



# Cashmere Valley Bank

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**2025 Annual Report**

**“The little Bank with the big circle of friends”**

Member FDIC



# **Cashmere Valley Bank**

**2025 Annual Report**

**Financial Highlights**

<b>Performance Results</b>	Year Ended December 31,				
	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Return on average equity	11.76%	12.93%	15.69%	14.68%	12.24%
Return on average assets	1.34%	1.36%	1.39%	1.22%	1.36%
Equity to assets	11.99%	10.94%	9.93%	7.59%	10.75%
Earnings per common share - Basic	\$7.49	\$7.24	\$7.20	\$6.70	\$7.42
Dividends per share	\$1.85	\$1.70	\$1.70	\$1.70	\$1.55
Tangible book value per share	\$67.22	\$57.01	\$49.37	\$37.85	\$58.55
Year end market value per share	\$74.04	\$58.50	\$50.99	\$44.95	\$71.50
Average earning assets to average total assets	97.17%	94.36%	94.31%	97.88%	95.01%
Allowance for credit losses to total loans at December 31	1.20%	1.32%	1.26%	1.37%	1.46%
Efficiency ratio	56.93%	56.97%	53.48%	58.36%	53.11%
<b>Yield and Cost of Funds</b>					
Tax equivalent yield on cash and investments	4.03%	4.44%	4.01%	2.45%	1.90%
Tax equivalent yield on loans	5.59%	5.26%	4.69%	4.09%	4.19%
Cost of interest-bearing liabilities	2.10%	2.14%	1.18%	0.29%	0.35%
Net interest margin	3.21%	3.24%	3.45%	2.91%	2.60%
<b>Selected Items (in thousands)</b>					
Total cash and cash equivalents	\$250,920	\$219,921	\$117,136	\$180,312	\$114,004
Total investments, net	\$985,515	\$846,762	\$790,680	\$816,486	\$1,103,232
Total loans	\$951,869	\$962,369	\$1,042,453	\$1,005,741	\$940,802
Total assets	\$2,273,312	\$2,121,563	\$2,042,738	\$2,087,762	\$2,224,302
Total deposits	\$1,900,776	\$1,837,953	\$1,773,767	\$1,900,019	\$1,936,577
Total equity	\$272,471	\$232,167	\$202,798	\$158,390	\$239,098

*To the shareholders and friends of Cashmere Valley Bank*

I'm happy to report another successful year at Cashmere Valley Bank. We were again recognized by Bank Director Magazine in the top ten of banks nationally for our asset size (\$1B to \$5B) in the areas of capital, earnings and asset quality.

Our earnings were up \$1.1 million over 2024. Return on equity decreased due to a growing capital base from earnings and very modest asset growth. We used some of the excess capital to repurchase shares in the tender offer and initiated a second tender offer. We also increased our semi-annual dividend to \$1.00 per share. The initial tender offer was quite successful giving our shareholders some liquidity for managing their investments as well as rewarding continuing shareholders. A second tender offer was initiated due to the oversubscription of the initial tender offer.

Our market share grew again! We are now at 43% in the Wenatchee metropolitan statistical area (MSA). I meet personally with each new employee, and encourage them to look around when they are at the grocery store, because nearly every other debit card in use was issued by Cashmere Valley Bank. This is an amazing testament to the service we provide when nearly half of the market chooses us as their bank.

Our new East Wenatchee branch remains on hold due to delays beyond our control. We do expect to break ground later in 2026. The new location will serve to alleviate pressure on our existing East Wenatchee location, and will also be placed in a high growth area.

We owe our success to our employees and the hands-on service they provide. We treat our employees well, and that translates into excellent treatment of our customers.

Although we do see some headwinds from the current geopolitical landscape, we are working hard to continue to produce the financial success you have become accustomed to here at "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 long horizontal stroke at the end.

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, 2025 and 2024, 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, 2025 and 2024, 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.

#### ***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, but not for the purpose of expressing an opinion on the effectiveness of Cashmere Valley Bank and its subsidiary's internal control. Accordingly, no such opinion is expressed.
- 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.

*Baker Tilly US, LLP*

Spokane, Washington

March 17, 2026

**Cashmere Valley Bank and Subsidiary**  
**Consolidated Balance Sheets**

(Dollars in Thousands, Except Share Amounts)

	December 31,	
	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Cash and cash equivalents:		
Cash and due from banks	\$31,097	\$27,642
Interest-bearing deposits at other financial institutions	216,434	188,370
Federal funds sold	3,389	3,909
Total cash and cash equivalents	<u>250,920</u>	<u>219,921</u>
Securities available for sale at fair value, amortized cost of \$901,720 and \$779,901	862,103	716,508
Securities held to maturity, net of allowance for credit losses of \$13 and \$16	123,412	130,254
Federal Home Loan Bank stock, at cost	5,008	2,846
Loans held for sale	1,135	4
Loans and leases	951,869	962,369
Allowance for credit losses	<u>(11,399)</u>	<u>(12,748)</u>
Net loans and leases	940,470	949,621
Premises and equipment, net	19,235	19,472
Accrued interest receivable	8,868	8,952
Other real estate and foreclosed assets	148	97
Bank Owned Life Insurance	27,343	27,647
Goodwill	7,579	7,579
Intangibles, net	2,233	2,749
Mortgage servicing rights	2,382	2,441
Net deferred tax assets	13,137	18,037
Other assets	9,339	15,435
<b>Total assets</b>	<b><u><u>\$2,273,312</u></u></b>	<b><u><u>\$2,121,563</u></u></b>
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing demand	\$393,002	\$393,807
Savings and interest-bearing demand	927,918	941,604
Time	579,856	502,542
Total deposits	<u>1,900,776</u>	<u>1,837,953</u>
Accrued interest payable	3,073	2,842
Borrowings	83,000	36,000
Other liabilities	13,992	12,601
<b>Total liabilities</b>	<b><u><u>2,000,841</u></u></b>	<b><u><u>1,889,396</u></u></b>
Commitments and contingencies (Note 12)		
<b>Shareholders' Equity</b>		
Common stock (no par value); authorized 10,000,000 shares;		
Issued and outstanding: 2025 – 3,907,525; 2024 – 3,891,000	--	--
Additional paid-in capital	6,248	5,229
Treasury stock	(16,784)	(16,784)
Retained earnings	323,653	301,636
Accumulated other comprehensive (loss)	(41,823)	(58,674)
<b>Total Cashmere Valley Bank shareholders' equity</b>	<b><u><u>271,294</u></u></b>	<b><u><u>231,407</u></u></b>
Noncontrolling interest	1,177	760
<b>Total shareholders' equity</b>	<b><u><u>272,471</u></u></b>	<b><u><u>232,167</u></u></b>
<b>Total liabilities and shareholders' equity</b>	<b><u><u>\$2,273,312</u></u></b>	<b><u><u>\$2,121,563</u></u></b>

