of securities of \$130,000 was recorded as part of a securities sale, where the proceeds from the sale were reinvested. Along with the gain on sale, an increase in go-forward interest income was expected with a modest increase in duration.

Loans and Credit Quality

Gross loans totaled \$967.4 million as of March 31, 2025, which was a decrease of \$74.0 million from March 31, 2024. Since March 31, 2024, significant loan balance reductions were seen in construction and land development loans of \$43.2 million, municipal loans of \$24.6 million, and dealer loans of \$23.8 million. The balance reductions equated to a percentage reduction over the past year of 51.0%, 25.2% and 10.4%, respectively.

The allowance for credit losses on loans (ACL) was 1.28% of gross loans as compared to 1.24% one year ago. During the first quarter of 2025, the Bank recorded \$761,000 in provision expense on loans, and the allowance balance totaled \$12.4 million.

Credit quality remains strong with non-performing loans representing 0.34% of gross loans as of March 31, 2025. This is a slight increase from 0.23% as of March 31, 2024.

Deposits

Deposits totaled \$1.83 billion at March 31, 2025. During the first quarter, the average cost of funds increased 6 basis points as compared to the first quarter of 2024. Certificate of Deposit balances increased \$71.5 million over the past twelve months, however, the rate paid on certificates declined during that same period.

Equity

Tier 1 capital remains strong. Tier 1 capital increased to \$281.9 million as of March 31, 2025, which represented an increase of 7.9% from \$259.7 million at March 31, 2024. The increase was primarily due to earnings less dividends paid. The Bank's semi-annual dividend was paid February 10, 2025 at a rate of \$0.90 per share.

As of March 31, 2025, GAAP capital reflected an increase of \$30.1 million from March 31, 2024. Unrealized losses decreased \$4.7 million during that time period. The Bank's GAAP equity to assets ratio was 11.32% as of March 31, 2025.

Earnings

Net Interest Income

Net interest income totaled \$16.2 million in the first quarter of 2025 compared to \$15.6 million in the same quarter a year ago. The increase from the prior year was attributable to an improvement in yields on earning assets of 8 basis points to 4.65%, which was partially offset with an increase of 5 basis points on interest-bearing liabilities to 2.06%. Including non-interest bearing deposits the cost of funds totaled 1.63% as of March 31, 2025.

Loan interest income decreased \$187,000 due to a reduction in loan balances. Year to date loan yields offset the majority of loan balance reductions. The average yield on loans improved to 5.40% from 5.01% from the same quarter one year ago.

Interest income on available for sale and held to maturity securities increased \$605,000, or 7.3%, from one year ago. The increase was primarily related to the increase in securities balances of 10.8% year over year.

Interest income from deposits with other financial institutions increased \$659,000 due to an increase in average cash balances with other financial institutions.

The net interest margin was 3.17% for the first quarter of 2025 as compared to 3.12% one year ago.

Non-Interest Income

Non-interest income totaled \$5.7 million in the first quarter of 2025 as compared to \$4.7 million in the first quarter of 2024. Non-interest income increased \$1.0 million primarily from insurance commissions and fees increasing \$717,000, and increases in gain on sales from available for sale securities of \$130,000.

Non-Interest Expense

Non-interest expense totaled \$13.2 million in the first quarter of 2025 as compared to \$12.0 million in the first quarter of 2024. Salaries and benefits increased \$689,000, or 9.7%, due to increasing wages and significant increases in employee health care insurance costs. Data processing expenses also increased \$169,000, or 10.6%.

The Bank's efficiency ratio was 60.2% in the first quarter of 2025 as compared to 59.0% in the first quarter of 2024.

