



Cashmere Valley Bank

2024 Annual Report

“The little Bank with the big circle of friends”

Member FDIC

Cashmere Valley Bank

2024 Annual Report

Financial Highlights

Performance Results	Year Ended December 31,				
	2024	2023	2022	2021	2020
Return on average equity	12.93%	15.69%	14.68%	12.24%	11.59%
Return on average assets	1.36%	1.39%	1.22%	1.36%	1.41%
Equity to assets	10.94%	9.93%	7.59%	10.75%	11.97%
Earnings per share - Basic	\$7.24	\$7.20	\$6.70	\$7.42	\$6.43
Dividends per share	\$1.70	\$1.70	\$1.70	\$1.55	\$3.40
Book value per share	\$59.67	\$52.21	\$40.78	\$61.61	\$60.09
Year end market value per share	\$58.50	\$50.99	\$44.95	\$71.50	\$52.61
Average earning assets to average total assets	94.36%	94.31%	97.88%	95.01%	94.75%
Allowance for credit losses to total loans at December 31	1.32%	1.26%	1.37%	1.46%	1.44%
Efficiency ratio	56.97%	53.48%	58.36%	53.11%	51.71%
Yield and Cost of Funds					
Tax equivalent yield on cash and investments	4.44%	4.01%	2.45%	1.90%	2.21%
Tax equivalent yield on loans	5.26%	4.69%	4.09%	4.19%	4.08%
Cost of funds	2.05%	1.17%	0.29%	0.35%	0.44%
Tax equivalent net interest margin	3.40%	3.36%	2.99%	2.70%	2.82%
Selected Items (in thousands)					
Total cash and cash equivalents	\$219,921	\$117,136	\$180,312	\$114,004	\$135,725
Total investments	\$846,762	\$790,680	\$816,486	\$1,103,232	\$856,327
Total loans	\$962,369	\$1,042,453	\$1,005,741	\$940,802	\$950,970
Total assets	\$2,121,563	\$2,042,738	\$2,087,762	\$2,224,302	\$1,994,288
Total deposits	\$1,837,953	\$1,773,767	\$1,900,019	\$1,936,577	\$1,719,971
Total equity	\$232,167	\$202,798	\$158,390	\$239,098	\$238,678

To the shareholders and friends of Cashmere Valley Bank

We are thankful for another successful year here at Cashmere Valley Bank. Earnings were almost identical to 2023. While flat earnings are never our goal, there is nothing wrong with repeating success. We are happy to report deposits grew 3.6% following a couple of difficult years when rates rose quickly and depositors started “chasing yield.” The downside is our cost of deposits rose, which put a squeeze on our net interest margin. With asset yields rising, the Bank has positive momentum going into 2025.

Our retail network continues to be strong with 41% market share in the Wenatchee metropolitan statistical area (MSA). This has led to significant overutilization in East Wenatchee. Therefore, we are in the final planning stages for a new branch up Grant Road. This will capture the highest residential growth area of the valley including significant industrial growth in and around Pangborn Memorial Airport.

Our strategic mission is to provide exceptional personalized service. Ease of contact sets us apart, with customer-focused staff answering calls in our Wenatchee-based contact center, physical branches with real people inside, and robust, convenient drive-ups.

Lastly, and most importantly, it’s the way we treat our employees and our customers that makes it different here. People want to be treated well and that makes us “the little Bank with the big circle of friends.”

If you have any questions about your bank, don’t hesitate to call me directly at (509) 782-2092.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Oakes". The signature is fluid and cursive, with a large initial "G" and a stylized "O".

Greg Oakes,
President and CEO



Report of Independent Auditors

The Board of Directors and Shareholders
Cashmere Valley Bank and its subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Cashmere Valley Bank and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Cashmere Valley Bank and its subsidiary as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Cashmere Valley Bank's internal control over financial reporting as of December 31, 2024, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to internal reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated March 18, 2025, expressed an unmodified opinion.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cashmere Valley Bank and its subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cashmere Valley Bank and its subsidiary's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements

- In performing an audit in accordance with GAAS, we:
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cashmere Valley Bank and its subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Spokane, Washington
March 18, 2025

Cashmere Valley Bank and Subsidiary
Consolidated Balance Sheets

(Dollars in Thousands, Except Share Amounts)

	December 31,	
	2024	2023
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$27,642	\$26,619
Interest-bearing deposits at other financial institutions	188,370	86,432
Federal funds sold	3,909	4,085
Total cash and cash equivalents	219,921	117,136
Securities available for sale at fair value, amortized cost of \$779,901 and \$718,222	716,508	650,905
Securities held to maturity, net of allowance for credit losses of \$16 and \$20	130,254	139,775
Federal Home Loan Bank stock, at cost	2,846	3,008
Loans held for sale	4	4
Loans and leases	962,369	1,042,453
Allowance for credit losses	(12,748)	(13,085)
Net loans and leases	949,621	1,029,368
Premises and equipment, net	19,472	21,017
Accrued interest receivable	8,952	9,411
Other real estate and foreclosed assets	97	97
Bank Owned Life Insurance	27,647	26,809
Goodwill	7,579	7,576
Intangibles, net	2,749	3,465
Mortgage servicing rights	2,441	2,536
Net deferred tax assets	18,037	19,563
Other assets	15,435	12,068
Total assets	\$2,121,563	\$2,042,738
Liabilities		
Deposits:		
Noninterest-bearing demand	\$395,327	\$424,380
Savings and interest-bearing demand	940,084	956,290
Time	502,542	393,097
Total deposits	1,837,953	1,773,767
Accrued interest payable	2,842	2,216
Borrowings	36,000	48,858
Other liabilities	12,601	15,099
Total liabilities	1,889,396	1,839,940
Commitments and contingencies (Note 12)		
Shareholders' Equity		
Common stock (no par value); authorized 10,000,000 shares;		
Issued and outstanding: 2024 – 3,891,000; 2023 – 3,883,986	--	--
Additional paid-in capital	5,229	4,833
Treasury stock	(16,784)	(16,784)
Retained earnings	301,636	280,087
Accumulated other comprehensive (loss)	(58,674)	(65,758)
Total Cashmere Valley Bank shareholders' equity	231,407	202,378
Noncontrolling interest	760	420
Total shareholders' equity	232,167	202,798
Total liabilities and shareholders' equity	\$2,121,563	\$2,042,738

The accompanying notes are an integral part of these financial statements.

Cashmere Valley Bank and Subsidiary
Consolidated Statements of Income

(Dollars in Thousands, Except Per Share Amounts)

	Year Ended December 31,	
	2024	2023
Interest Income		
Loans and leases	\$52,597	\$47,392
Federal 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	82,153
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	65,637
Provision for credit losses	1,971	2,942
Net interest income after provision for credit losses	61,208	62,695
Noninterest Income		
Service charges on deposit accounts	2,045	2,128
Mortgage banking operations	1,565	1,514
Net (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	4,571	4,743
Earnings from Bank Owned Life Insurance	838	704
Other	1,402	1,320
Total noninterest income	20,557	14,310
Noninterest 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 fund losses	483	633
Data processing	6,295	6,372
Product delivery	1,380	1,255
Other	4,188	3,412
Total noninterest expense	47,702	42,759
Income before income taxes	34,063	34,246
Income taxes	5,829	6,214
Net income	28,234	28,032
Net income attributable to noncontrolling interest	75	50
Net income attributable to Cashmere Valley Bank	\$28,159	\$27,982
Earnings per common share – Basic	\$7.24	\$7.20
Earnings per common share – Diluted	\$7.24	\$7.20

The accompanying notes are an integral part of these financial statements.

Cashmere Valley Bank and Subsidiary
Consolidated Statements of Comprehensive Income

(Dollars in Thousands)

	Year Ended December 31,	
	2024	2023
Net income	\$28,159	\$27,982
Other comprehensive income:		
Change in the fair value of securities available for sale	3,924	20,385
Reclassification adjustment for losses included in net income	--	4,818
Amortization of net unrealized losses on securities transferred from available for sale to held to maturity	1,625	1,798
Unrealized gain (loss) on interest rate swaps	3,380	(1,571)
Other comprehensive income, before tax	8,929	25,430
Income tax expense	1,845	1,949
Other comprehensive income, net of tax	7,084	23,481
Comprehensive income, net of tax	\$35,243	\$51,463

The accompanying notes are an integral part of these financial statements.

Cashmere Valley Bank and Subsidiary
Consolidated Statements of Shareholders' Equity

(Dollars in Thousands, Except Share Information)

	Shares of Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Other Comprehensive Income (Loss)	Total Cashmere Valley Bank Equity	Non- controlling Interest	Total Equity
Balance as of December 31, 2022	3,883,956	\$4,540	\$(16,784)	\$259,839	\$(89,239)	\$158,356	\$34	\$158,390
Adjustment for adoption of ASU 2016-13, net of tax	--	--	--	(1,131)	--	(1,131)	--	(1,131)
Net income	--	--	--	27,982	--	27,982	50	28,032
Other comprehensive income, net of tax	--	--	--	--	23,481	23,481	--	23,481
Transactions with minority shareholders	--	(336)	--	--	--	(336)	336	--
Cash dividends paid	--	--	--	(6,603)	--	(6,603)	--	(6,603)
Stock-based compensation expense	--	246	--	--	--	246	--	246
Exercise of common stock options	--	383	--	--	--	383	--	383
Restricted stock grants	30	--	--	--	--	--	--	--
Balance as of December 31, 2023	3,883,986	\$4,833	\$(16,784)	\$280,087	\$(65,758)	\$202,378	\$420	\$202,798
Net income	--	--	--	28,159	--	28,159	75	28,234
Other comprehensive income, net of tax	--	--	--	--	7,084	7,084	--	7,084
Transactions with minority shareholders	--	(265)	--	--	--	(265)	265	--
Cash dividends paid	--	--	--	(6,610)	--	(6,610)	--	(6,610)
Stock-based compensation expense	--	201	--	--	--	201	--	201
Exercise of common stock options	6,999	460	--	--	--	460	--	460
Restricted stock grants	15	--	--	--	--	--	--	--
Balance as of December 31, 2024	3,891,000	\$5,229	\$(16,784)	\$301,636	\$(58,674)	\$231,407	\$760	\$232,167

The accompanying notes are an integral part of these financial statements.

Cashmere Valley Bank and Subsidiary
Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year Ended December 31,	
	2024	2023
Cash Flows from Operating Activities		
Net income	\$28,234	\$28,032
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,298	3,024
Provision for credit losses	1,971	2,942
Investment amortization – net	2,342	4,419
Stock-based compensation	201	246
Net (gain) loss on sale of securities and loans	(111)	4,891
Earnings from Bank Owned Life Insurance	(838)	(704)
Originations of loans held for sale	(32,351)	(24,725)
Proceeds from sales of loans held for sale	32,840	25,247
Net change in:		
Accrued interest receivable	459	(1,212)
Accrued interest payable	626	1,782
Deferred income tax	(379)	190
Federal income tax payable	546	(1,208)
Deferred compensation	378	513
Other – net	635	(2,713)
Net cash provided by operating activities	37,851	40,724
Cash Flows from Investing Activities		
Activity in securities available for sale:		
Sales proceeds	--	90,180
Maturities, prepayments, and calls	105,128	55,426
Purchases	(172,520)	(110,038)
Activity in securities held to maturity:		
Maturities, prepayments, and calls	10,552	7,618
Purchases	--	--
Purchase of Federal Home Loan Bank stock	162	(339)
Loans and leases originated less (greater) than principal collected	76,957	(40,887)
Investment in low-income housing fund	(2)	(41)
Purchases of premises and equipment	(521)	(5,069)
Proceeds from sale of premises and equipment	--	30
Net cash provided by (used in) investing activities	19,756	(3,120)
Cash Flows from Financing Activities		
Net increase (decrease) in deposits	64,186	(126,252)
Net (decrease) increase in short-term borrowings	(12,858)	31,692
Cash dividends paid	(6,610)	(6,603)
Exercise of stock options	460	383
Net cash provided by (used in) financing activities	45,178	(100,780)
Net change in cash and due from banks	102,785	(63,176)
Cash and due from banks at beginning of year	117,136	180,312
Cash and due from banks at end of year	\$219,921	\$117,136
Supplemental cash flow information		
Cash paid for interest	\$30,124	\$14,734
Cash paid for income taxes	\$6,606	\$6,002
Significant non-cash transactions		
Fair value adjustment of securities available for sale, net of tax	\$4,403	\$24,722
Fair value adjustment of interest rate swaps, net of tax	\$2,681	\$(1,241)

The accompanying notes are an integral part of these financial statements.

Note 1 – Summary of Significant Accounting Policies

Cashmere Valley Bank (the Company) is a Washington State chartered bank established in 1932 and operates 11 branches in North Central Washington. The Company's lending and other banking activities are carried out in and around Chelan, Douglas, Kittitas, and Yakima counties and to a lesser degree, areas of Western Washington. The Company provides loan and deposit services to predominantly small and middle-market business and retail customers. The consolidated financial statements include the accounts of Cashmere Valley Bank and the Bank's subsidiary, Mitchell, Reed and Schmitten Insurance, Inc. (MRS), an insurance agency. MRS is based in Wenatchee, Washington and brokers personal and commercial lines of insurance, including property, casualty, life and health insurance, with locations in Chelan, Kittitas, Yakima and King counties.

Consolidated Financial Statement Presentation

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and practices within the financial services industry. GAAP defines a public business entity as an entity whose securities are not subject to contractual restrictions on transfer and that is by law, contract, or regulation required to prepare U.S. GAAP financial statements and make them publicly available on a periodic basis. As the Company meets the definition of a public business entity, certain disclosures are required. Intercompany transactions and balances have been eliminated. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the date of the consolidated balance sheet, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate primarily to the determination of the allowance for credit losses and valuations of securities, goodwill, and mortgage servicing rights.