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,

	<b>2025</b>	<b>2024</b>
<b>Interest Income</b>		
Loans and leases	\$53,361	\$52,597
Federal funds sold and deposits at other financial institutions	8,249	6,986
Securities available for sale:		
Taxable	33,478	29,797
Tax-exempt	1,614	1,313
Securities held to maturity:		
Taxable	2,978	3,094
Tax-exempt	100	142
Other interest income	595	--
Total interest income	100,375	93,929
<b>Interest Expense</b>		
Deposits	29,254	28,524
Short-term borrowings	2,840	2,226
Total interest expense	32,094	30,750
<b>Net interest income</b>	<b>68,281</b>	<b>63,179</b>
Provision for credit losses	2,974	1,971
<b>Net interest income after provision for credit losses</b>	<b>65,307</b>	<b>61,208</b>
<b>Noninterest Income</b>		
Service charges on deposit accounts	2,057	2,045
Mortgage banking operations	1,757	1,565
Net gain on sales of securities available for sale	130	--
Brokerage commissions	1,199	1,382
Insurance commissions and fees	9,613	8,754
Net interchange income	4,298	4,571
Earnings from Bank Owned Life Insurance	1,234	838
Other	1,767	1,402
Total noninterest income	22,055	20,557
<b>Noninterest Expense</b>		
Salaries and employee benefits	30,326	27,584
Occupancy and equipment	3,374	3,471
Audits and examinations	509	507
State and local business and occupation taxes	1,622	1,247
FDIC insurance & WA state assessments	1,047	965
Legal and professional fees	1,197	1,073
Check losses and charge-offs	474	509
Low-income housing fund (income) losses	(33)	483
Data processing	7,028	6,295
Product delivery	1,317	1,380
Other	4,227	4,188
Total noninterest expense	51,088	47,702
<b>Income before income taxes</b>	<b>36,274</b>	<b>34,063</b>
Income taxes	6,889	5,829
<b>Net income</b>	<b>29,385</b>	<b>28,234</b>
Net income attributable to noncontrolling interest	158	75
<b>Net income attributable to Cashmere Valley Bank</b>	<b>\$29,227</b>	<b>\$28,159</b>
Earnings per common share – Basic	\$7.49	\$7.24
Earnings per common share – Diluted	\$7.46	\$7.24

*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,	
	2025	2024
<b>Net income</b>	\$29,227	\$28,159
<b>Other comprehensive income:</b>		
Change in the fair value of securities available for sale	23,905	3,924
Reclassification adjustment for gains included in net income	(130)	--
Amortization of net unrealized losses on securities transferred from available for sale to held to maturity	1,523	1,625
Unrealized (loss) gain on interest rate swaps	(3,877)	3,380
<b>Other comprehensive income, before tax</b>	<b>21,421</b>	<b>8,929</b>
Income tax expense	4,570	1,845
<b>Other comprehensive income, net of tax</b>	<b>16,851</b>	<b>7,084</b>
<b>Comprehensive income, net of tax</b>	<b>\$46,078</b>	<b>\$35,243</b>

*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
<b>Balance as of December 31, 2023</b>	<b>3,883,986</b>	<b>\$4,833</b>	<b>\$(16,784)</b>	<b>\$280,087</b>	<b>\$(65,758)</b>	<b>\$202,378</b>	<b>\$420</b>	<b>\$202,798</b>
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	--	--	--	--	--	--	--
<b>Balance as of December 31, 2024</b>	<b>3,891,000</b>	<b>\$5,229</b>	<b>\$(16,784)</b>	<b>\$301,636</b>	<b>\$(58,674)</b>	<b>\$231,407</b>	<b>\$760</b>	<b>\$232,167</b>
Net income	--	--	--	29,227	--	29,227	158	29,385
Other comprehensive income, net of tax	--	--	--	--	16,851	16,851	--	16,851
Transactions with minority shareholders	--	(259)	--	--	--	(259)	259	--
Cash dividends paid	--	--	--	(7,210)	--	(7,210)	--	(7,210)
Stock-based compensation expense	--	237	--	--	--	237	--	237
Exercise of common stock options	15,929	1,041	--	--	--	1,041	--	1,041
Restricted stock grants	596	--	--	--	--	--	--	--
<b>Balance as of December 31, 2025</b>	<b>3,907,525</b>	<b>\$6,248</b>	<b>\$(16,784)</b>	<b>\$323,653</b>	<b>\$(41,823)</b>	<b>\$271,294</b>	<b>\$1,177</b>	<b>\$272,471</b>