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, 2025	December 31, 2024	March 31, 2024
Assets			
Cash and Cash Equivalent:			
Cash & due from banks	\$27,192	\$27,642	\$21,393
Interest bearing deposits	156,653	188,370	113,141
Fed funds sold	2,342	3,909	3,639
Total Cash and Cash Equivalent	186,187	219,921	138,173
Securities available for sale	750,761	716,508	655,680
Securities held to maturity, net of allowance for credit losses of \$15, \$16 and \$19, respectively	128,589	130,254	137,936
Federal Home Loan Bank stock, at cost	2,848	2,846	2,981
Loans held for sale	7	4	342
Loans	967,398	962,369	1,041,410
Allowance for credit losses	(12,391)	(12,748)	(12,947)
Net loans	955,007	949,621	1,028,463
Premises and equipment	19,251	19,472	20,510
Accrued interest receivable	8,842	8,952	9,444
Other real estate and foreclosed assets	97	97	97
Bank Owned Life Insurance	27,862	27,647	27,009
Goodwill	7,579	7,579	7,576
Intangibles, net	2,562	2,749	3,291
Mortgage servicing rights	2,406	2,441	2,485
Net deferred tax assets	16,780	18,037	18,695
Other assets	13,649	15,435	13,569
Total assets	\$2,122,427	\$2,121,563	\$2,066,251
Liabilities and Shareholders' Equity			
Liabilities			
Deposits:			
Non-interest bearing demand	\$386,886	\$395,327	\$398,960
Savings and interest-bearing demand	921,796	940,084	936,416
Time	521,007	502,542	449,462
Total deposits	1,829,689	1,837,953	1,784,838
Accrued interest payable	2,881	2,842	2,661
Borrowings	35,000	36,000	54,636
Other liabilities	14,627	12,601	14,008
Total liabilities	1,882,197	1,889,396	1,856,143
Shareholders' Equity			
Common stock (no par value); authorized 10,000,000 shares;			
Issued and outstanding: 3/31/2025 -- 3,897,994 ;			
12/31/2024 -- 3,891,000 ; 3/31/2024 -- 3,884,186	--	--	--
Additional paid-in capital	5,608	5,229	4,895
Treasury stock	(16,784)	(16,784)	(16,784)
Retained Earnings	304,544	301,636	284,062
Other comprehensive income	(53,947)	(58,674)	(62,491)
Total Cashmere Valley Bank shareholders' equity	239,421	231,407	209,682
Noncontrolling interest	809	760	426
Total shareholders' equity	240,230	232,167	210,108
Total liabilities and shareholders' equity	\$2,122,427	\$2,121,563	\$2,066,251

Quarterly Consolidated Statements of Income (UNAUDITED)

(Dollars in Thousands)

Cashmere Valley Bank & Subsidiary

	For the quarters ended,		
	March 31, 2025	December 31, 2024	March 31, 2024
Interest Income			
Loans and leases	\$12,834	\$13,102	\$13,021
Fed funds sold and deposits at other financial institutions	1,958	2,037	1,299
Securities available for sale:			
Taxable	7,816	7,511	7,220
Tax-exempt	332	344	277
Securities held to maturity:			
Taxable	762	764	785
Tax-exempt	24	24	47
Total interest income	23,726	23,782	22,649
Interest Expense			
Deposits	7,111	7,348	6,449
Borrowings	401	457	609
Total interest expense	7,512	7,805	7,058
Net interest income	16,214	15,977	15,591
Provision for Credit Losses	761	465	(54)
Net interest income after provision for credit losses	15,453	15,512	15,645
Non-Interest Income			
Service charges on deposit accounts	496	541	460
Mortgage banking operations	351	413	290
Net gain (loss) on sales of securities available for sale	130	--	--
Brokerage commissions	327	317	369
Insurance commissions and fees	2,667	2,402	1,950
Net interchange income	1,138	1,105	1,166
Earnings from Bank Owned Life Insurance	215	220	200
Dividends from correspondent banks	109	102	34
Other	288	276	257
Total non-interest income	5,721	5,376	4,726
Non-Interest Expense			
Salaries and employee benefits	7,758	7,197	7,069
Occupancy and equipment	868	918	880
Audits and examinations	247	21	183
State and local business and occupation taxes	358	300	335
FDIC insurance & WA state assessments	268	253	244
Legal and professional fees	247	238	242
Check losses and charge-offs	118	127	120
Low-income housing investment losses	158	156	--
Data processing	1,768	1,562	1,599
Product delivery	364	326	330
Other	1,059	1,037	993
Total non-interest expense	13,213	12,135	11,995
Income before income taxes	7,961	8,753	8,376
Income Taxes	1,502	1,677	1,093
Net income	\$6,459	\$7,076	\$7,283
Net income attributable to noncontrolling interest	48	17	6
Net income attributable to Cashmere Valley Bank	\$6,411	\$7,059	\$7,277
Earnings Per Share			
Basic	\$ 1.65	\$ 1.81	\$ 1.87
Diluted	\$ 1.64	\$ 1.81	\$ 1.87