Noncontrolling Interest

Noncontrolling interest in the Bank's subsidiary, Mitchell, Reed and Schmitten Insurance, Inc., is limited to ownership by key employees of Mitchell, Reed & Schmitten Insurance, Inc. The Company reports noncontrolling interest in shareholders' equity, separate from the Bank's shareholders' equity, on the consolidated balance sheets. The Company reports net income attributable to noncontrolling interest in the consolidated statements of income.

Cash and Cash Equivalents

The Company considers federal funds sold, cash and amounts due from banks, and interest-bearing deposits at other financial institutions with original maturities of less than 90 days to be cash and cash equivalents, and are reported as such on the consolidated balance sheets and statement of cash flows. Cash flows from loans, deposits, and short-term borrowings are reported net.

Securities Available for Sale

Securities available for sale consist of debt securities that the Company intends to hold for an indefinite period, but not necessarily to maturity. Such securities may be sold to implement the Company's asset liability management strategies, interest rate risk strategies, and in response to changes in interest rates and similar factors. Securities available for sale are reported at fair value. Unrealized gains and losses, net of the related deferred tax effect, are reported as a net amount in a separate component of shareholders' equity entitled "accumulated other comprehensive loss." Realized gains and losses on securities available for sale, determined using the specific identification method, are included in earnings. Generally, amortization of premiums and accretion of discounts are recognized in interest income over the contractual life of the security using the effective interest method. As principal repayments are received on securities, a proportionate amount of the related premium or discount is recognized so that the effective interest rate on the remaining portion of the security continues unchanged.

Allowance for Credit Losses – Available for Sale Securities

The Company evaluates the available for sale security portfolio on a quarterly basis. When available for sale debt securities are in an unrealized loss position, the Company first evaluates whether it intends to sell, or is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security is written down to fair value with the loss recorded in earnings. If either of the criteria regarding intent or requirement to sell is not met, the Company evaluates whether the decline in fair value is due to credit losses. The Company evaluates the extent to which fair value is less than amortized costs and any changes to the rating of the security by a rating agency. An allowance for credit losses would be recorded to the extent that the unrealized loss was credit-related and likely to be permanent. As of December 31, 2024 and 2023, the Company did not have an allowance for credit loss related to the available for sale security portfolio. Accrued interest receivable on available for sale securities is excluded from the estimate of credit losses.

Securities Held to Maturity

Debt securities which the Company has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts, which are recognized in interest income over the period to maturity.

Securities transferred from available for sale to held to maturity are recorded at fair value at the date of transfer. The unrealized gain or loss at the date of transfer is included in accumulated other comprehensive income (loss), net of tax, in the consolidated balance sheets. The unrealized gains or losses at the date of transfer are amortized or accreted over the contractual life of the securities.

Allowance for Credit Losses – Held to Maturity Securities

The Company evaluates the held to maturity security portfolio on a quarterly basis. Management measures expected credit losses on held to maturity securities on a collective basis by major security type using the probability of default and loss given default method for measuring expected credit losses. Accrued interest receivable on held to maturity securities is excluded from the estimate of credit losses. The Company had an allowance for credit loss related to the held to maturity security portfolio totaling \$16,000 and \$20,000 as of December 31, 2024 and 2023, respectively.

Federal Home Loan Bank Stock

The Company, as a member of the Federal Home Loan Bank (FHLB) system, is required to maintain an investment in capital stock of the FHLB based on the sum of the two following calculations (calculated at least annually as of the preceding December 31):

- The Membership Stock Purchase Requirement is based on a percentage of assets as shown in table below:

	<u>Current Requirement</u>	<u>Minimum Investment</u>	<u>Maximum Investment</u>
Percent of Total Assets	0.06%	0.05%	0.25%
Membership Stock Cap	\$10 million	\$1 million	\$30 million
Membership Stock Floor	\$10,000	\$10,000	\$30,000

- The Activity Based Stock Purchase Requirement is based on a percentage of the book value held and records of the transactions shown in the table below:

	<u>Current Requirement</u>	<u>Minimum Requirement</u>	<u>Maximum Requirement</u>
Outstanding Advances	4.50%	2.00%	5.00%
Outstanding Acquired Member Assets	4.00%	0.00%	5.00%
Standby Letters of Credit	0.10%	0.00%	0.175%
Advance Commitments	0.00%	0.00%	0.35%
Acquired Member Asset Commitments	0.00%	0.00%	0.60%

The recorded amount of FHLB stock equals its fair value because the shares can only be redeemed by the FHLB at the \$100 per share par value.

The Company views its investment in the FHLB stock as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value rather than recognizing temporary declines in value. The determination of whether a decline affects the ultimate recovery is influenced by criteria such as: (1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount and length of time a decline has persisted; (2) impact of legislative and regulatory changes on the FHLB; and (3) the liquidity position of the FHLB. Management has determined there was no impairment on its FHLB stock as of December 31, 2024 and 2023.

Loans Held for Sale

Loans originated for sale in the secondary market, which is the Company's principal market, or as whole loan sales are classified as loans held for sale. Freddie Mac qualifying single family loans are originated with the intent to be held for sale and are recorded at the lower of cost or market. The fair value of loans held for sale is generally based on observable market prices from other loans in the secondary market that have similar collateral, credit, and interest rate characteristics. If quoted market prices are not readily available, the Company may consider other observable market data such as dealer quotes for similar loans or forward sale commitments. In certain cases, the fair value may be based on a discounted cash flow model. Gains and losses on loans held for sale are recognized in net gain on mortgage loan origination and sale activities within noninterest income. Direct loan origination costs and fees for single family loans originated as held for sale are recognized in earnings.

Loans Held for Investment

Loans held for investment are reported at the principal amount outstanding, net of cumulative charge-offs, interest applied to principal, for loans accounted for using the cost recovery method, unamortized net deferred loan origination fees and costs, and unamortized premiums or discounts on purchased loans. Deferred fees, deferred costs, premiums and discounts are recognized over the contractual terms of the underlying loans using the constant effective yield, known as the interest method. Interest on loans is accrued and recognized as interest income at the contractual rate of interest. As of the loan commitment date, a determination is made as to whether a loan will be held for sale or held for investment. This determination is based primarily on the type of loan or loan program and its related profitability characteristics.

When a loan is designated as held for investment, the intent is to hold these loans until maturity or pay-off. If subsequent changes occur, the Company may change its intent to hold these loans. Once a determination has been made to sell such loans, they are immediately transferred to loans held for sale and carried at the lower of cost or fair value.

Direct financing leases are carried at the aggregate of lease payments plus estimated residual value of the leased property less unearned income. Interest income from direct financing leases is recognized over the term of the lease to achieve a constant periodic rate of return on the outstanding investment.

From time to time, the Company will originate loans to facilitate the sale of other real estate owned without a sufficient down payment from the borrower. Such loans are accounted for using the installment method and any gain on sale is deferred.

Nonaccrual Loans

Loans are placed on nonaccrual status when the full and timely collection of principal and interest is doubtful, generally when the loan becomes 90 days or more past due for principal or interest payment, or if part of the principal balance has been charged off.

All payments received on nonaccrual loans are accounted for using the cost recovery method. Under the cost recovery method, all cash collected is applied to first reduce the principal balance. A loan may be returned to accrual status if all delinquent principal and interest payments are brought current and the collectability of remaining contractual payments are reasonably assured. Loans that are well-secured and in the process of collection are maintained on accrual status, even if they are 90 days or more past due.

Troubled Loan Modifications

Loans are reported as troubled loan modifications when the Company grants a concession to a borrower experiencing financial difficulty. Loan modifications to borrowers experiencing financial difficulty include principal forgiveness, interest rate reductions, other-than-insignificant payment delay, term extensions or any combinations of these.

Allowance for Credit Losses – Loans

The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on loans. Management estimates the allowance balance quarterly. Estimates are made using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. A loan is charged off against the allowance when the loan is deemed uncollectible by management. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Management has made the accounting policy election to exclude accrued interest received on loans from the estimate of credit losses. Adjustments to the allowance are reported in the consolidated statements of income as a component of credit loss expense.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The allowance amount for a loan pool is an estimate based on loan type and areas of risk concentration. For loans evaluated collectively, the Company uses the probability of default and loss given default method for measuring expected credit losses. Historical credit loss assumptions are estimated using a model that categorizes loan pools based on loan type and risk rating. These models calculate an expected life-of-loan loss percentage for each loan category by calculating the probability of default. The migration of loans from performing to loss by risk rating or delinquency categories using historical life-of-loan analysis, the severity of loss based on the aggregate net lifetime losses incurred for each loan pool, and the peer loss numbers from Washington state banks are all used to calculate the probability of default.

Management uses economic indicators to adjust the historical loss rates on collectively evaluated loans. The adjustments are made based on reasonable and supportable forecasts which better reflect management's expectations of future conditions over the remaining lives of the loans. While peer historical credit loss experience provides the basis for the estimation of expected credit losses, adjustments to the historical loss information may be made for differences in current portfolio-specific risk characteristics, environmental conditions or other relevant factors.

The Company has identified several portfolio segments to evaluate and measure the allowance for credit losses on loans, including commercial and agricultural; commercial real estate, construction and farmland; residential 1-4 family; consumer and other; and municipal.

Commercial and agricultural loans are generally made to support the short-term business operations and other needs of small businesses. These loans may be secured or unsecured. Secured loans are generally secured by business assets including receivables, equipment, and other real property of the business. Problem commercial loans are generally identified by periodic review of financial information that may include financial statements, tax returns, and payment history of the borrower. If a problem loan is identified, the Company may take discretionary action including increased guarantor support, additional collateral, requesting a principal reduction, ultimately a demand for repayment, or any combination of these as necessary. When repayment becomes unlikely based on the business' income and cash flow, repossession or foreclosure of the underlying collateral may become necessary. Collateral values may be determined by qualified independent third parties, purchase invoices, or other appropriate documentation.

Commercial real estate loans include owner-occupied and non-owner occupied loans as well as construction loans. Loans secured by non-owner occupied real estate are susceptible to changes in the market conditions of the related business. Market conditions impacting risk may include industry changes, geographic business changes, changes in the individual financial capacity of the business owner, general economic conditions, and changes in business cycles. Owner occupied real estate loans are susceptible to the same risk as non-owner occupied loans, but also include the risk of changes in the valuation of the collateralized property. Construction loans are subject to additional risks including cost increases, changes in market conditions during the project, and lack of demand at completion. Problem commercial real estate loans are generally identified by periodic review of financial information that may include financial statements, tax returns, payment history of the borrower, and site inspections. If a problem loan is identified, the Company may take discretionary action including increased guarantor support, additional collateral, requesting a principal reduction, ultimately a demand for repayment, or any combination of these as necessary. When repayment becomes unlikely based on the business' income and cash flow, repossession or foreclosure of the underlying collateral may become necessary. Collateral values may be determined by licensed and bank approved independent appraisers, qualified independent third parties, purchase invoices, or other appropriate documentation.

Residential mortgage loans, which are secured by real estate, are primarily susceptible to the risk of non-payment due to diminished or lost income, over-extension of credit, a lack of borrower's cash flow to sustain payments, and shortfalls in collateral value. Non-payment is generally due to loss of employment and follows general economic trends in the economy, particularly an increase in the unemployment rate, loss of collateral value, and demand shifts.

Consumer loans, whether unsecured or secured, are primarily susceptible to risks of non-payment due to diminished or lost income, over-extension of credit, a lack of borrower's cash flow to sustain payments, and shortfall in collateral value. Non-payment is generally due to loss of employment and will follow general economic trends in the economy, particularly an increase in the unemployment rate, loss of collateral value, inflation, and demand shifts.

Municipal loans are unsecured loans used to purchase equipment or improve infrastructure in a municipality. In some instances, the debt has been voted on and approved by the voters in the municipality. Risks may include cost increases, timing delays, or changes in the financial condition of a municipality, including a decrease in anticipated revenues within the municipality. Problem municipal loans are generally identified by periodic review of financial information that may include financial statements, public disclosures, and payment history of the borrower. Since municipal loans do not have collateral to repossess, when repayment becomes unlikely collection efforts are focused on working with the municipality on an acceptable payment schedule.

Loans that do not share similar risk characteristics are evaluated on an individual basis. When management determines that foreclosure is probable and the borrower is experiencing financial difficulty, the expected credit losses are based on the fair value of collateral at the reporting date unadjusted for selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loans, adjusted for prepayments when appropriate. The contractual term includes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled loan modification will be executed with an individual borrower or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancelable by the Company.

The ultimate recovery of all loans and leases is susceptible to future market factors which are sometimes beyond the Company's control. These factors may result in losses or recoveries differing significantly from those provided in the consolidated financial statements.

Allowance for Credit Losses – Unfunded Commitments

The Company evaluates the allowance for credit losses on unfunded commitments on a quarterly basis. The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if the Company has a right to cancel the obligation. The estimate is based on loan segments and the likelihood that funding will occur. The allowance for credit losses on unfunded commitments is included in other liabilities in the consolidated balance sheets, and any adjustments to the allowance for credit losses on unfunded commitments is recorded in the consolidated statements of income as a component of credit loss expense.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation, which is computed on the straight-line method over the estimated useful lives of the assets, which range from 35 to 40 years for buildings and 3 to 15 years for furniture, fixtures, and equipment. These assets are reviewed for impairment under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360, "*Property, Plant, and Equipment*" when events indicate that the carrying amount may not be recoverable. Gains or losses on dispositions are reflected in earnings.

Foreclosed Real Estate

Real estate properties acquired through, or in lieu of, foreclosure are to be sold and are initially recorded at the fair value of the properties, less estimated costs of disposal, which becomes the new cost basis. Any write-down to fair value at the time of transfer to foreclosed real estate is charged to the allowance for credit losses. Properties are evaluated regularly to ensure that the recorded amounts are supported by their current fair values. Any subsequent reductions in carrying values and revenue and expense from the operations of properties are recognized in the consolidated statements of income.