*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,	
	2025	2024
<b>Cash Flows from Operating Activities</b>		
Net income	\$29,385	\$28,234
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,856	3,298
Provision for credit losses	2,974	1,971
Investment (accretion) amortization – net	(165)	2,342
Stock-based compensation	237	201
Net (gain) on sale of securities and loans	(1,199)	(111)
Earnings from Bank Owned Life Insurance	(1,234)	(838)
Originations of loans held for sale	(40,061)	(32,351)
Proceeds from sales of loans held for sale	39,668	32,840
Net change in:		
Accrued interest receivable	84	459
Accrued interest payable	231	626
Deferred income tax	330	(379)
Federal income tax payable	564	546
Deferred compensation	264	378
Other, net	3,284	635
<b>Net cash provided by operating activities</b>	<b>37,218</b>	<b>37,851</b>
<b>Cash Flows from Investing Activities</b>		
Activity in securities available for sale:		
Sales proceeds	33,832	--
Maturities, prepayments, and calls	112,103	105,128
Purchases	(267,326)	(172,520)
Activity in securities held to maturity:		
Maturities, prepayments, and calls	7,923	10,552
(Purchase) sale of Federal Home Loan Bank stock	(2,162)	162
Loans and leases originated less than principal collected	6,098	76,957
Investment in low-income housing fund	(33)	(2)
Purchases of premises and equipment	(1,846)	(521)
Proceeds from Bank Owned Life Insurance	1,538	--
<b>Net cash (used in) provided by investing activities</b>	<b>(109,873)</b>	<b>19,756</b>
<b>Cash Flows from Financing Activities</b>		
Net increase in deposits	62,823	64,186
Net increase (decrease) in short-term borrowings	47,000	(12,858)
Cash dividends paid	(7,210)	(6,610)
Exercise of stock options	1,041	460
<b>Net cash provided by financing activities</b>	<b>103,654</b>	<b>45,178</b>
<b>Net change in cash and due from banks</b>	<b>30,999</b>	<b>102,785</b>
Cash and due from banks at beginning of year	219,921	117,136
<b>Cash and due from banks at end of year</b>	<b>\$250,920</b>	<b>\$219,921</b>
<b>Supplemental cash flow information</b>		
Cash paid for interest	\$31,864	\$30,124
<b>Significant non-cash transactions</b>		
Fair value adjustment of securities available for sale, net of tax	\$19,902	\$4,403
Fair value adjustment of interest rate swaps, net of tax	\$(3,050)	\$2,681

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

**Note 1 – Summary of Significant Accounting Policies**

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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 conducted 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 to 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. Accrued interest receivable on available for sale securities is excluded from the estimate of credit losses. As of December 31, 2025 and 2024, the Company did not have an allowance for credit loss related to the available for sale security portfolio.

### *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 \$13,000 and \$16,000 as of December 31, 2025 and 2024, 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:

	<b><u>Current Requirement</u></b>	<b><u>Minimum Investment</u></b>	<b><u>Maximum Investment</u></b>
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:

	<b><u>Current Requirement</u></b>	<b><u>Minimum Requirement</u></b>	<b><u>Maximum Requirement</u></b>
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, 2025 and 2024.

#### *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 payoff. 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.

#### *Loans Modified to Borrowers Experiencing Financial Difficulty*

Loans are reported as loans modified to borrowers experiencing financial difficulty 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. Nonpayment 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 nonpayment 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 received is recorded in interest income, and any interest paid is recorded in interest expense. Any penalties paid are 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 2021.

### *Stock-Based Compensation*

The Company has stock-based compensation plans which are discussed in Note 14. Under these plans, the Company may award directors and certain key employees restricted stock grants and options to purchase common stock, including incentive stock options and non-qualified stock options. Under the accounting guidance for stock-based compensation, the

cost of stock-based awards is recognized in compensation expense over the vesting period on a straight-line basis. The Company recognized stock-based compensation expense totaling \$237,000 and \$201,000 in 2025 and 2024, 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, 2025 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, 2025 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 2025 and 2024, 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 \$288,000 and \$269,000 for the years ended December 31, 2025 and 2024, respectively.

#### *Derivative Financial Instruments*

The Company enters into interest rate swaps to hedge the risk of future variability cash flows and the risk of changes in the fair value of assets or liabilities. 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 either a fair value hedge or a cash flow hedge. A fair value hedge is the hedge of fair value of a recognized asset or liability. A cash flow hedge is the hedge of the variability of cash flows to be received or paid related to a recognized asset or liability. For a fair value hedge, the gain or loss on the derivative, and the offsetting gain or loss on the hedged item attributable to the hedged risk, is recognized when fair values change and is recorded in current period earnings. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income (loss) and is reclassified into earnings the same period the hedged transaction affects earnings.

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 or cash flow 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 a fair value hedge is discontinued, 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. When a cash flow hedge is discontinued, gains or losses that were accumulated in other comprehensive income (loss) are amortized into earnings the same period the hedged transactions will affect earnings.

### *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 common 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 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 adopted this ASU on January 1, 2025.

## 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	
<b>December 31, 2025</b>					
SBA loans backed by U.S. government agency	\$9,042	\$148	\$(24)	\$9,166	
State and municipal securities	290,797	1,565	(29,644)	262,718	
Collateralized mortgage obligations	413,749	1,474	(11,988)	403,235	
Mortgage-backed securities	90,775	1,919	(2,014)	90,680	
Student loans backed by U.S. government agency	43,435	43	(326)	43,152	
Corporate securities	53,922	620	(1,390)	53,152	
<b>Total</b>	<b>\$901,720</b>	<b>\$5,769</b>	<b>\$(45,386)</b>	<b>\$862,103</b>	
<b>December 31, 2024</b>					
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	
<b>Total</b>	<b>\$779,901</b>	<b>\$794</b>	<b>\$(64,187)</b>	<b>\$716,508</b>	
Securities Held to Maturity	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
<b>December 31, 2025</b>					
State and municipal securities	\$45,664	\$54	\$(653)	\$45,065	\$(13)
Collateralized mortgage obligations	56,794	--	(4,355)	52,439	--
Mortgage-backed securities	20,967	1	(1,211)	19,757	--
<b>Total</b>	<b>\$123,425</b>	<b>\$55</b>	<b>\$(6,219)</b>	<b>\$117,261</b>	<b>\$(13)</b>
<b>December 31, 2024</b>					
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	--
<b>Total</b>	<b>\$130,270</b>	<b>\$5</b>	<b>\$(10,597)</b>	<b>\$119,678</b>	<b>\$(16)</b>

Accrued interest receivable on available for sale securities totaled \$4.4 million and \$4.1 million as of December 31, 2025 and 2024, respectively. Accrued interest receivable on held to maturity securities totaled \$563,000 and \$585,000 as of December 31, 2025 and 2024, 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, 2025, the unrealized net loss as a result of the transfer totaled \$11.2 million.

As of December 31, 2025 and 2024, there were 280 and 291 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, 2025 and 2024. 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, 2025 and 2024, by length of time that individual securities in each category have been in a continuous loss position (dollars in thousands):

	<u>Less Than 12 Months</u>		<u>More Than 12 Months</u>		<u>Total</u>	
	<u>Unrealized Gross Loss</u>	<u>Fair Value</u>	<u>Unrealized Gross Loss</u>	<u>Fair Value</u>	<u>Unrealized Gross Loss</u>	<u>Fair Value</u>
<b>December 31, 2025</b>						
SBA loans backed by U.S.						
government agency	\$(11)	\$3,144	\$(13)	\$1,913	\$(24)	\$5,057
State and municipal securities	(20)	3,720	(29,624)	216,617	(29,644)	220,337
Collateralized mortgage obligations	(799)	111,315	(11,189)	140,709	(11,988)	252,024
Mortgage-backed securities	--	--	(2,014)	19,737	(2,014)	19,737
Student loans backed by U.S.						
government agency	(22)	11,949	(304)	16,735	(326)	28,684
Corporate securities	(55)	7,931	(1,335)	24,500	(1,390)	32,431
<b>Total</b>	<b>\$(907)</b>	<b>\$138,059</b>	<b>\$(44,479)</b>	<b>\$420,211</b>	<b>\$(45,386)</b>	<b>\$558,270</b>

	<u>Less Than 12 Months</u>		<u>More Than 12 Months</u>		<u>Total</u>	
	<u>Unrealized Gross Loss</u>	<u>Fair Value</u>	<u>Unrealized Gross Loss</u>	<u>Fair Value</u>	<u>Unrealized Gross Loss</u>	<u>Fair Value</u>
<b>December 31, 2024</b>						
SBA loans backed by U.S.						
government agency	\$--	\$--	\$(48)	\$8,487	\$(48)	\$8,487
State and municipal securities	(139)	11,458	(40,679)	204,657	(40,818)	216,115
Collateralized mortgage obligations	(1,914)	130,389	(14,221)	121,211	(16,135)	251,600
Mortgage-backed securities	(258)	32,407	(3,125)	26,175	(3,383)	58,582
Student loans backed by U.S.						
government agency	(13)	11,442	(462)	12,834	(475)	24,276
Corporate securities	(75)	5,956	(3,253)	41,832	(3,328)	47,788
<b>Total</b>	<b>\$(2,399)</b>	<b>\$191,652</b>	<b>\$(61,788)</b>	<b>\$415,196</b>	<b>\$(64,187)</b>	<b>\$606,848</b>

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):

	<b>State and Municipal Securities</b>	<b>Collateralized Mortgage Obligations</b>	<b>Mortgage- Backed Securities</b>	<b>Total</b>
<b>December 31, 2025</b>				
AAA	\$4,408	\$56,794	\$20,967	\$82,169
AA	39,279	--	--	39,279
A	1,965	--	--	1,965
BB	--	--	--	--
NR	12	--	--	12
<b>Total</b>	<b>\$45,664</b>	<b>\$56,794</b>	<b>\$20,967</b>	<b>\$123,425</b>
<b>December 31, 2024</b>				
AAA	\$4,403	\$60,703	\$24,382	\$89,488
AA	38,846	--	--	38,846
A	1,919	--	--	1,919
BB	--	--	--	--
NR	17	--	--	17
<b>Total</b>	<b>\$45,185</b>	<b>\$60,703</b>	<b>\$24,382</b>	<b>\$130,270</b>

The following tables detail activity in the allowance for credit losses on held to maturity securities for the years ended December 31, 2025 and 2024 (dollars in thousands):

	<b>State and Municipal Securities</b>	<b>Collateralized Mortgage Obligations</b>	<b>Mortgage- Backed Securities</b>	<b>Total</b>
<b>2025</b>				
Beginning balance	\$16	\$--	\$--	\$16
Provision for (recapture of) credit losses	(3)	--	--	(3)
Charge-offs of securities	--	--	--	--
Recoveries	--	--	--	--
<b>Ending balance</b>	<b>\$13</b>	<b>\$--</b>	<b>\$--</b>	<b>\$13</b>
<b>2024</b>				
Beginning balance	\$20	\$--	\$--	\$20
Provision for (recapture of) credit losses	(4)	--	--	(4)
Charge-offs of securities	--	--	--	--
Recoveries	--	--	--	--
<b>Ending balance</b>	<b>\$16</b>	<b>\$--</b>	<b>\$--</b>	<b>\$16</b>

The contractual maturities of securities held to maturity and available for sale at December 31, 2025, are shown below (dollars in thousands):

	<b>Held to Maturity</b>		<b>Available for Sale</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Amortized Cost</b>	<b>Fair Value</b>
Due in one year or less	\$3,606	\$3,605	\$21,493	\$21,487
Due from one year to five years	22,048	21,930	113,767	111,049
Due from five years to ten years	16,406	16,178	227,066	210,350
Due after ten years	81,365	75,548	539,394	519,217
<b>Total</b>	<b>\$123,425</b>	<b>\$117,261</b>	<b>\$901,720</b>	<b>\$862,103</b>

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 \$130.5 million and \$132.7 million at December 31, 2025 and 2024, 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):

	<b>2025</b>	<b>2024</b>
Proceeds from sales	\$33,832	\$--
Gross realized gains included in earnings	\$178	\$--
Gross realized losses included in earnings	\$(48)	\$--

### **Note 3 – Loans and Leases**

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

	<b>2025</b>	<b>2024</b>
Commercial and agricultural	\$122,941	\$134,991
Real estate:		
Residential 1-4 family	116,040	107,177
Commercial	366,889	361,398
Construction	41,060	52,985
Farmland	4,140	3,645
Municipal	83,550	71,217
Consumer	16,810	17,445
Dealer contracts	194,625	206,874
Leases	847	1,767
Credit card	4,967	4,870
<b>Total loans and leases</b>	<b>\$951,869</b>	<b>\$962,369</b>

Accrued interest receivable on loans totaled \$3,164,000 and \$3,219,000 at December 31, 2025 and 2024, 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. 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 2025 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, 2025 and 2024 under the current expected credit losses (CECL) methodology.