Mortgage Servicing Rights

Mortgage servicing rights (MSR) are recognized as separate assets when rights are acquired through purchase or through sale of loans. Generally, purchased servicing rights are capitalized at the cost to acquire the rights. For sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on relative fair value. Capitalized servicing rights are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.

MSRs are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Subsequent fair value measurements of single family MSRs, which are not traded in an active market with readily observable market prices, are determined by considering the present value of estimated future net servicing cash flows. Changes in the fair value of single family MSRs result from changes in (1) model inputs and assumptions and (2) modeled amortization, representing the collection and realization of expected cash flows and curtailments over time. The significant model inputs used to measure the fair value of single family MSRs include assumptions regarding market interest rates, projected prepayment speeds, discount rates, estimated costs of servicing, and other income and additional expenses associated with the collection of delinquent loans. Impairment is recognized through a valuation allowance to the extent that fair value is less than the recorded value. If the Company later determines that all or a portion of the impairment no longer exists, a reduction of the allowance will be recorded as an increase to income.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of MSRs is netted against loan servicing fee income.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Company; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Income Taxes

Deferred tax assets and liabilities result from differences between the consolidated financial statement carrying amounts and the tax basis of assets and liabilities, and are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. The deferred tax provision represents the difference between the net deferred tax asset or liability at the beginning and end of the year. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The determination of the realization of the deferred tax assets is highly subjective and dependent upon judgment concerning management's evaluation of both positive and negative evidence. The calculation of the Company's tax provision for federal income taxes is complex and requires the use of estimates and significant judgments in arriving at the amount of tax benefits to be recognized in the financial statements for a given tax position. It is possible that the tax benefits realized upon the ultimate resolution of a tax position may result in tax benefits that are significantly different from those estimated.

Management has reviewed all tax positions taken on all its income tax returns and has determined there to be no uncertain positions. Any interest and penalties would be recorded in income tax expense. Therefore, no further disclosures are deemed necessary.

The Bank is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. Management believes it is no longer subject to income tax examinations for years prior to 2020.

Stock-Based Compensation

The Company has stock-based compensation plans which are discussed in Note 14. Under the plans, certain key employees have been awarded restricted stock grants and options to purchase common stock. Under the accounting guidance for stock-based compensation, compensation expense recognized includes the cost of stock-based awards associated with restricted

stock grants and incentive stock options which are recognized as compensation expense over the vesting period on a straight-line basis. The Company recognized stock-based compensation expense totaling \$201,000 and \$246,000 in 2024 and 2023, respectively.

Bank Owned Life Insurance

Bank owned life insurance (BOLI) policies are recorded at their cash surrender value or the amount that can be realized upon surrender of the policy. Income from BOLI is recognized when it is earned.

Goodwill

Goodwill represents costs in excess of net assets acquired and is evaluated at least annually for impairment, in accordance with FASB ASC 350, “*Intangibles – Goodwill and Other*.” The Company tested goodwill for impairment as of December 31, 2024 using the Step 0 method to evaluate impairment and concluded that the fair value of the goodwill is greater than the carrying value, noting no impairment of recorded goodwill. No events have occurred since December 31, 2024 that would require re-evaluation.

Intangible Assets

Intangible assets include non-competition and licensing agreements, and customer contracts and lists. The non-competition and licensing agreements are amortized by the straight-line method over four to five years. The customer contracts and lists are amortized over a period of up to fifteen years, on either a straight-line method or performance basis. In 2024 and 2023, no circumstances existed that would indicate the intangible assets were potentially impaired. If such circumstances had existed, the assets would have been tested for impairment in accordance with FASB ASC 350, “*Intangibles – Goodwill and Other*.”

Insurance Revenue

Insurance revenue consists of commissions and fees from the sales of insurance policies and related insurance services. Insurance commission income is recognized as of the effective date of the insurance policy, net of adjustments. Such adjustments are recorded when the amount can be reasonably estimated, which is generally in the period in which they occur. Commission revenues related to installment billings are recognized on the latter of effective or invoiced date. Contingent commissions are estimated and accrued relative to the recognition of corresponding commissions. Management determines a policy cancellation reserve based upon historical cancellation experience adjusted for any known circumstances. Subsequent commission adjustments were recognized upon receipt of notification from insurance companies concerning such adjustments.

Advertising

Advertising costs are charged to expense as incurred. Advertising expense was \$269,000 and \$256,000 for the years ended December 31, 2024 and 2023, respectively.

Derivative Financial Instruments

The Company enters into interest rate swaps to convert fixed rate assets to floating rate assets. The interest rate swap instruments are recognized as derivatives on the consolidated balance sheets at their fair value. On the date the Company enters into the derivative contract, the derivative is designated by the Company as a hedge of fair value of a recognized asset or liability. The gain or loss on the derivative, and the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in current period earnings as fair values changes.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedged transactions. This process includes linking all derivatives that are designated as fair value hedges to specific assets and liabilities on the consolidated balance sheets and consolidated statements of cash flows. The Company also formally assesses, both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively, as discussed below. The Company discontinues hedge accounting prospectively when: (1) it is determined that the derivative is no longer effective in offsetting

changes in the fair value of a hedged item; (2) the derivative expires or is sold, terminated, or exercised; or (3) management determines that designation of the derivative as a hedge instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair value hedge, the derivative will continue to be carried on the consolidated balance sheets at its fair value with changes in its fair value recognized in current period earnings, and the hedged asset or liability will no longer be adjusted for changes in fair value.

Fair Value

The Company measures or monitors many of its assets and liabilities on a fair value basis. Fair value is used on a recurring basis for certain assets and liabilities in which fair value is the primary basis of accounting. Examples of these include interest rate swap derivatives and available for sale securities. Additionally, fair value is used on a non-recurring basis to evaluate assets or liabilities for impairment or for disclosure purposes. Examples of these non-recurring uses of fair value include certain loans held for sale accounted for on a lower of cost or market basis, impaired loans, foreclosed real estate, mortgage servicing rights, goodwill and long-lived assets.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, known as an exit price, in an orderly transaction between market participants at the measurement date. Fair value estimates are based on quoted market prices, if available. If quoted market prices are not available, fair value estimates are based on quoted market prices of similar assets or liabilities or the present value of expected future cash flows and other valuation techniques. These valuations are significantly affected by discount rates, cash flow assumptions, risk and other assumptions used. Therefore, fair value estimates may not be substantiated by comparison to independent markets and are not intended to reflect the proceeds that may be realizable in an immediate settlement of the instruments.

Fair value is determined at one point in time and is not representative of future value. Fair value amounts also do not reflect the total value of a going concern organization. Management does not have the intention to dispose of a significant portion of its assets and liabilities and therefore, the unrealized gains or losses should not be interpreted as a forecast of future earnings and cash flows.

In support of these representations, FASB ASC 820, “*Fair Value Measurements and Disclosures*,” establishes fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy is as follows:

Level 1 inputs are observable inputs, based upon the quoted prices for identical instruments in active markets that are accessible as of the measurement date, and are to be used whenever available.

Level 2 inputs are other types of observable inputs, such as quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are inactive; or other inputs that are observable or can be derived from or supported by observable market data. Level 2 inputs are to be used whenever Level 1 inputs are not available.

Level 3 inputs are significantly unobservable and are supported by little or no market activity. These Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation. Level 3 inputs are to only be used when Level 1 and Level 2 inputs are unavailable.

When determining the fair value measurements for assets and liabilities, the Company considers the principal or most advantageous market in which it would transact, and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Company looks to active and observable markets to price identical assets or liabilities. When identical assets or liabilities are not traded in active markets, the Company looks to market observable data for similar assets and liabilities.

Basic and Diluted Earnings per Common Share

Earnings per common share is computed under the two-class method. Pursuant to the two-class method, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities

and are included in the computation of diluted earnings per share. The Company has determined that the outstanding unvested restricted stock awards are participating securities.

Under the two-class method, basic earnings per common share is computed by dividing net earnings allocated to common stock by the weighted-average number of common shares outstanding during the applicable period, excluding outstanding participating securities. Diluted earnings per common share is computed using the weighted-average number of shares determined for the basic earnings per common share computation plus the dilutive effect of stock compensation using the treasury stock method. A reconciliation of the weighted-average shares used in calculating basic earnings per common share and the weighted average common shares used in calculating diluted earnings per common share for the reported periods is provided in Note 17.

Business Segments

The Company adopted *ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures"* during the year ended December 31, 2024. The Company is managed by legal entity and not by lines of business. The Bank is chartered in the State of Washington and is a community oriented commercial bank. The Company's primary business is that of a traditional banking institution, gathering deposits and originating loans for portfolio in its respective primary market areas. The Company offers a wide variety of deposit products to its consumer and commercial clients. Lending activities include the origination of real estate, commercial and agricultural business, dealer financing, leasing, municipal and consumer loans. The Company is also an active participant in the secondary market, originating residential loans for sale with servicing retained. In addition to interest income on loans and investment securities, the Company receives other income from deposit service charges, loan servicing fees, interchange income, insurance services, wealth management services, and from the sale of loans and investments. The Company's costs include interest expense on deposits, salaries and employee benefits, occupancy expense, and other operating expenses. The performance of the Company is reviewed by the Company's executive management and Board of Directors on a monthly basis. All of the executive officers of the Company are members of Cashmere Valley Bank's management team. The Company's reportable segment is determined by executive management, who are the designated chief operating decision makers (CODM). The primary measure used to evaluate performance by the Company's executive management is consolidated net income. The CODM reviews expenses at a level consistent with those reported in the Company's consolidated statements of income. All significant expense categories are reflected in the consolidated statements of income. Generally accepted accounting principles establish standards to report information about operating segments in annual financial statements. The Company has determined that its current business and operations consist of a single business segment and a single reporting unit.

Recent Accounting Pronouncements

In December 2023, the FASB issued *ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures."* This ASU requires public business entities to disclose in their rate reconciliation table additional categories of information to provide more detail about the reconciling items in some categories if items meet a quantitative threshold. This ASU also requires all entities to disclose additional information about income taxes paid. The amendments in this ASU are effective for fiscal years after December 15, 2025. The Company is assessing the impact of this ASU on its disclosures.

Note 2 – Securities

Securities have been classified as available for sale or held to maturity according to management's intent and ability. The amortized cost of securities and their approximate fair value are as follows (dollars in thousands):

Securities Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2024				
SBA loans backed by U.S. government agency	\$14,098	\$164	\$(48)	\$14,214
State and municipal securities	258,555	9	(40,818)	217,746
Collateralized mortgage obligations	305,900	157	(16,135)	289,922
Mortgage-backed securities	104,238	399	(3,383)	101,254
Student loans backed by U.S. government agency	45,995	65	(475)	45,585
Corporate securities	51,115	--	(3,328)	47,787
Total	\$779,901	\$794	\$(64,187)	\$716,508

December 31, 2023

SBA loans backed by U.S. government agency	\$19,509	\$132	\$(161)	\$19,480
State and municipal securities	259,572	110	(41,337)	218,345
Collateralized mortgage obligations	231,472	97	(17,666)	213,903
Mortgage-backed securities	111,802	1,578	(3,802)	109,578
Student loans backed by U.S. government agency	47,217	19	(1,043)	46,193
Corporate securities	48,650	--	(5,244)	43,406
Total	\$718,222	\$1,936	\$(69,253)	\$650,905

Securities Held to Maturity	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
December 31, 2024					
State and municipal securities	\$45,185	\$5	\$(2,087)	\$43,103	\$(16)
Collateralized mortgage obligations	60,703	--	(6,391)	54,312	--
Mortgage-backed securities	24,382	--	(2,119)	22,263	--
Total	\$130,270	\$5	\$(10,597)	\$119,678	\$(16)

December 31, 2023

State and municipal securities	\$47,717	\$11	\$(1,866)	\$45,862	\$(20)
Collateralized mortgage obligations	64,643	--	(5,789)	58,854	--
Mortgage-backed securities	27,435	--	(1,709)	25,726	--
Total	\$139,795	\$11	\$(9,364)	\$130,442	\$(20)

Accrued interest receivable on available for sale securities totaled \$4.1 million and \$4.3 million as of December 31, 2024 and 2023, respectively. Accrued interest receivable on held to maturity securities totaled \$585,000 and \$616,000 as of December 31, 2024 and 2023, respectively. Accrued interest receivable is included in other assets on the consolidated balance sheets.

In April and May 2022, the Company made transfers totaling \$122.5 million of available for sale securities to the held to maturity portfolio. The securities were transferred at their fair value at the date of transfer. The Company intends to, and has the ability, to hold these securities to maturity. As a result of this transfer, an unrealized net loss of \$17.7 million was recorded as a reduction to the asset with an offsetting entry to accumulated other comprehensive income (loss), and the net

loss will be accreted over the remaining life of the securities. The original premium or discount will be accreted into income over the remaining life of the securities. As of December 31, 2024, the unrealized net loss as a result of the transfer totaled \$12.7 million.

At December 31, 2024 and 2023, there were 291 and 330 available for sale securities in a continuous unrealized loss position for more than twelve months. The unrealized loss position on available for sale securities was due to changes in the interest rate environment. There was no allowance for credit losses on the available for sale securities portfolio recorded at December 31, 2024 and 2023. The Company monitors the credit quality of available for sale securities through the use of several tools including credit ratings, delinquency reports, and credit support reports.