2025	Real Estate			Municipal	Consumer and Other	Unallocated	Total ACL
	Commercial and Agricultural	Residential 1-4 Family	Commercial, Construction, and Farmland				
Beginning balance	\$2,015	\$1,035	\$4,021	\$493	\$4,140	\$1,044	\$12,748
Provision for (recapture of) loan and lease losses	3,023	358	(596)	106	1,092	(982)	3,001
Charge-offs	(2,619)	(184)	--	--	(1,977)	--	(4,780)
Recoveries	175	--	--	--	255	--	430
<b>Ending balance</b>	<b>\$2,594</b>	<b>\$1,209</b>	<b>\$3,425</b>	<b>\$599</b>	<b>\$3,510</b>	<b>\$62</b>	<b>\$11,399</b>

2024	Real Estate			Municipal	Consumer and Other	Unallocated	Total ACL
	Commercial and Agricultural	Residential 1-4 Family	Commercial, Construction, and Farmland				
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
<b>Ending balance</b>	<b>\$2,015</b>	<b>\$1,035</b>	<b>\$4,021</b>	<b>\$493</b>	<b>\$4,140</b>	<b>\$1,044</b>	<b>\$12,748</b>

#### Nonaccrual and Past Due Loans

A summary of loans and leases by age, segregated by class of loans and leases, as of December 31, 2025 and 2024, is as follows (dollars in thousands):

2025	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	\$1,424	\$937	\$2,361	\$120,580	\$122,941
Residential 1-4 family real estate	209	--	209	115,831	116,040	--
Commercial, construction, and farmland real estate	44	--	44	412,045	412,089	--
Municipal	--	--	--	83,550	83,550	--
Consumer and other	4,221	1,282	5,503	211,746	217,249	21
<b>Total</b>	<b>\$5,898</b>	<b>\$2,219</b>	<b>\$8,117</b>	<b>\$943,752</b>	<b>\$951,869</b>	<b>\$21</b>

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
<b>Total</b>	<b>\$7,007</b>	<b>\$1,269</b>	<b>\$8,276</b>	<b>\$954,093</b>	<b>\$962,369</b>	<b>\$133</b>

The following tables provide information with respect to nonaccrual loans as of the years ended December 31, 2025 and 2024 (dollars in thousands):

<b>2025</b>	<b>Nonaccrual Loans with No Allowance</b>	<b>Nonaccrual Loans with an Allowance</b>	<b>Total Nonaccrual Loans</b>
Commercial and agricultural	\$463	\$1,415	\$1,878
Residential 1-4 family real estate	--	70	70
Commercial, construction, and farmland real estate	--	618	618
Municipal	--	--	--
Consumer and other	702	1,113	1,815
<b>Total</b>	<b>\$1,165</b>	<b>\$3,216</b>	<b>\$4,381</b>

  

<b>2024</b>	<b>Nonaccrual Loans with No Allowance</b>	<b>Nonaccrual Loans with an Allowance</b>	<b>Total Nonaccrual Loans</b>
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
<b>Total</b>	<b>\$488</b>	<b>\$2,814</b>	<b>\$3,302</b>

#### *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 any pledged collateral. 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, 2025 and 2024 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, 2025:

	Term Loans by Year of Origination						Revolving Loans	Total Loans and Leases
	2025	2024	2023	2022	2021	Prior		
<b>Commercial and Agricultural</b>								
Pass	\$48,328	\$28,914	\$17,951	\$7,978	\$1,988	\$3,939	\$8,764	\$117,862
Special Mention	70	278	941	1,191	193	26	--	2,699
Substandard	88	185	597	936	536	38	--	2,380
Doubtful	--	--	--	--	--	--	--	--
<b>Total</b>	<b>\$48,486</b>	<b>\$29,377</b>	<b>\$19,489</b>	<b>\$10,105</b>	<b>\$2,717</b>	<b>\$4,003</b>	<b>\$8,764</b>	<b>\$122,941</b>
Current period gross charge-offs	\$--	\$362	\$633	\$1,345	\$279	\$--	\$--	\$2,619
<b>Residential 1-4 Family</b>								
Pass	\$11,287	\$4,364	\$2,630	\$12,064	\$8,296	\$26,929	\$47,624	\$113,194
Special Mention	--	--	--	--	--	573	571	1,144
Substandard	--	--	--	--	371	1,195	136	1,702
Doubtful	--	--	--	--	--	--	--	--
<b>Total</b>	<b>\$11,287</b>	<b>\$4,364</b>	<b>\$2,630</b>	<b>\$12,064</b>	<b>\$8,667</b>	<b>\$28,697</b>	<b>\$48,331</b>	<b>\$116,040</b>
Current period gross charge-offs	\$--	\$--	\$123	\$61	\$--	\$--	\$--	\$184
<b>Commercial, Construction, and Farmland</b>								
Pass	\$75,874	\$23,365	\$25,257	\$45,916	\$81,319	\$148,854	\$1,292	\$401,877
Special Mention	97	213	--	164	--	564	--	1,038
Substandard	131	--	--	--	369	8,674	--	9,174
Doubtful	--	--	--	--	--	--	--	--
<b>Total</b>	<b>\$76,102</b>	<b>\$23,578</b>	<b>\$25,257</b>	<b>\$46,080</b>	<b>\$81,688</b>	<b>\$158,092</b>	<b>\$1,292</b>	<b>\$412,089</b>
Current period gross charge-offs	\$--	\$--	\$--	\$--	\$--	\$--	\$--	\$--
<b>Municipal</b>								
Pass	\$26,959	\$5,768	\$2,998	\$1,552	\$14,094	\$24,900	\$7,279	\$83,550
Special Mention	--	--	--	--	--	--	--	--
Substandard	--	--	--	--	--	--	--	--
Doubtful	--	--	--	--	--	--	--	--
<b>Total</b>	<b>\$26,959</b>	<b>\$5,768</b>	<b>\$2,998</b>	<b>\$1,552</b>	<b>\$14,094</b>	<b>\$24,900</b>	<b>\$7,279</b>	<b>\$83,550</b>
Current period gross charge-offs	\$--	\$--	\$--	\$--	\$--	\$--	\$--	\$--
<b>Consumer and Other</b>								
Pass	\$73,767	\$37,569	\$35,946	\$33,362	\$12,338	\$15,075	\$3,151	\$211,208
Special Mention	647	727	687	972	691	306	4	4,034
Substandard	641	347	248	385	161	78	29	1,889
Doubtful	--	63	55	--	--	--	--	118
<b>Total</b>	<b>\$75,055</b>	<b>\$38,706</b>	<b>\$36,936</b>	<b>\$34,719</b>	<b>\$13,190</b>	<b>\$15,459</b>	<b>\$3,184</b>	<b>\$217,249</b>
Current period gross charge-offs	\$272	\$627	\$248	\$383	\$54	\$393	\$--	\$1,977