The following tables show the unrealized gross losses and fair value of securities in the available for sale portfolio at December 31, 2024 and 2023, by length of time that individual securities in each category have been in a continuous loss position (dollars in thousands):

	Less Than 12 Months		More Than 12 Months		Total	
	Unrealized Gross Loss	Fair Value	Unrealized Gross Loss	Fair Value	Unrealized Gross Loss	Fair Value
December 31, 2024						
SBA loans backed by U.S. government agency	\$--	\$5,727	\$(48)	\$8,487	\$(48)	\$14,214
State and municipal securities	(139)	13,089	(40,679)	204,657	(40,818)	217,746
Collateralized mortgage obligations	(1,914)	168,711	(14,221)	121,211	(16,135)	289,922
Mortgage-backed securities	(258)	75,079	(3,125)	26,175	(3,383)	101,254
Student loans backed by U.S. government agency	(13)	32,751	(462)	12,834	(475)	45,585
Corporate securities	(75)	5,955	(3,253)	41,832	(3,328)	47,787
Total	\$(2,399)	\$301,312	\$(61,788)	\$415,196	\$(64,187)	\$716,508
	Less Than 12 Months		More Than 12 Months		Total	
	Unrealized Gross Loss	Fair Value	Unrealized Gross Loss	Fair Value	Unrealized Gross Loss	Fair Value
December 31, 2023						
SBA loans backed by U.S. government agency	\$--	\$7,670	\$(161)	\$11,810	\$(161)	\$19,480
State and municipal securities	(2)	5,968	(41,335)	212,314	(41,337)	218,282
Collateralized mortgage obligations	(59)	21,276	(17,607)	192,627	(17,666)	213,903
Mortgage-backed securities	--	47,744	(3,802)	61,834	(3,802)	109,578
Student loans backed by U.S. government agency	(100)	27,880	(943)	18,313	(1,043)	46,193
Corporate securities	--	--	(5,244)	43,341	(5,244)	43,341
Total	\$(161)	\$110,538	\$(69,092)	\$540,239	\$(69,253)	\$650,777

The Company monitors the credit quality of held to maturity securities through the use of credit ratings which are reviewed and updated quarterly. The held to maturity security portfolio includes collateralized mortgage obligations and mortgage-backed securities that are backed by the full faith and credit of and/or guaranteed by the U.S. government. Management does not expect that these securities will be settled at prices less than the amortized cost basis of the securities. The held to maturity security portfolio also includes municipal securities, which are evaluated based on the issuer bond rating and historical loss rates for given bond ratings.

The following tables detail the amortized cost of held to maturity securities by credit rating for the years ended December 31 (dollars in thousands):

	State and Municipal Securities	Collateralized Mortgage Obligations	Mortgage- Backed Securities	Total
December 31, 2024				
AAA	\$4,403	\$60,703	\$24,382	\$89,488
AA	38,846	--	--	38,846
A	1,919	--	--	1,919
BB	--	--	--	--
NR	17	--	--	17
Total	\$45,185	\$60,703	\$24,382	\$130,270
December 31, 2023				
AAA	\$7,498	\$64,643	\$27,435	\$99,576
AA	38,323	--	--	38,323
A	1,875	--	--	1,875
BB	--	--	--	--
NR	21	--	--	21
Total	\$47,717	\$64,643	\$27,435	\$139,795

The following tables detail activity in the allowance for credit losses on held to maturity securities for the years ended December 31, 2024 and 2023 (dollars in thousands):

	State and Municipal Securities	Collateralized Mortgage Obligations	Mortgage- Backed Securities	Total
2024				
Beginning balance	\$20	\$--	\$--	\$20
Provision for (recapture of) credit losses	(4)	--	--	(4)
Charge-offs of securities	--	--	--	--
Recoveries	--	--	--	--
Ending balance	\$16	\$--	\$--	\$16
2023				
Beginning balance	\$--	\$--	\$--	\$--
Adjustment to allowance for adoption of ASU 2016-13	30	322	--	352
Provision for (recapture of) credit losses	(10)	(322)	--	(332)
Charge-offs of securities	--	--	--	--
Recoveries	--	--	--	--
Ending balance	\$20	\$--	\$--	\$20

The contractual maturities of securities held to maturity and available for sale at December 31, 2024, are shown below (dollars in thousands):

	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$--	\$--	\$33,142	\$33,025
Due from one year to five years	20,625	20,199	58,756	56,795
Due from five years to ten years	18,854	17,828	205,378	181,691
Due after ten years	90,791	81,651	482,625	444,997
Total	\$130,270	\$119,678	\$779,901	\$716,508

Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations, with or without call or prepayment penalties.

Securities carried at approximately \$132.7 million and \$178.1 million at December 31, 2024 and 2023, respectively, were pledged to secure public deposits, repurchase agreements, and other purposes required or permitted by law.

Sales of securities available for sale were as follows (dollars in thousands):

	2024	2023
Proceeds from sales	\$--	\$90,180
Gross realized gains included in earnings	\$--	\$159
Gross realized losses included in earnings	\$--	\$(4,977)

Note 3 – Loans and Leases

Loans and leases at December 31 consist of the following (dollars in thousands):

	2024	2023
Commercial and agricultural	\$134,991	\$142,569
Real estate:		
Residential 1-4 family	107,177	107,830
Commercial	361,398	356,285
Construction	52,985	81,673
Farmland	3,645	4,330
Municipal	71,217	91,022
Consumer	17,445	17,362
Dealer contracts	206,874	234,141
Leases	1,767	2,362
Credit card	4,870	4,879
Total loans and leases	\$962,369	\$1,042,453

Accrued interest receivable on loans totaled \$3,219,000 and \$3,461,000 at December 31, 2024 and 2023, respectively.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans (ACL) represents the Company's estimate of expected credit losses over the contractual term of the loan portfolio, and is calculated in accordance with ASC Topic 326, "Financial Instruments – Credit Losses." While the allowance is allocated to specific loan and lease categories, the allowance is general in nature and is available for the loan and lease portfolio in its entirety. Provision expense recognized in 2024 was primarily driven by charge-off activity and changes in the economic environment for retail consumers.

The following tables detail activity in the allowance for credit losses on loans by portfolio segment for the years ended December 31, 2024 and 2023 under the current expected credit losses (CECL) methodology.

2024	Real Estate						Total ACL
	Commercial and Agricultural	Residential 1-4 Family	Commercial, Construction, and Farmland	Municipal	Consumer and Other	Unallocated	
Beginning balance	\$1,482	\$1,107	\$5,501	\$849	\$3,399	\$747	\$13,085
Provision for (recapture of) loan and lease losses	2,804	(122)	(1,480)	(356)	1,646	297	2,789
Charge-offs	(2,525)	--	--	--	(1,217)	--	(3,742)
Recoveries	254	50	--	--	312	--	616
Ending balance	\$2,015	\$1,035	\$4,021	\$493	\$4,140	\$1,044	\$12,748

2023	Real Estate						Total ACL
	Commercial and Agricultural	Residential 1-4 Family	Commercial, Construction, and Farmland	Municipal	Consumer and Other	Unallocated	
Beginning balance	\$1,985	\$878	\$6,622	\$101	\$3,809	\$351	\$13,746
Adjustment to allowance for adoption of ASU 2016-13	(584)	216	(390)	733	(682)	(351)	(1,058)
Provision for (recapture of) loan and lease losses	3,438	13	(731)	15	989	747	4,471
Charge-offs	(3,696)	--	--	--	(1,044)	--	(4,740)
Recoveries	339	--	--	--	327	--	666
Ending balance	\$1,482	\$1,107	\$5,501	\$849	\$3,399	\$747	\$13,085

Nonaccrual and Past Due Loans

A summary of loans and leases by age, segregated by class of loans and leases, as of December 31, 2024 and 2023, is as follows (dollars in thousands):

2024	Loans and Leases 30-89 Days Past Due	Loans and Leases 90 or More Days Past Due	Total Past Due Loans and Leases	Current Loans and Leases	Total Loans and Leases	Accruing Loans 90 or More Days Past Due
Commercial and agricultural	\$1,834	\$545	\$2,379	\$132,612	\$134,991	\$--
Residential 1-4 family real estate	1,546	98	1,644	105,533	107,177	--
Commercial, construction, and farmland real estate	1,026	--	1,026	417,002	418,028	--
Municipal	--	--	--	71,217	71,217	--
Consumer and other	2,601	626	3,227	227,729	230,956	133
Total	\$7,007	\$1,269	\$8,276	\$954,093	\$962,369	\$133

2023	Loans and Leases 30-89 Days Past Due	Loans and Leases 90 or More Days Past Due	Total Past Due Loans and Leases	Current Loans and Leases	Total Loans and Leases	Accruing Loans 90 or More Days Past Due
Commercial and agricultural	\$1,719	\$452	\$2,171	\$140,398	\$142,569	\$--
Residential 1-4 family real estate	349	50	399	107,431	107,830	--
Commercial, construction, and farmland real estate	184	--	184	442,104	442,288	--
Municipal	--	--	--	91,022	91,022	--
Consumer and other	1,156	53	1,209	257,535	258,744	4
Total	\$3,408	\$555	\$3,963	\$1,038,490	\$1,042,453	\$4

The following tables provide information with respect to nonaccrual loans as of the years ended December 31, 2024 and 2023 (dollars in thousands):

2024	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
Commercial and agricultural	\$276	\$1,180	\$1,456
Residential 1-4 family real estate	98	92	190
Commercial, construction, and farmland real estate	--	698	698
Municipal	--	--	--
Consumer and other	114	844	958
Total	\$488	\$2,814	\$3,302

2023	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
Commercial and agricultural	\$369	\$253	\$622
Residential 1-4 family real estate	150	113	263
Commercial, construction, and farmland real estate	--	753	753
Municipal	--	--	--
Consumer and other	--	360	360
Total	\$519	\$1,479	\$1,998

Credit Quality Indicators

The Company assigns risk rating classifications to its loans. These risk ratings are divided into the following groups:

Pass – asset is considered of sufficient quality to preclude a Special Mention or an adverse rating. Pass assets generally are well protected by the current net worth and paying capacity of the obligor, by the value of the asset, or the underlying collateral.

Special Mention – asset has potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Company’s credit position at some future date. Special Mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Substandard – asset is inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged, if any. Assets so classified have well-defined weaknesses. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful – asset has the weaknesses of those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The following tables present the credit quality indicators for the Company’s loan portfolio as of December 31, 2024 and 2023 grouped according to internally assigned risk ratings and payment activity (dollars in thousands). Revolving loans that are converted to term loans are treated as new originations in the table below and are presented by year of origination.

For the year ended December 31, 2024:

	Term Loans by Year of Origination						Revolving Loans	Total Loans and Leases
	2024	2023	2022	2021	2020	Prior		
Commercial and Agricultural								
Pass	\$39,057	\$29,878	\$20,048	\$12,339	\$3,417	\$3,664	\$20,549	\$128,952
Special Mention	219	1,187	1,715	529	10	--	--	3,660
Substandard	406	117	867	618	--	51	320	2,379
Doubtful	--	--	--	--	--	--	--	--
Total	\$39,682	\$31,182	\$22,630	\$13,486	\$3,427	\$3,715	\$20,869	\$134,991
Current period gross charge-offs	\$35	\$218	\$1,908	\$306	\$58	\$--	\$--	\$2,525
Residential 1-4 Family								
Pass	\$7,119	\$3,022	\$13,564	\$9,642	\$6,034	\$26,916	\$37,704	\$104,001
Special Mention	--	--	--	--	199	601	360	1,160
Substandard	--	--	--	379	5	1,308	324	2,016
Doubtful	--	--	--	--	--	--	--	--
Total	\$7,119	\$3,022	\$13,564	\$10,021	\$6,238	\$28,825	\$38,388	\$107,177
Current period gross charge-offs	\$--	\$--	\$--	\$--	\$--	\$--	\$--	\$--
Commercial, Construction, and Farmland								
Pass	\$26,192	\$47,426	\$50,266	\$100,529	\$104,366	\$77,100	\$1,540	\$407,419
Special Mention	229	76	318	276	--	--	--	899
Substandard	--	--	--	418	35	9,257	--	9,710
Doubtful	--	--	--	--	--	--	--	--
Total	\$26,421	\$47,502	\$50,584	\$101,223	\$104,401	\$86,357	\$1,540	\$418,028
Current period gross charge-offs	\$--	\$--	\$--	\$--	\$--	\$--	\$--	\$--
Municipal								
Pass	\$6,450	\$4,716	\$3,225	\$17,429	\$6,474	\$23,769	\$9,154	\$71,217
Special Mention	--	--	--	--	--	--	--	--
Substandard	--	--	--	--	--	--	--	--
Doubtful	--	--	--	--	--	--	--	--
Total	\$6,450	\$4,716	\$3,225	\$17,429	\$6,474	\$23,769	\$9,154	\$71,217
Current period gross charge-offs	\$--	\$--	\$--	\$--	\$--	\$--	\$--	\$--
Consumer and Other								
Pass	\$58,269	\$57,980	\$56,185	\$23,940	\$11,990	\$13,454	\$3,735	\$225,553
Special Mention	375	800	1,426	874	362	312	--	4,149
Substandard	195	235	395	249	54	48	10	1,186
Doubtful	68	--	--	--	--	--	--	68
Total	\$58,907	\$59,015	\$58,006	\$25,063	\$12,406	\$13,814	\$3,745	\$230,956
Current period gross charge-offs	\$164	\$240	\$273	\$88	\$70	\$382	\$--	\$1,217

For the year ended December 31, 2023:

	Term Loans by Year of Origination						Revolving Loans	Total Loans and Leases
	2023	2022	2021	2020	2019	Prior		
Commercial and Agricultural								
Pass	\$42,108	\$35,055	\$20,377	\$6,621	\$1,347	\$3,751	\$27,706	\$136,965
Special Mention	80	2,399	871	305	12	21	334	4,022
Substandard	37	511	696	6	--	82	250	1,582
Doubtful	--	--	--	--	--	--	--	--
Total	\$42,225	\$37,965	\$21,944	\$6,932	\$1,359	\$3,854	\$28,290	\$142,569
Current period gross charge-offs	\$83	\$2,845	\$579	\$152	\$20	\$17	\$--	\$3,696
Residential 1-4 Family								
Pass	\$3,435	\$16,526	\$10,969	\$6,340	\$4,340	\$27,465	\$35,518	\$104,593
Special Mention	--	--	--	208	--	635	119	962
Substandard	11	100	387	6	113	1,346	312	2,275
Doubtful	--	--	--	--	--	--	--	--
Total	\$3,446	\$16,626	\$11,356	\$6,554	\$4,453	\$29,446	\$35,949	\$107,830
Current period gross charge-offs	\$--	\$--	\$--	\$--	\$--	\$--	\$--	\$--
Commercial, Construction, and Farmland								
Pass	\$37,801	\$57,287	\$120,312	\$107,301	\$32,008	\$60,852	\$2,906	\$418,467
Special Mention	81	350	11,896	--	239	107	--	12,673
Substandard	--	--	452	163	8,698	1,835	--	11,148
Doubtful	--	--	--	--	--	--	--	--
Total	\$37,882	\$57,637	\$132,660	\$107,464	\$40,945	\$62,794	\$2,906	\$442,288
Current period gross charge-offs	\$--	\$--	\$--	\$--	\$--	\$--	\$--	\$--
Municipal								
Pass	\$23,940	\$2,374	\$20,057	\$7,381	\$9,410	\$18,736	\$9,124	\$91,022
Special Mention	--	--	--	--	--	--	--	--
Substandard	--	--	--	--	--	--	--	--
Doubtful	--	--	--	--	--	--	--	--
Total	\$23,940	\$2,374	\$20,057	\$7,381	\$9,410	\$18,736	\$9,124	\$91,022
Current period gross charge-offs	\$--	\$--	\$--	\$--	\$--	\$--	\$--	\$--
Consumer and Other								
Pass	\$84,526	\$83,482	\$38,444	\$21,602	\$9,100	\$13,972	\$3,157	\$254,283
Special Mention	343	1,385	930	634	336	272	--	3,900
Substandard	79	210	145	31	11	85	--	561
Doubtful	--	--	--	--	--	--	--	--
Total	\$84,948	\$85,077	\$39,519	\$22,267	\$9,447	\$14,329	\$3,157	\$258,744
Current period gross charge-offs	\$26	\$552	\$52	\$58	\$37	\$319	\$--	\$1,044

Modifications to Borrowers Experiencing Financial Difficulty

Occasionally, the Company will grant a concession to a borrower experiencing financial difficulty. Loan modifications to borrowers experiencing financial difficulty include principal forgiveness, interest rate reductions, other-than-insignificant payment delay, term extensions or any combination of these. There were no commitments to lend additional funds to borrowers experiencing financial difficulty at December 31, 2024.

The following tables provide information with respect to the amortized cost of loans restructured during the twelve months ended December 31, 2024 and 2023 (dollars in thousands):

	Combination: Payment Deferral and Term Extension	Term Extension	Change in Collateral	Total	Percentage of Total by Loan Category
2024					
Commercial and agricultural	\$258	\$288	\$--	\$546	0.40%
Residential 1-4 family real estate	--	--	--	--	0.00%
Commercial, construction, and farmland real estate	--	--	--	--	0.00%
Municipal	--	--	--	--	0.00%
Consumer and other	180	14	7	201	0.09%
Total	\$438	\$302	\$7	\$747	0.49%
	Combination: Payment Deferral and Term Extension	Term Extension		Total	Percentage of Total by Loan Category
2023					
Commercial and agricultural	\$1,378	\$250		\$1,628	1.14%
Residential 1-4 family real estate	11	--		11	0.01%
Commercial, construction, and farmland real estate	81	--		81	0.02%
Municipal	--	--		--	--%
Consumer and other	--	--		--	--%
Total	\$1,470	\$250		\$1,720	1.17%

The following tables present the performance at December 31, 2024 and 2023 of loans that had been modified in the previous 12 months (dollars in thousands):

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
2024						
Commercial and agricultural	\$--	\$--	\$--	\$--	\$546	\$546
Residential 1-4 family real estate	--	--	--	--	--	--
Commercial, construction, and farmland real estate	--	--	--	--	--	--
Municipal	--	--	--	--	--	--
Consumer and other	62	1	--	63	138	201
Total	\$62	\$1	\$--	\$63	\$684	\$747
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
2023						
Commercial and agricultural	\$79	\$--	\$--	\$79	\$1,549	\$1,628
Residential 1-4 family real estate	--	--	--	--	11	11
Commercial, construction, and farmland real estate	--	--	--	--	81	81
Municipal	--	--	--	--	--	--
Consumer and other	--	--	--	--	--	--
Total	\$79	\$--	\$--	\$79	\$1,641	\$1,720

Collateral Dependent Loans

The Company has some collateral dependent loans for which the Company will not be able to collect the scheduled payments, and repayment is expected to be provided substantially through the operation or sale of collateral.

The following tables present the amortized cost of collateral dependent loans as of December 31, 2024 and 2023 (dollars in thousands):

	Commercial Property	Equipment	Total
2024			
Commercial and agricultural	\$459	\$761	\$1,220
Residential 1-4 family real estate	--	--	--
Commercial, construction, and farmland real estate	9,238	--	9,238
Municipal	--	--	--
Consumer and other	--	--	--
Total	\$9,697	\$761	\$10,458
	Commercial Property	Equipment	Total
2023			
Commercial and agricultural	\$502	\$1,377	\$1,879
Residential 1-4 family real estate	--	--	--
Commercial, construction, and farmland real estate	9,529	--	9,529
Municipal	--	--	--
Consumer and other	--	--	--
Total	\$10,031	\$1,377	\$11,408

Unfunded Commitments

The allowance for unfunded commitments is maintained at a level believed by management to be sufficient to absorb expected lifetime losses related to unfunded credit facilities, including unfunded loan commitments and letters of credit.

The following tables detail activity in the allowance for credit losses on unfunded commitments for the years ended December 31 under the CECL methodology (dollars in thousands):

	2024
Beginning balance	\$1,198
Provision for (recapture of) credit losses on unfunded commitments	(814)
Ending balance	\$384
	2023
Beginning balance	\$256
Adjustment to allowance for adoption of ASU 2016-13	2,138
Provision for (recapture of) credit losses on unfunded commitments	(1,196)
Ending balance	\$1,198

The Company recognized recapture of credit losses on unfunded commitments in 2024 as a result of a decrease in unfunded commitment balances. The decrease in balances of unfunded commitments was due to completion of construction projects. As funding occurs, the allowance for unfunded commitments is reduced.

Note 4 - Premises and Equipment

Components of premises and equipment at December 31 are as follows (dollars in thousands):

	2024	2023
Land	\$5,234	\$5,234
Buildings and improvements	24,467	24,460
Furniture	5,819	5,873
Equipment	6,806	6,619
Assets in process	37	4
Total cost	42,363	42,190
Less accumulated depreciation	(22,891)	(21,173)
Total premises and equipment	<u>\$19,472</u>	<u>\$21,017</u>

As of December 31, 2024, there were no commitments for capital expenditures.

Depreciation expense was \$2,045,000 and \$2,171,000 in 2024 and 2023, respectively.

Note 5 – Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase consideration paid over the fair value of the assets acquired, net of the fair value of liabilities assumed in a business combination. The Company's goodwill totaled \$7,579,000 and \$7,576,000 as of December 31, 2024 and 2023, respectively.

Upon a business combination, Mitchell, Reed & Schmitten Insurance, Inc. records an intangible asset, which can include non-competition and licensing agreements, and customer contracts and lists. The amortization schedule of intangible assets in connection with all previous Mitchell, Reed & Schmitten Insurance, Inc. acquisitions for future years ending December 31 is estimated as follows (dollars in thousands):

2025	\$657
2026	518
2027	501
2028	489
Thereafter	584
Total	<u>\$2,749</u>

Note 6 – Mortgage Servicing Rights

Mortgage servicing rights are evaluated periodically for possible impairment based on the difference between the carrying amount and current fair value of the MSRs by risk stratification. If a temporary impairment exists, a valuation allowance is established for any excess of amortized cost over the current fair value through a charge to income. A direct write-down is performed when the recoverability of a recorded valuation allowance is determined to be remote. Unlike a valuation allowance, a direct write-down permanently reduces the carrying value of the MSR and the valuation allowance, precluding subsequent reversals.

Mortgage loans serviced for others are not included on the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others were \$402.7 million and \$417.2 million at December 31, 2024 and 2023, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing were approximately \$2,960,000 and \$3,000,000 at December 31, 2024 and 2023, respectively. The weighted average amortization period of the Company's servicing rights was 7.4 years in 2024 and 2023. The Company receives mortgage servicing fees from customers for routine and contractually specified maintenance and servicing. Servicing fees earned were \$1,027,000 and \$1,064,000 in 2024 and 2023, respectively, and are included in mortgage banking operations on the consolidated statements of income.

The following is a summary of the activity in mortgage servicing rights for the years ended December 31 (dollars in thousands):

	<u>2024</u>	<u>2023</u>
Balance as of beginning of year	\$2,536	\$2,685
Originations	235	174
Amortization	(330)	(323)
Adjustment valuation	--	--
Balance as of end of year	<u><u>\$2,441</u></u>	<u><u>\$2,536</u></u>

The estimated fair value of the Company's MSR portfolio was \$5,223,000 and \$5,198,000 at December 31, 2024 and 2023, respectively. Fair value of mortgage servicing rights is based on market prices for comparable mortgage servicing contracts when available. In periods of market inactivity, fair value is determined using a discounted cash flow analysis, utilizing observable market data with unobservable adjustments. The analysis takes into consideration existing conditions in the secondary servicing markets, such as prices from recently executed servicing transactions and market discount rates. The adjustments made to observable data include adjustments for delinquency and loss rates.

The following is a summary of key assumptions used in measuring the fair value of mortgage servicing rights for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Constant prepayment rate	7.33%	7.34%
Discount Rate	10.00%	10.00%
Weighted average life	7.4 years	7.4 years

Note 7 - Deposits

The composition of deposits is as follows (dollars in thousands):

	Deposits at December 31		Interest Expense for the Years Ended December 31	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Noninterest bearing demand deposits	\$395,327	\$424,380	\$--	\$--
NOW accounts	323,469	310,951	3,218	2,623
Money market and savings accounts	616,615	645,339	5,610	3,352
Time deposits greater than \$250,000	197,189	144,346	8,070	4,313
Time deposits \$250,000 or less	305,353	248,751	11,626	5,971
Total	<u><u>\$1,837,953</u></u>	<u><u>\$1,773,767</u></u>	<u><u>\$28,524</u></u>	<u><u>\$16,259</u></u>

Time deposits at December 31, 2024 are scheduled to mature as follows (dollars in thousands):

	<u>Up to \$250,000</u>	<u>Greater than \$250,000</u>
0 to 90 days	\$154,573	\$125,098
91 to 365 days	13,277	2,345
1 year to 3 years	18,648	3,155
Over 3 years	118,855	66,591
Total	<u><u>\$305,353</u></u>	<u><u>\$197,189</u></u>

Total demand deposit overdrafts that have been reclassified to loans were \$284,000 and \$220,000 at December 31, 2024 and 2023, respectively.

The Company is a State of Washington Public Depository. All such public depositories are required to be members of Washington State's Public Deposit Protection Commission (PDPC). As such, when there is a loss of public funds at a member institution, those funds are in most instances insured to some extent by the federal government. To the degree a public deposit is not insured by the federal government, the PDPC will assess a claim first against the institution responsible for the loss and then against the pool of collateral held by other PDPC member institutions. Each institution is then responsible to pay its portion of the cost in proportion to the share of public funds held by that institution. The Company held \$52,693,000 and \$50,224,000 of public deposits as of December 31, 2024 and 2023, respectively.

Note 8 - Borrowings

Securities sold under agreements to repurchase and line of credit advances from the Federal Home Loan Bank of Des Moines represent short-term borrowings. Beginning December 2023, the Company entered into a borrowing agreement with the FHLB as part of an asset liability strategy to purchase available for sale securities that are then designated as fair value portfolio hedges. This strategy continued throughout 2024 utilizing one-month, fixed rate borrowings with the FHLB. On December 23, 2024, the Company borrowed \$36.0 million from the FHLB with an interest rate of 4.50%. The borrowing matured on January 23, 2025. The Company renewed the borrowing for \$36.0 million on January 23, 2025 from the FHLB with an interest rate of 4.49% for a 30-day period. The borrowing is anticipated to continue throughout 2025. Advances from the FHLB are collateralized under a blanket pledge agreement, and advances are payable at maturity date. The Company is eligible to borrow up to a total of 45% of total assets.

Securities sold under agreements to repurchase are secured by specific securities which, in all cases, the Company maintains control. The Company exited all existing repurchase agreements in 2024 and does not intend to enter into additional repurchase agreements.

The following is a summary of securities sold under agreements to repurchase for the years ended December 31 (dollars in thousands):

	2024	2023
Ending balance at December 31	\$--	\$9,858
Average balance	\$6,489	\$12,507
Maximum month end balance	\$15,636	\$15,598
Weighted average interest rate:		
End of year	0.00%	1.75%
During the year	2.50%	1.25%
Amortized cost of underlying securities at December 31	\$--	\$39,998
Market value of underlying securities at December 31	\$--	\$36,274

Note 9 - Income Taxes

Income taxes are comprised of the following for the years ended December 31 (dollars in thousands):

	2024	2023
Current	\$5,999	\$6,030
Deferred	(379)	190
State income taxes	209	(6)
Total income taxes	\$5,829	\$6,214

The following is a reconciliation of the statutory income tax rate to the effective income tax rate for the years ended December 31 (dollars in thousands):

	2024		2023	
	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income
Income tax at statutory rates	\$7,153	21.0%	\$7,192	21.0%
Increase resulting from:				
State income tax	109	0.3%	53	0.2%
Decrease resulting from:				
Tax-exempt income	(884)	(2.6)%	(1,050)	(3.0)%
Tax credits	(146)	(0.4)%	(845)	(2.5)%
Other	(403)	(1.2)%	864	2.5%
Total income tax expense	\$5,829	17.1%	\$6,214	18.2%

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31 are as follows (dollars in thousands):

	2024	2023
Deferred tax assets		
Unrealized loss on securities available for sale	\$13,525	\$14,137
Unrealized loss on held to maturity securities	2,715	3,014
Allowance for credit losses	2,724	2,748
Deferred compensation	982	884
Other	1,282	1,321
Total deferred tax assets	21,228	22,104
Deferred tax liabilities		
Accumulated depreciation and amortization	\$2,261	\$1,529
Deferred loan costs	389	454
Mortgage servicing rights	521	532
FHLB dividends	20	26
Total deferred tax liabilities	3,191	2,541
Net deferred tax assets	\$18,037	\$19,563

Note 10 – Related-Party Transactions

In the ordinary course of business, the Company has transactions with related parties, including but not limited to: directors, principal officers, their immediate families, and affiliated companies in which they are principal shareholders. In the opinion of management, all related party transactions have been on the same terms as the terms for comparable transactions with outside parties.