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		
<b>Commercial and Agricultural</b>								
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	--	--	--	--	--	--	--	--
<b>Total</b>	<b>\$39,682</b>	<b>\$31,182</b>	<b>\$22,630</b>	<b>\$13,486</b>	<b>\$3,427</b>	<b>\$3,715</b>	<b>\$20,869</b>	<b>\$134,991</b>
Current period gross charge-offs	\$35	\$218	\$1,908	\$306	\$58	\$--	\$--	\$2,525
<b>Residential 1-4 Family</b>								
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	--	--	--	--	--	--	--	--
<b>Total</b>	<b>\$7,119</b>	<b>\$3,022</b>	<b>\$13,564</b>	<b>\$10,021</b>	<b>\$6,238</b>	<b>\$28,825</b>	<b>\$38,388</b>	<b>\$107,177</b>
Current period gross charge-offs	\$--	\$--	\$--	\$--	\$--	\$--	\$--	\$--
<b>Commercial, Construction, and Farmland</b>								
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	--	--	--	--	--	--	--	--
<b>Total</b>	<b>\$26,421</b>	<b>\$47,502</b>	<b>\$50,584</b>	<b>\$101,223</b>	<b>\$104,401</b>	<b>\$86,357</b>	<b>\$1,540</b>	<b>\$418,028</b>
Current period gross charge-offs	\$--	\$--	\$--	\$--	\$--	\$--	\$--	\$--
<b>Municipal</b>								
Pass	\$6,450	\$4,716	\$3,225	\$17,429	\$6,474	\$23,769	\$9,154	\$71,217
Special Mention	--	--	--	--	--	--	--	--
Substandard	--	--	--	--	--	--	--	--
Doubtful	--	--	--	--	--	--	--	--
<b>Total</b>	<b>\$6,450</b>	<b>\$4,716</b>	<b>\$3,225</b>	<b>\$17,429</b>	<b>\$6,474</b>	<b>\$23,769</b>	<b>\$9,154</b>	<b>\$71,217</b>
Current period gross charge-offs	\$--	\$--	\$--	\$--	\$--	\$--	\$--	\$--
<b>Consumer and Other</b>								
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
<b>Total</b>	<b>\$58,907</b>	<b>\$59,015</b>	<b>\$58,006</b>	<b>\$25,063</b>	<b>\$12,406</b>	<b>\$13,814</b>	<b>\$3,745</b>	<b>\$230,956</b>
Current period gross charge-offs	\$164	\$240	\$273	\$88	\$70	\$382	\$--	\$1,217

*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, 2025.

The following tables provide information with respect to the amortized cost of loans restructured during the twelve months ended December 31, 2025 and 2024 (dollars in thousands):

	<b>Combination: Payment Deferral and Term Extension</b>	<b>Term Extension</b>	<b>Change in Collateral</b>	<b>Total</b>	<b>Percentage of Total by Loan Category</b>
<b>2025</b>					
Commercial and agricultural	\$38	\$121	\$--	\$159	0.13%
Residential 1-4 family real estate	--	--	--	--	0.00%
Commercial, construction, and farmland real estate	--	192	--	192	0.05%
Municipal	--	--	--	--	0.00%
Consumer and other	5	12	--	17	0.01%
<b>Total</b>	<b>\$43</b>	<b>\$325</b>	<b>\$--</b>	<b>\$368</b>	<b>0.18%</b>
	<b>Combination: Payment Deferral and Term Extension</b>	<b>Term Extension</b>	<b>Change in Collateral</b>	<b>Total</b>	<b>Percentage of Total by Loan Category</b>
<b>2024</b>					
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%
<b>Total</b>	<b>\$438</b>	<b>\$302</b>	<b>\$7</b>	<b>\$747</b>	<b>0.49%</b>

The following tables present the performance at December 31, 2025 and 2024 of loans modified in the previous 12 months (dollars in thousands):

	<b>30-59 Days Past Due</b>	<b>60-89 Days Past Due</b>	<b>90 Days or More Past Due</b>	<b>Total Past Due</b>	<b>Current</b>	<b>Total</b>
<b>2025</b>						
Commercial and agricultural	\$--	\$--	\$12	\$12	\$147	\$159
Residential 1-4 family real estate	--	--	--	--	--	--
Commercial, construction, and farmland real estate	--	--	--	--	192	192
Municipal	--	--	--	--	--	--
Consumer and other	5	--	--	5	12	17
<b>Total</b>	<b>\$5</b>	<b>\$--</b>	<b>\$12</b>	<b>\$17</b>	<b>\$351</b>	<b>\$368</b>
	<b>30-59 Days Past Due</b>	<b>60-89 Days Past Due</b>	<b>90 Days or More Past Due</b>	<b>Total Past Due</b>	<b>Current</b>	<b>Total</b>
<b>2024</b>						
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
<b>Total</b>	<b>\$62</b>	<b>\$1</b>	<b>\$--</b>	<b>\$63</b>	<b>\$684</b>	<b>\$747</b>

### 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, 2025 and 2024 (dollars in thousands):

	<b>Commercial Property</b>	<b>Equipment and Inventory</b>	<b>Farmland</b>	<b>Total</b>
<b>2025</b>				
Commercial and agricultural	\$414	\$526	\$--	\$940
Residential 1-4 family real estate	--	--	--	--
Commercial, construction, and farmland real estate	8,948	--	97	9,045
Municipal	--	--	--	--
Consumer and other	--	--	--	--
<b>Total</b>	<b>\$9,362</b>	<b>\$526</b>	<b>\$97</b>	<b>\$9,985</b>
	<b>Commercial Property</b>	<b>Equipment and Inventory</b>	<b>Farmland</b>	<b>Total</b>
<b>2024</b>				
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	--	--	--	--
<b>Total</b>	<b>\$9,697</b>	<b>\$761</b>	<b>\$--</b>	<b>\$10,458</b>