The following table details the loan activity with related parties at December 31 (dollars in thousands):

	2024	2023
Beginning balance	\$4,129	\$13,287
New loans or advances during period	175	3,047
Repayments or reductions due to director retirement during period	(1,103)	(12,205)
Aggregate amount outstanding	\$3,201	\$4,129
Loan commitments	\$4,931	\$6,265
Related party deposits	\$8,817	\$10,065

Note 11 – Derivative Financial Instruments

Interest Rate Derivatives

The Company engages in interest rate swap agreements to manage and mitigate exposure to interest rate changes. These agreements allow the Company to minimize the impact of interest rate volatility on the Company's earnings and capital levels. Swap agreements also allow the Company to take advantage of time-sensitive changes in market rates by providing a level of certainty in funding interest costs. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

Interest rate swaps with notional amounts totaling \$165.0 million as of December 31, 2024 and 2023 were designated as fair value portfolio layer hedges of certain fixed rate available for sale debt securities. The notional amounts of interest rate swaps of certain fixed rate loans were \$810,000 and \$980,000 at December 31, 2024 and 2023, respectively. The hedges were determined to be effective during all periods presented. The Company expects the hedges to remain effective during the remaining terms of the swaps.

The Company pledged a certificate of deposit due from the counterparty as collateral for the interest rate swap of certain fixed rate loans. This certificate of deposit totaled \$100,000 at December 31, 2024 and 2023.

The Company pledged a deposit due from the counterparty as collateral for interest rate swaps of certain fixed rate available for sale debt securities. This deposit totaled \$3,770,000 and \$1,000,000 at December 31, 2024 and 2023, respectively.

The following table reflects the derivatives recorded on the consolidated balance sheets as of December 31 (dollars in thousands):

	2024		2023	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Derivative assets				
Interest rate swaps	\$125,000	\$2,133	\$25,980	\$116
Total	<u>\$125,000</u>	<u>\$2,133</u>	<u>\$25,980</u>	<u>\$116</u>
Derivative liabilities				
Interest rate swaps	\$40,786	\$276	\$139,976	\$1,646
Total	<u>\$40,786</u>	<u>\$276</u>	<u>\$139,976</u>	<u>\$1,646</u>

The changes in notional amount of interest rate swap derivatives in the preceding table reflect corresponding changes in fair value of interest rate swap derivatives. The Company's asset derivatives are included in other assets, while the liability derivatives are included in other liabilities on the consolidated balance sheets.

The net gains recognized in interest income related to interest rate swaps outstanding at December 31 were as follows (dollars in thousands):

	2024	2023
Interest on securities available for sale		
Increase in fair value of interest rate swaps hedging securities available for sale	\$26	\$31
Receivable on interest rate swaps	2,450	1,359
Net gain recognized in interest income on securities available for sale	<u>\$2,476</u>	<u>\$1,390</u>
Interest on loans and leases		
Increase in fair value of interest rate swaps hedging loans receivable	\$--	\$--
Receivable on interest rate swaps	16	15
Net gain recognized in interest income on loans and leases	<u>\$16</u>	<u>\$15</u>

The following amounts were recorded on the consolidated balance sheets related to cumulative basis adjustments for fair value hedges as of December 31 (dollars in thousands):

	Carrying Amount of the Hedged Assets (Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment included in the Carrying Amount of the Hedged Assets (Liabilities)	
	2024	2023	2024	2023
AFS securities	\$265,335	\$275,250	\$1,809	\$1,783
Loans receivable	801	970	9	10
Total	\$266,136	\$276,220	\$1,818	\$1,793

The carrying value of the hedged assets represents the amortized cost basis of the assets underlying the hedge relationship net of the fair value hedge adjustment. At December 31, 2024 and 2023, the amortized cost basis of the closed portfolios used in these hedging relationships was \$268.0 million and \$278.0 million, respectively.

Note 12 - Commitments and Contingencies

Credit

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the consolidated balance sheets.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments.

The Company uses the same credit policies in making commitments and conditional obligations as it does for balance sheet instruments. The following is a summary of the Company's commitments for the years ended December 31 (dollars in thousands):

	2024	2023
Commitments to extend credit		
Credit card lines	\$42,530	\$39,210
Commercial real estate, construction and development	11,719	30,969
Home equity lines of credit	67,295	68,076
Other	82,109	82,830
Total commitments to extend credit	\$203,653	\$221,085
 Standby letters of credit	 \$50	 \$50

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company's experience has been that between approximately 10% and 25% of loan commitments are drawn upon by customers. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer. Associated with the unfunded commitment, the Company has established a loss reserve as of December 31, 2024 and 2023 in the amount of \$384,000 and \$1,198,000, respectively.

Standby Letters of Credit

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third-party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit

risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. In certain circumstances collateral is deemed necessary to secure the commitment.

Legal

The Company is subject to various pending and threatened legal actions which arise in the ordinary course of business. In the opinion of management, liabilities arising from these claims, if any, will not have a material effect on the financial position of the Company.

Borrowing Facilities

The Company has agreements with commercial banks for lines of credit totaling \$74.0 million, none of which was used at December 31, 2024. The Company has a credit line with the Federal Home Loan Bank of Des Moines for up to 45% of assets. As of December 31, 2024, the current borrowing capacity was approximately \$215.3 million due to the Company’s eligible collateral pledge, \$36.0 million of which was used at December 31, 2024. This line is secured with a Blanket Pledge Agreement with the Federal Home Loan Bank (Note 8). The Company also has a credit line with the Federal Reserve Bank secured by pledged securities. As of December 31, 2024, the borrowing capacity with the Federal Reserve Bank was \$97.2 million, none of which was used at December 31, 2024.

Investments

The Company entered into a subscription agreement to purchase five units at \$1,000,000 per unit for an interest in Homestead Equity Fund X Limited Partnership (HEF-X) for which funding has been completed. HEF-X has been formed to invest in partnerships or limited liability companies, which will acquire, construct, rehabilitate, operate, and dispose of low-income housing developments primarily located in the states of Oregon, Washington, Idaho, and California. The housing developments will be eligible for the federal low-income housing tax credit and, in some cases, the historic rehabilitation tax credit available under the Internal Revenue Code of 1986, as amended. The Company accounts for the investment under the equity method in accordance with ASC 323, “*Investments – Equity Method and Joint Ventures*,” and a pass-through loss of \$363,000 and \$527,000 was recorded during 2024 and 2023, respectively. At December 31, 2024 and 2023, the Company’s partnership equity was \$502,000 and \$859,000, respectively.

The Company entered into a subscription agreement to purchase one and a half units at \$1,000,000 per unit for an interest in CREA Corporate Tax Credit Fund 72, LLC (CREA). CREA has been formed to invest in partnerships or limited liability companies, which will acquire, construct, rehabilitate, operate, and dispose of low-income housing developments nationwide. The housing developments will be eligible for the federal low-income housing tax credit and, in some cases, the historic rehabilitation tax credit available under the Internal Revenue Code of 1986, as amended. The Company accounts for the investment under the equity method in accordance with ASC 323, “*Investments – Equity Method and Joint Ventures*,” and a pass-through loss of \$120,000 and \$105,000 was recorded during 2024 and 2023, respectively. At December 31, 2024 and 2023, the Company’s partnership equity was \$966,000 and \$1,075,000, respectively.

The Company’s remaining contractual contribution for CREA Corporate Tax Credit Fund 72, LLC (CREA) of \$76,000 is expected to be paid as follows (dollars in thousands):

2025	\$33
2026	5
2027	1
Thereafter	37
Total	<u><u>\$76</u></u>

Employment Agreements

The Company has entered into employment contracts with certain key employees, which provide for contingent payments subject to future events. These agreements are discussed in Note 14.

Note 13 – Significant Concentration of Credit Risk

Most of the Company's business activity is with customers located in the state of Washington. Investments in state and municipal securities involve government entities primarily within the state. At December 31, 2024, 5.51% of total loans outstanding were for construction related projects. At December 31, 2024, 1.12% of total loans outstanding were residential lot development loans.

Loans are generally limited, by state banking regulations, to 20% of the Company's capital to any one borrower, excluding accumulated other comprehensive income. At December 31, 2024 the Company's legal lending limit was \$53,190,000. Standby letters of credit were granted primarily to commercial borrowers. The Company, as a matter of practice, generally does not extend credit to any single borrower or group of related borrowers in excess of \$27,500,000. At December 31, 2024, no borrowing relationship was in excess of this limit.

Note 14 - Employee Compensation Plans

Cashmere Valley Bank Stock Option Plan

The Bank has a stock option plan under which directors and certain key employees have been granted options to purchase shares of common stock. Under the plan, 275,791 options were available for grant at December 31, 2024. Options have an exercise price equal to the fair market value of the stock as of the date of grant. In 2018, the Bank adopted a vesting schedule with no vesting on grant date and 20% vesting on each of the five subsequent anniversaries of the grant. Options have a maximum contractual term of ten years. The Black-Scholes model requires the use of assumptions noted in the following table. The dividend yield is based on the Bank's actual and expected dividends paid to shareholders. The Bank uses historical data to estimate the expected life, which represents the period of time the options are expected to be outstanding. Expected stock price volatility is based on the Bank's historical stock price, adjusted for dividends. The risk-free interest rate is based on the U.S. Treasury yield curve rate in effect at grant date with average equivalent term.

The fair value of each option was estimated on the date of grant based on the Black-Scholes option pricing model and used the following weighted average assumptions:

	<u>2024</u>	<u>2023</u>
Dividend yield	3.79%	2.95%
Expected life	6.5 years	6.5 years
Risk-free interest rate	4.31%	3.70%
Expected volatility	23.46%	23.85%

A summary of the status of the Bank's stock option plan as of December 31, 2024, and changes during the years ending on those dates, is presented below:

2024	Shares	Weighted Average Exercise Price	Weighted Average Fair Value at Grant
Outstanding at beginning of year	125,987	\$54.02	\$10.40
Granted	24,199	59.89	11.62
Exercised	6,999	35.44	9.43
Canceled	8,241	58.58	10.34
Outstanding at end of year	134,946	\$55.76	\$10.67

2024	Shares	Weighted Average Exercise Price	Weighted Average Fair Value at Grant
Vested and expected to vest	118,699	\$55.76	\$10.67
Options exercisable at year end	79,085	\$55.89	\$10.36

The following table summarizes the stock options outstanding and exercisable at December 31, 2024:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$ 00.00 – 46.99	25,146	7.72	\$44.86	8,988	7.31	\$44.09
\$ 47.00 – 55.00	22,998	3.80	\$52.15	19,924	3.10	\$52.58
\$ 55.01 – 59.00	38,646	4.19	\$56.96	31,166	4.03	\$56.88
\$ 59.01 – 62.00	32,740	8.51	\$59.95	8,541	4.40	\$60.13
\$ 62.01 – 72.50	15,416	5.57	\$66.98	10,466	5.18	\$65.90
Balance at December 31, 2024	134,946	5.99	\$55.76	79,085	4.36	\$55.89

At December 31, 2024 and 2023, the total intrinsic value of options outstanding was \$549,000 and \$282,000, respectively. Weighted average remaining contractual life of options vested and expected to vest is 6.5 years. Total proceeds from options exercised in 2024 and 2023 were \$248,000 and \$169,000, respectively. The total intrinsic value of the options exercised during 2024 and 2023 were \$100,000 and \$43,000, respectively. The Bank recorded a tax benefit of \$21,000 in 2024 due to disqualifying dispositions on stock options exercised.

At December 31, 2024, unrecognized compensation expense related to unvested options totaled \$535,000 and is expected to be recognized over a weighted average period of 29 months. During 2024, 17,828 options vested with a weighted average fair value at grant date of \$10.27. During 2023, 16,201 options vested with a weighted average fair value at grant date of \$10.21. Total expense recognized by the Bank for stock options for the years ended December 31, 2024 and 2023 was \$141,000 and \$180,000, respectively.

Cashmere Valley Bank Restricted Stock Plan

Restricted stock awards are generally scheduled to vest over a three to five-year period, with the unearned compensation related to restricted stock amortized to expense on a straight-line basis adjusted for estimated forfeitures. There was no unrecognized compensation cost related to unvested restricted stock awards in 2024. Unrecognized compensation cost related to unvested restricted stock awards in 2023 totaled \$1,000. Total expense recognized by the Bank for restricted stock awards for the years ended December 31, 2024 and 2023 was \$2,000 and \$7,000, respectively.

The following table summarizes the Bank's restricted stock awards activity:

	Shares	Weighted Average Fair Value at Grant
Outstanding at December 31, 2022	140	\$59.90
Granted	30	\$44.36
Vested	(130)	\$56.45
Outstanding at December 31, 2023	40	\$59.45
Granted	15	\$53.89
Vested	(55)	\$57.93
Outstanding at December 31, 2024	--	\$--

As of December 31, 2024, there were no outstanding restricted stock awards scheduled to vest.