### 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 (dollars in thousands):

	<b>2025</b>
Beginning balance	\$384
Provision for (recapture of) credit losses on unfunded commitments	(24)
<b>Ending balance</b>	<b>\$360</b>
	<b>2024</b>
Beginning balance	\$1,198
Provision for (recapture of) credit losses on unfunded commitments	(814)
<b>Ending balance</b>	<b>\$384</b>

The Company recognized recapture of credit losses on unfunded commitments in 2025 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

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

	<u>2025</u>	<u>2024</u>
Land	\$6,026	\$5,234
Buildings and improvements	24,574	24,467
Furniture	5,814	5,819
Equipment	6,967	6,806
Assets in process	289	37
<b>Total cost</b>	<u>43,670</u>	<u>42,363</u>
Less accumulated depreciation	<u>(24,435)</u>	<u>(22,891)</u>
<b>Total premises and equipment</b>	<u><u>\$19,235</u></u>	<u><u>\$19,472</u></u>

As of December 31, 2025, there were no commitments for capital expenditures. Depreciation expense was \$1,640,000 and \$2,045,000 in 2025 and 2024, respectively.

#### Note 5 – Goodwill and Other Intangible Assets

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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 as of December 31, 2025 and 2024.

Upon a business combination, Mitchell, Reed & Schmitt 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 & Schmitt Insurance, Inc. acquisitions for future years ending December 31 is estimated as follows (dollars in thousands):

2026	\$613
2027	501
2028	489
2029	126
Thereafter	<u>504</u>
<b>Total</b>	<u><u>\$2,233</u></u>

#### Note 6 – Mortgage Servicing Rights

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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 \$394.7 million and \$402.7 million at December 31, 2025 and 2024, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing were approximately \$3,183,000 and \$2,960,000 at December 31, 2025 and 2024, respectively. The weighted average amortization period of the Company's servicing rights was 6.8 years and 7.4 in 2025 and 2024, respectively. The Company receives mortgage servicing fees from customers for routine and contractually specified maintenance and servicing. Servicing fees earned were \$993,000 and \$1,027,000 in 2025 and 2024, 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>2025</u>	<u>2024</u>
Balance as of beginning of year	\$2,441	\$2,536
Originations	285	235
Amortization	(344)	(330)
Adjustment valuation	--	--
<b>Balance as of end of year</b>	<u>\$2,382</u>	<u>\$2,441</u>

The estimated fair value of the Company's MSR portfolio was \$4,792,000 and \$5,223,000 at December 31, 2025 and 2024, 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>2025</u>	<u>2024</u>
Constant prepayment rate	9.29%	7.33%
Discount Rate	9.00%	10.00%
Weighted average life	6.8 years	7.4 years

## Note 7 - Deposits

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

	<b>Deposits at December 31</b>		<b>Interest Expense for the Years Ended December 31</b>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Noninterest bearing demand deposits	\$393,002	\$393,807	\$--	\$--
NOW accounts	340,625	324,989	3,375	3,218
Money market and savings accounts	587,293	616,615	4,762	5,610
Time deposits greater than \$250,000	228,196	197,189	8,387	8,070
Time deposits \$250,000 or less	351,660	305,353	12,730	11,626
<b>Total</b>	<u>\$1,900,776</u>	<u>\$1,837,953</u>	<u>\$29,524</u>	<u>\$28,524</u>

Time deposits at December 31, 2025 are scheduled to mature as follows (dollars in thousands):

	<u>Up to \$250,000</u>	<u>Greater than \$250,000</u>
Three months or less	\$215,119	\$164,021
Three months to one year	107,415	59,328
One year to three years	17,279	3,586
Over three years	11,847	1,261
<b>Total</b>	<u>\$351,660</u>	<u>\$228,196</u>

Total demand deposit overdrafts that have been reclassified to loans were \$574,000 and \$284,000 at December 31, 2025 and 2024, 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 \$52,868,000 and \$52,693,000 of public deposits as of December 31, 2025 and 2024, respectively.

## Note 8 - Borrowings

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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 and 2025 utilizing one-month, fixed rate borrowings with the FHLB. On December 29, 2025, the Company borrowed \$33.0 million from the FHLB with an interest rate of 3.93%. The borrowing matured on January 29, 2026. The Company renewed the borrowing for \$33.0 million on January 29, 2026 from the FHLB with an interest rate of 3.89% for a 29-day period. The borrowing is anticipated to continue throughout 2026.

Beginning April 2025, the Company entered into a borrowing agreement with the FHLB as part of an asset liability strategy to hedge the risk of changes in its cash flows. This strategy continued throughout 2025 utilizing one-month, fixed rate borrowings with the FHLB. On December 29, 2025, the Company borrowed \$50.0 million from the FHLB with an interest rate of 3.93%. The borrowing matured on January 29, 2026. The Company renewed the borrowing for \$50.0 million on January 29, 2026 from the FHLB with an interest rate of 3.89% for a 29-day period. The borrowing is anticipated to continue throughout 2026.

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):

	<u>2025</u>	<u>2024</u>
Ending balance at December 31	\$--	\$--
Average balance	\$--	\$6,489
Maximum month end balance	\$--	\$15,636
Weighted average interest rate:		
End of year	0.00%	0.00%
During the year	0.00%	2.50%
Amortized cost of underlying securities at December 31	\$--	\$--
Market value of underlying securities at December 31	\$--	\$--

## Note 9 - Income Taxes

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

	<u>2025</u>	<u>2024</u>
Current	\$6,414	\$5,999
Deferred	330	(379)
State income taxes	145	209
<b>Total income taxes</b>	<u>\$6,889</u>	<u>\$5,829</u>

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):

	2025		2024	
	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income
Federal income tax at statutory rates	\$7,617	21.0%	\$7,150	21.0%
State income taxes, net of federal tax offset	124	0.3%	(129)	(0.4)%
Tax credits:				
Low-income housing tax credit	(146)	(0.4)%	(146)	(0.4)%
Nontaxable and nondeductible items:				
Tax-exempt income	(615)	(1.7)%	(749)	(2.2)%
Other	(239)	(0.7)%	(136)	(0.4)%
Other	148	0.5%	(161)	(0.7)%
<b>Total income tax expense</b>	\$6,889	19.0%	\$5,829	16.9%

State taxes in California, New York State, and New York City made up the majority of the tax effect of the state and local income tax category.