Mitchell, Reed & Schmitten Insurance, Inc. Stock Option Plan

In 2022, Mitchell, Reed & Schmitten Insurance, Inc. approved a new stock option plan under which certain key employees have been granted options to purchase shares of common stock. Under the plan, MRS may grant up to 2,000 shares of its common stock as options to certain key employees. At December 31, 2024, 625 shares were available for grant. Options have an exercise price equal to a valuation of the stock as of the date of grant. Options have a maximum contractual term of ten years. Options vest over a period of five to nine years, specific to the terms of individual agreements. The Black-Scholes model requires the use of assumptions noted in the following table. The dividend yield is based on MRS's actual

and expected dividends paid to shareholders. MRS uses historical data of peer groups to estimate the expected life, which represents the period of time the options are expected to be outstanding. Expected stock price volatility is based on the historical stock price of peer groups, adjusted for dividends. The risk-free interest rate is based on the U.S. Treasury yield curve rate in effect at grant date with average equivalent term.

The fair value of each option issued in 2022 was estimated on the date of grant based on the Black-Scholes option pricing model and used the following weighted average assumptions:

	<u>2022</u>
Dividend yield	13.39%
Expected life	6.3 years
Risk-free interest rate	3.78%
Expected volatility	26.52%

A summary of the status of the MRS's stock option plan as of December 31, 2024, and changes during the years ending on those dates, is presented below:

2024	Shares	Weighted Average Exercise Price	Weighted Average Fair Value at Grant
Outstanding at beginning of year	838	\$1,190	\$43.80
Granted	--	--	--
Exercised	178	1,190	44.01
Outstanding at end of year	660	\$1,190	\$43.74

2024	Shares	Weighted Average Exercise Price	Weighted Average Fair Value at Grant
Vested and expected to vest	660	\$1,190	\$43.74
Options exercisable at year end	--	\$--	\$--

The total intrinsic value of the options exercised during 2024 and 2023 was \$107,000 and \$50,000, respectively. Weighted average remaining contractual life of options vested and expected to vest is 4.6 years. Total proceeds from options exercised in 2024 and 2023 was \$212,000 and \$383,000, respectively.

At December 31, 2024, unrecognized compensation expense related to unvested options totaled \$29,000 and is expected to be recognized over a weighted average period of 32 months. During 2024, 178 options vested with a weighted average fair value at grant date of \$44.01. During 2023, 177 options vested with a weighted average fair value at grant date of \$44.02. Total expense recognized by MRS for stock options for the years ended December 31, 2024 and 2023 was \$8,000.

Mitchell, Reed & Schmitten Insurance, Inc. Restricted Stock Plan

Restricted stock awards are scheduled to vest over a five-year period, with the unearned compensation related to restricted stock amortized to expense on a straight-line basis adjusted for estimated forfeitures. Unrecognized compensation cost related to unvested restricted stock awards in 2024 and 2023 totaled \$101,000 and \$152,000, respectively. Total expense recognized by MRS for restricted stock awards for the years ended December 31, 2024 and 2023 was \$51,000.

The following table summarizes the MRS's restricted stock awards activity:

	Shares	Weighted Average Fair Value at Grant
Outstanding at December 31, 2022	172	\$1,190.00
Granted	--	\$--
Vested	(43)	\$1,190.00
Outstanding at December 31, 2023	129	\$1,190.00
Granted	--	\$--
Vested	(43)	\$1,190.00
Outstanding at December 31, 2024	86	\$1,190.00

As of December 31, 2024, there were 43 outstanding restricted stock awards scheduled to vest in 2025, and 43 outstanding restricted stock awards scheduled to vest in 2026.

Profit-Sharing Plans

The Company has a 401(k) employee benefit plan for those employees who meet eligibility requirements set forth in the plan. Eligible employees may contribute up to 100% of their compensation, subject to certain IRS limits. The Company provides a Safe Harbor match of 100% of the first 4% contributed by participants, subject to certain IRS limits. The Company contributed \$730,000 and \$725,000 in 2024 and 2023, respectively.

Incentive compensation is awarded to certain employees based on the financial performance of the Company. Cash bonuses were awarded pursuant to a formula targeted on the Company achieving certain performance goals for the years ended in 2023 and 2022, with the amounts awarded in 2024 and 2023. Amounts awarded under the plan in 2024 and 2023 were \$1,441,000 and \$1,169,000, respectively.

Deferred Compensation Plan

The Company offers a non-qualified deferred compensation plan to members of the Board of Directors and certain employees. The plan permits each participant to defer a portion of their director fees, non-qualified retirement contributions, salary, commissions, or bonuses for future receipt. Earnings and contributions are fully vested upon contribution. The Company also offers a company funded deferred compensation plan to certain key employees. Under this plan, annual contributions are made and interest is expensed. The plan has cliff vesting at January 1, 2031. As of December 31, 2024 and 2023, liabilities recorded in connection with deferred compensation plan benefits totaled \$4,589,000 and \$4,211,000, respectively. Compensation is charged to expense in the period earned. For the years ended December 31, 2024 and 2023, the Company recognized \$304,000 and \$334,000 in expense, which represented the plan earnings or planned contributions subject to vesting criteria in accordance with the deferred compensation agreements.

Insurance

The Company provides certain health care, disability, and life insurance benefits for current employees. The cost of health care benefits for employees is recognized as expense when paid. Life insurance benefits for employees are provided through an insurance company whose premiums are based on the benefits paid during the year. The Company recognizes the cost of providing such benefits by expensing the monthly insurance premiums. For 2024 and 2023, the cost of providing health care, disability, and life insurance benefits was \$2,836,000 and \$2,757,000, respectively.

Note 15 - Regulatory Matters

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines of the regulatory framework for prompt corrective action, the Company must meet specific capital adequacy guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items, as calculated under regulatory accounting practices. The Company's capital classification is also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company maintain minimum amounts and ratios of Tier 1 capital to total average assets and minimum ratios of Tier 1 and total capital to risk-weighted assets.

In July 2013, the Board of Governors of the Federal Reserve System and the FDIC approved the final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III). Under the final rules, which became effective for the Company on January 1, 2015 and are subject to a phase-in period through January 1, 2019, minimum requirements increased for both the quantity and the quality of capital held by the Company. The rules include a new Common Equity Tier 1 capital to risk-weighted assets ratio (CET1 ratio) of 4.5% and a capital conservation buffer of 2.5% above the regulatory minimum risk-based capital requirements, which fully phased in, effectively results in a minimum CET1 ratio of 7.0%. Basel III also (i) raises the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0%

(which, with the capital conservation buffer, effectively results in a minimum Tier 1 capital to risk-weighted assets ratio of 8.5% when fully phased in); (ii) effectively results in a minimum total capital to risk-weighted assets ratio of 10.5% (with the capital conservation buffer fully phased in); and (iii) requires a minimum leverage ratio of 4.0%. In addition, Basel III makes changes to risk weights for certain assets and off-balance sheet exposures.

As of December 31, 2024, the most recent notification from the Company's regulator categorized the Company as well capitalized under the regulatory framework for prompt corrective action.

The federal banking agencies jointly issued the Community Banking Leverage Ratio (CBLR) final rule effective January 1, 2020. The Company elected to use the CBLR framework effective January 1, 2020, which allows qualifying community banking organizations to calculate a leverage ratio to measure capital adequacy. A CBLR bank is deemed to have met the well capitalized ratio requirements and complies with the general applicable capital rule. A qualifying community banking organization is defined as having less than \$10 billion in total consolidated assets, a leverage ratio greater than 9%, off-balance sheet exposures of 25% or less of total consolidated assets, and trading assets and liabilities of 5% or less of total consolidated assets.

The Company's leverage ratio is presented in the following tables as of December 31, 2024 and 2023. The Company met all CBLR requirements as of December 31, 2024 and 2023.

December 31, 2024	Actual Ratio	CBLR Minimum Ratio	Regulatory Minimum to be "Adequately Capitalized"	Regulatory Minimum to be "Well Capitalized"
Tier 1 leverage	12.93%	9.00%	4.00%	5.00%

December 31, 2023	Actual Ratio	CBLR Minimum Ratio	Regulatory Minimum to be "Adequately Capitalized"	Regulatory Minimum to be "Well Capitalized"
Tier 1 leverage	12.38%	9.00%	4.00%	5.00%

Restrictions on Retained Earnings

The Company is restricted from paying dividends in an amount that would decrease regulatory capital below the minimum amounts shown above.

Note 16 - Fair Value

The Company is required to disclose the estimated fair value of financial instruments, both assets and liabilities on and off the balance sheet, for which it is practicable to estimate fair value. These fair value estimates are made at December 31, 2024 based on relevant market information and information about the financial instruments. Fair value estimates are intended to represent the price at which an asset could be sold, or the price for which a liability could be settled. However, given there is no active market or observable market transactions for many of the Company's financial instruments, the Company has made estimates of many of these fair values. Those estimates, which are subjective in nature, involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimated values.

Fair Value of Financial Instruments

The carrying amounts and estimated fair value of the Company's financial instruments are as follows (dollars in thousands):

		December 31, 2024		December 31, 2023	
	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Cash and cash equivalents	1	\$219,921	\$219,921	\$117,136	\$117,136
Securities available for sale	2	716,508	716,508	650,905	650,905
Securities held to maturity, net	2	130,254	119,678	139,775	130,442
FHLB stock	2	2,846	2,846	3,008	3,008
Loans held for sale	2	4	4	4	4
Loans and leases, net	3	949,621	912,400	1,029,368	982,200
Mortgage servicing rights	3	2,441	5,223	2,536	5,198
Accrued interest receivable	2	8,952	8,952	9,411	9,411
Bank Owned Life Insurance	2	27,647	27,647	26,809	26,809
Interest rate swaps	2	2,133	2,133	116	116
Financial Liabilities					
Deposits	3	\$1,837,953	\$1,668,200	\$1,773,767	\$1,587,300
Borrowings	3	36,000	36,000	48,858	49,100
Interest rate swaps	2	276	276	1,646	1,646
Accrued interest payable	2	2,842	2,842	2,216	2,216

The Company assumes interest rate risk as a result of its normal operations. As a result of interest rate level changes, fair values of the Company's financial instruments may change in a direction that is either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities, and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Company's overall interest rate risk.

The following methods and assumptions were used by the Company in estimating the fair value of financial instruments:

Securities Available For Sale

Available for sale securities totaling \$716,508,000 are reported at fair value utilizing Level 2 inputs. The fair value of securities utilizing Level 1 inputs include listed stocks, bonds, funds or any other assets that have a liquid market and regular mark-to-market mechanism for establishing a fair value, as described in Note 1. The fair value of securities utilizing Level 2 inputs are based on quoted market prices of similar instruments and dealer quotes or determined using a present value income model that applies observable market-based inputs, as described in Note 1. The fair value of securities utilizing Level 3 inputs are based on pricing models or discounted cash flow methodologies, as described in Note 1. The fair values were obtained from an independent pricing service and internally validated. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus, prepayment speeds, credit information, and the bond's terms and conditions, among other things.

Interest Rate Swap Derivatives

The fair values of interest rate swap derivatives utilizing Level 2 inputs are estimated by an independent third-party using a discounted cash flow method based on current incremental rates for similar types of arrangements. For purposes of potential valuation adjustments to its derivative positions, the Company evaluates the credit risk of its counterparties as well as that of the Company. Accordingly, the Company has considered factors such as the likelihood of default by the Company and its counterparties, its net exposures, and remaining contractual life, among other things, in determining if any fair value adjustments related to credit risk are required. Counterparty exposure is evaluated by considering the amounts of collateral securing the position. The Company reviews its counterparty exposure on a regular basis, and when necessary, appropriate business actions would be taken to adjust the exposures. The Company also uses this approach to estimate its own credit risk on derivative liability positions. The Company has not realized any significant losses due to a counterparty's inability to pay any net uncollateralized position. The change in value of derivative assets and derivative liabilities attributable to credit risk was not significant during the reported periods.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The financial assets and liabilities measured at fair value on a recurring basis, separated by level in the fair value hierarchy, are as follows (dollars in thousands):

	Assets (Liabilities) Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
December 31, 2024				
SBA loans backed by U.S. government agency	\$14,214	\$--	\$14,214	\$--
State and municipal securities	217,746	--	217,746	--
Collateralized mortgage obligations	289,922	--	289,922	--
Mortgage-backed securities	101,254	--	101,254	--
Student loans backed by U.S. government agency	45,585	--	45,585	--
Corporate securities	47,787	--	47,787	--
Total securities available for sale	\$716,508	\$--	\$716,508	\$--
Interest rate swap derivatives	\$1,857	\$--	\$1,857	\$--
December 31, 2023				
SBA loans backed by U.S. government agency	\$19,480	\$--	\$19,480	\$--
State and municipal securities	218,345	--	218,345	--
Collateralized mortgage obligations	213,903	--	213,903	--
Mortgage-backed securities	109,578	--	109,578	--
Student loans backed by U.S. government agency	46,193	--	46,193	--
Corporate securities	43,406	--	43,406	--
Total securities available for sale	\$650,905	\$--	\$650,905	\$--
Interest rate swap derivatives	\$(1,530)	\$--	\$(1,530)	\$--

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs

Certain corporate securities are measured at fair value on a recurring basis using significant unobservable inputs during the reported periods. The Company uses either recent trades of that security, or in most cases a valuation technique based on a spread over the U.S. Treasury curve, to measure these securities at fair value. The significant unobservable inputs used in the fair value measurement of these securities primarily relate to the credit risk of the corporate security and the probability of default. As of December 31, 2023, the weighted-average rate was between 0.0% and 1.0%, for each unobservable input. A change in the significant unobservable inputs used in the fair value measurement to a different amount may result in a significantly higher or lower fair value measurement at the reporting date. Eight corporate securities with a fair value of \$16,444,000 as of December 31, 2023 were transferred from Level 3 to Level 2 because observable market data became available for the securities.

The following table provides a reconciliation of the securities measured at a fair value using significant unobservable inputs (Level 3) on a recurring basis during the years ended December 31, 2024 and 2023 (dollars in thousands). The unrealized gains and losses are included in the consolidated statements of comprehensive income.

	<u>Corporate Securities</u>
Balance at December 31, 2022	\$16,186
Purchases	--
Total unrealized gains	258
Transfers out of Level 3	(16,444)
Balance at December 31, 2023	<u>\$--</u>
Purchases	--
Total unrealized gains	--
Balance at December 31, 2024	<u><u>\$--</u></u>

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The following table details assets measured at fair value on a nonrecurring basis by level in the fair value hierarchy as of December 31 (dollars in thousands):

	<u>Fair Value Measurement Using</u>				Total Gains (Losses)
	Total	Level 1	Level 2	Level 3	
December 31, 2024					
Collateral dependent loans	\$10,458	\$--	\$--	\$10,458	\$--
Other real estate owned	97	--	--	97	--
Total	<u>\$10,555</u>	<u>\$--</u>	<u>\$--</u>	<u>\$10,555</u>	<u>\$--</u>
December 31, 2023					
Collateral dependent loans	\$11,408	\$--	\$--	\$11,408	\$--
Other real estate owned	97	--	--	97	--
Total	<u>\$11,505</u>	<u>\$--</u>	<u>\$--</u>	<u>\$11,505</u>	<u>\$--</u>

Collateral dependent loans are loans to borrowers experiencing financial difficulty for which repayment is dependent upon the operation or sale of collateral. The value of the underlying collateral may be determined by qualified independent third parties, purchase invoices, or other appropriate documentation. The Company considers any valuation inputs to be Level 3 inputs.

Other real estate owned (OREO) represents collateral acquired through foreclosure and is recorded at fair value on a nonrecurring basis. The carrying value of OREO is adjusted based on updated real estate appraisals, which are based on current market conditions, less estimated costs to sell the property. The individual carrying value of these assets are reviewed for impairment at least annually. The Company considers any valuation inputs to be Level 3 inputs.

Note 17 – Shareholders’ Equity and Earnings per Common Share

Earnings per Common Share

Earnings per common share is computed using the two-class method. Basic earnings per common share is computed by dividing net earnings allocated to common stock by the weighted-average number of common shares outstanding during the applicable period, excluding outstanding participating securities. Participating securities include unvested restricted stock awards because holders of these securities receive non-forfeitable dividends at the same rate as holders of the Company’s common stock. Holders of restricted stock awards receive dividend equivalent payments for dividends paid during the performance period at the vesting date of the award based upon the number of units that ultimately vest. Diluted earnings per common share is computed using the weighted-average number of shares determined for the basic earnings per common share computation plus the dilutive effect of stock compensation using the treasury stock method.

The following table presents a reconciliation of the number of shares used in the calculation of basic and diluted earnings per common share for the years ended December 31 (dollars in thousands, except share and per share amounts):

	<u>2024</u>	<u>2023</u>
Distributed earnings allocated to common stock	\$6,610	\$6,603
Undistributed earnings allocated to common stock	21,549	21,379
Net earnings allocated to common stock	<u>\$28,159</u>	<u>\$27,982</u>
Weighted average common shares outstanding - Basic	3,888,838	3,883,875
Dilutive effect of options outstanding	2,237	1,506
Weighted average common shares outstanding - Diluted	<u>3,891,075</u>	<u>3,885,381</u>
Earnings per common share – Basic	\$7.24	\$7.20
Earnings per common share – Diluted	\$7.24	\$7.20
“Out of the money” stock options	48,156	86,844

Stock Repurchase Plans

From time to time, the Company’s Board of Directors has authorized stock repurchase plans. In general, stock repurchase plans allow the Company to proactively manage its capital position and return excess capital to shareholders. Shares purchased under such plans also provide the Company with shares of common stock necessary to satisfy obligations related to stock compensation awards.

No shares were repurchased in 2024 or 2023.

Note 18 – Revenue from Contracts with Customers

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized in noninterest income. The following table presents the Company's sources of noninterest income for the years ended December 31, 2024 and 2023 (dollars in thousands). Items outside of the scope of ASC 606 are noted as such.

	<u>2024</u>	<u>2023</u>
Noninterest income		
Service charges on deposit accounts	\$2,045	\$2,128
Mortgage banking operations ¹	1,565	1,514
Net (loss) on sales of securities available for sale ¹	--	(4,818)
Brokerage commissions	1,382	999
Insurance commissions and fees	8,754	7,720
Net interchange income	4,571	4,743
Earnings from Bank Owned Life Insurance ¹	838	704
Remaining other ¹	1,402	1,320
Total noninterest income	<u>\$20,557</u>	<u>\$14,310</u>

(1) Not within scope of ASC 606

Deposit Service Charges

The Company earns fees from its deposit customers for account maintenance, transaction-based and overdraft services. Account maintenance fees consist primarily of account fees and analyzed account fees charged on deposit accounts on a monthly basis. The performance obligation is satisfied and the fees are recognized on a monthly basis as the service period is completed. Transaction-based fees on deposit accounts are charged to deposit customers for specific services provided to the customer, such as non-sufficient funds fees, overdraft fees, and wire fees. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the customer.

Debit and Credit Card Interchange Fee Income and Expenses

Debit and credit interchange income represent fees earned when a card issued by the Company is used. The Company earns interchange fees from debit cardholder transactions through the *Visa* payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The performance obligation is satisfied and the fees are earned when the cost of the transaction is charged to the cardholders' card. Certain expenses directly associated with the credit and debit card are recorded on a net basis with the interchange income.

Brokerage Revenue

Brokerage fees consist of fees earned from advisory asset management, trade execution, and administrative fees from investments. Advisory asset management fees are variable, since they are based on the underlying portfolio value, which is subject to market conditions and asset flows. Advisory asset management fees are recognized quarterly and are based on the portfolio values at the end of each quarter. Brokerage accounts are charged commissions at the time of a transaction and the commission schedule is based upon the type of security and quantity. The amount of revenue earned is determined by the value and type of each instrument sold and is recognized at the time the policy or contract is written. In addition, revenues are earned from selling insurance and annuity policies.

Insurance Revenue

Insurance revenue consists of commissions and fees from the sales of insurance policies and related insurance services. Insurance commission income is recognized at the later of the effective date of the insurance policy or billing date, net of adjustments. Such adjustments are recorded when the amount can be reasonably estimated, which is generally in the period in which they occur. Commission revenues related to installment billings are recognized on the latter of effective or invoiced date. Contingent commissions are estimated and accrued relative to the recognition of corresponding commissions. Management determines a policy cancellation reserve based upon historical cancellation experience adjusted for any known circumstances. Subsequent commission adjustments were recognized upon receipt of notification from insurance companies concerning such adjustments.

Note 19 – Subsequent Events

The Company performed an evaluation of subsequent events through March 18, 2025, the date these consolidated financial statements were available to be issued.

On January 21, 2025, the Company's Board of Directors approved a dividend of \$0.90 per share, payable and paid on February 10, 2025, to shareholders of record as of January 31, 2025.

Directors and Officers

Board of Directors

Greg Oakes, Chairman
Kris Loomis, CPA
John Doyle
Mike Neff
Krista Beck
Dale Hall
Robbi Beckstead

Administrative Officers

Greg Oakes, President & Chief Executive Officer
Mike Lundstrom, CPA/CIA, EVP & Chief Financial Officer
Jenny Pulver, EVP & Chief Retail Banking Officer
Steve Vradenburg, EVP & Chief Lending Officer
Sue Ozburn, EVP & Chief Information Officer

Mitchell, Reed & Schmitten Insurance Board of Directors

Greg Oakes, Chairman
Lori Reed
Laura Mounter
Brent Schmitten
Marc Heminger
Dale Hall
Jim Gibbons

Finance

Kelly Melton, CPA, VP & Controller
Mario Gonzalez, CPA, AVP & Senior Accountant

Credit Administration

Ann Rankin, AVP & Credit Operations Supervisor
Kyle Bruggman, AVP & Assistant Credit Administrator

Internal Audit

Amanda Brown, VP & Internal Audit Manager

Compliance

Deidra Anderson, SVP & Compliance Officer
Kayla Ramirez, AVP & BSA Officer

Retail Operations and Personnel

Jennifer West, VP & Human Resources Director
Jeff Burton, VP & Retail Operations Officer
Christy Tomlinson, AVP & HR Generalist
Windy Gill, Operations Support Officer

Contract Purchasing and Equipment Leasing

Chris Ewer, SVP & Indirect Lending
Jeff Miller, VP & Dealer Finance Manager
Jeff Mortensen, AVP & Equipment Finance Manager
Jessica Steinburg, AVP & Financial Services Ops Manager
Thomas Christopherson, AVP & Loan Officer

Electronic Banking and Card Services

Carrie Gerdes, AVP & Treasury Management Officer
Angela Ward, Digital Banking Officer

Information Technology

Terri Howard, VP & Information Systems Operations Officer
Josh Castro, VP & Network Operations
Nicholas Moore, AVP & Information Security Officer
Antonio Castaneda, Database Administration Officer
Mandy Mitchell, AVP & Project Manager

Marketing

Jolene Bray, Marketing Officer

Municipal Banking

Thomas Brown, VP & Municipal Finance Manager

Cashmere Valley Mortgage

Kyle Lewis, SVP & Mortgage Production Manager
Megan Alaniz, Mortgage Operations Officer

Mitchell, Reed & Schmitten Insurance

Brent Schmitten, President & Chief Operations Officer

Cashmere Valley Wealth Management

Timothy Meyers, Division Director

Customer Support Center

Kari Mullins, Officer & CSC Supervisor

Cashmere Branch

Edith Amante, VP & Manager
Inez Vazquez, Retail Operations Officer

Maple Street, Wenatchee Branch

Steve Lee, SVP & Regional Manager
Kelly Walker, AVP & Retail Operations Officer
Andrew King, Loan Officer

Leavenworth Branch

Darrin Rylaarsdam, SVP & Regional Manager
Shawna Alexander, VP & Retail Operations Officer
Gary Waunch, AVP & Loan Officer

East Wenatchee Branch

Alex Cruz, VP & Manager
Delia Oyos, Retail Operations Officer
Ricardo Zepeda, Loan Officer

Chelan Street, Wenatchee Branch

Tina Graham, AVP & Retail Operations Officer

Easy Street, Wenatchee Branch

Claudia De Robles, VP & Manager
Elizabeth Mejia, AVP & Retail Operations Officer
Katie Waterhouse, Loan Officer

Ellensburg Branch

Darren Reid, SVP & Regional Manager
Brandon Babin, VP & Manager
Miriam Nation, Retail Operations Officer
Amanda Blackmore, Loan Officer

Cle Elum Branch

Jordan Gross, Retail Operations Officer

Lake Chelan Branch

Stacy Willoughby, AVP & Manager
Isaac Perez, Retail Operations Officer
Chantel Poole, Loan Officer

Yakima Branch

Trista Cookson, VP & Manager
Kailey Gutierrez, Retail Operations Officer
Patricia Sanchez, Loan Officer

Union Gap Branch

Michael Lyzanchuk, VP & Manager
Sabrina Hall, Retail Operations Officer

Directory

Cashmere Valley Bank:

Website Address

www.cashmerevalleybank.com

Administrative Offices

117 Aplets Way, Cashmere
509-782-2624

Cashmere Branch

117 Aplets Way, Cashmere
509-782-1501

Maple Street, Wenatchee Branch

1100 Maple Street, Wenatchee
509-662-1644

Leavenworth Branch

980 Highway 2, Leavenworth
509-548-5231

East Wenatchee Branch

199 Valley Mall Parkway, East Wenatchee
509-884-0622

Chelan Street, Wenatchee Branch

124 South Chelan Avenue, Wenatchee
509-662-6633

Easy Street, Wenatchee Branch

127 Easy Street, Wenatchee
509-662-5071

Ellensburg Branch

101 West University Way, Ellensburg
509-925-3000

Cle Elum Branch

803 West 1st Street, Cle Elum
509-674-2033

Lake Chelan Branch

329 East Woodin Avenue, Chelan
509-682-7162

Yakima Branch

127 West Yakima Avenue, Yakima
509-902-1352

Union Gap Branch

2232 Goodman Road, Union Gap
509-902-8720

Cashmere Valley Wealth Management

124 East Penny Road, Suite 102, Wenatchee
509-664-7168

Cashmere Valley Mortgage

127 Easy Street, Wenatchee
509-662-7722

Electronic Banking

124 East Penny Road, Suite 103, Wenatchee
509-664-5454

Valley Contract Servicing

124 East Penny Road, Suite 205, Wenatchee
509-664-5452

Card Services

124 East Penny Road, Suite 106, Wenatchee
Credit Cards 509-664-5455
ATM/Debit Cards 509-664-5453

Dealer Financing

124 East Penny Road, Suite 201, Wenatchee
509-664-3820

Equipment Finance Solutions

124 East Penny Road, Suite 202, Wenatchee
509-665-1088

Customer Support Center

124 East Penny Road, Wenatchee
509-665-1070

Municipal Banking

1400 112th Avenue SE, Suite 100, Bellevue
425-688-3935

Mitchell, Reed & Schmitten Insurance:

Website Address

www.mrandinsurance.com

Wenatchee Office

124 East Penny Road Suite 101, Wenatchee
509-665-0500

Gellatly Insurance Services

22 North Chelan Avenue, Wenatchee
509-662-2151

Cashmere Office

117 Aplets Way, Cashmere
509-782-2751

Ellensburg Office

101 West University Way, Ellensburg
509-962-0902

Elliott Insurance Service

127 West Yakima Avenue, Suite 201, Yakima
509-248-7711

Leavenworth Office

980 Highway 2, Leavenworth
509-548-6050

Cle Elum Office

803 West 1st Street, Cle Elum
509-674-4433

Lee Insurance

11410 98th Avenue NE, Kirkland
425-576-0464

Gress-Kinney-Parrish (GKP) Insurance Center

2232 Goodman Road, Union Gap
509-902-8720

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Cashmere Valley Bank

CASHMERE VALLEY
MORTGAGE



Cashmere Valley
WEALTH MANAGEMENT

Mitchell, Reed
& Schmitt
INSURANCE, INC.