The following table presents income taxes paid, net of refunds received, for the year ended December 31 (dollars in thousands):

	2025
U.S. federal	\$6,880
U.S. state and local:	
California	60
New York State	30
New York City	26
Other	50
<b>Total</b>	\$7,046

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):

	2025	2024
<b>Deferred tax assets</b>		
Unrealized loss on securities available for sale	\$8,451	\$13,525
Unrealized loss on held to maturity securities	2,390	2,715
Allowance for credit losses	2,434	2,724
Deferred compensation	1,035	982
Other	1,640	1,282
Total deferred tax assets	15,950	21,228
<b>Deferred tax liabilities</b>		
Accumulated depreciation and amortization	\$1,861	\$2,261
Deferred loan costs	424	389
Mortgage servicing rights	508	521
FHLB dividends	20	20
Total deferred tax liabilities	2,813	3,191
<b>Net deferred tax assets</b>	\$13,137	\$18,037

## 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):

	<u>2025</u>	<u>2024</u>
Beginning balance	\$3,201	\$4,129
New loans or advances during period	2,352	175
Repayments or reductions due to director retirement during period	<u>(3,351)</u>	<u>(1,103)</u>
<b>Aggregate amount outstanding</b>	<b><u>\$2,202</u></b>	<b><u>\$3,201</u></b>
Loan commitments	\$3,469	\$4,931
Related party deposits	\$7,941	\$8,817

## 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 \$178.5 million and \$165.0 million as of December 31, 2025 and 2024, respectively, were designated as fair value portfolio layer hedges of certain fixed rate available for sale debt securities. In 2025, the Company entered into an interest rate swap designated as a cash flow hedge of a borrowing agreement with the FHLB, with a notional amount of \$50.0 million as of December 31, 2025.

The notional amounts of interest rate swaps of certain fixed rate loans were \$630,000 and \$810,000 at December 31, 2025 and 2024, 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, 2025 and 2024.

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 at December 31, 2025 and 2024.

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

	<u>2025</u>		<u>2024</u>	
	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Notional Amount</u>	<u>Fair Value</u>
<b>Derivative assets</b>				
Interest rate swaps	\$--	\$--	\$125,000	\$2,133
<b>Total</b>	<u>\$--</u>	<u>\$--</u>	<u>\$125,000</u>	<u>\$2,133</u>
<b>Derivative liabilities</b>				
Interest rate swaps	\$229,106	\$1,917	\$40,786	\$276
<b>Total</b>	<u>\$229,106</u>	<u>\$1,917</u>	<u>\$40,786</u>	<u>\$276</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):

	<u>2025</u>	<u>2024</u>
<b>Interest on securities available for sale</b>		
Increase in fair value of interest rate swaps hedging securities available for sale	\$95	\$26
Receivable on interest rate swaps	<u>978</u>	<u>2,450</u>
<b>Net gain recognized in interest income on securities available for sale</b>	<u><u>\$1,073</u></u>	<u><u>\$2,476</u></u>
<b>Interest on loans and leases</b>		
Increase in fair value of interest rate swaps hedging loans receivable	\$--	\$--
Receivable on interest rate swaps	<u>6</u>	<u>16</u>
<b>Net gain recognized in interest income on loans and leases</b>	<u><u>\$6</u></u>	<u><u>\$16</u></u>
<b>Interest on borrowings</b>		
Increase in fair value of interest rate swaps hedging borrowings	\$--	\$--
Receivable on interest rate swaps	<u>243</u>	<u>--</u>
<b>Net gain recognized in interest expense on borrowings</b>	<u><u>\$243</u></u>	<u><u>\$--</u></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):

	<b>Carrying Amount of the Hedged Assets (Liabilities)</b>		<b>Cumulative Amount of Fair Value Hedging Adjustment included in the Carrying Amount of the Hedged Assets (Liabilities)</b>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
AFS securities	\$261,577	\$265,335	\$1,417	\$1,809
Loans receivable	<u>629</u>	<u>801</u>	<u>1</u>	<u>9</u>
<b>Total</b>	<u><u>\$262,206</u></u>	<u><u>\$266,136</u></u>	<u><u>\$1,418</u></u>	<u><u>\$1,818</u></u>

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, 2025 and 2024, the amortized cost basis of the closed portfolios used in these hedging relationships was \$263.6 million and \$268.0 million, respectively.

During 2025, the Company entered into interest rate swaps designated as cash flow hedges to hedge the variable cash flows associated with a \$50.0 million borrowing agreement with the FHLB. The derivative was designated and qualified as a cash flow hedge, and the unrealized gains and losses on the derivatives was recorded in accumulated other comprehensive income (loss) and subsequently reclassified into interest expense in the same period that the hedge transaction affected earnings.

The following tables present the effect of cash flow hedge accounting on accumulated other comprehensive income (loss) as of December 31 (dollars in thousands):

	<b>Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative</b>		<b>Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive</b>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Interest rate swaps	\$(24)	\$--	\$243	\$--
<b>Total</b>	<u><u>\$(24)</u></u>	<u><u>\$--</u></u>	<u><u>\$243</u></u>	<u><u>\$--</u></u>

## Note 12 - Commitments and Contingencies

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### *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):

	<u>2025</u>	<u>2024</u>
<b>Commitments to extend credit</b>		
Credit card lines	\$41,366	\$42,530
Commercial real estate, construction and development	12,072	11,719
Home equity lines of credit	70,025	67,295
Other	<u>106,647</u>	<u>82,109</u>
<b>Total commitments to extend credit</b>	<u>\$230,110</u>	<u>\$203,653</u>
Standby letters of credit	\$1,403	\$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, 2025 and 2024 in the amount of \$360,000 and \$384,000, 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, 2025. 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, 2025, the current borrowing capacity was approximately \$274.8 million due to the Company's eligible collateral pledge, \$83.0 million of which was used at December 31, 2025. 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, 2025, the borrowing capacity with the Federal Reserve Bank was \$94.8 million, none of which was used at December 31, 2025.

### *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 gain of \$145,000 and a loss of \$363,000 was recorded during 2025 and 2024, respectively. At December 31, 2025 and 2024, the Company’s partnership equity was \$400,000 and \$502,000, 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 \$112,000 and \$120,000 was recorded during 2025 and 2024, respectively. At December 31, 2025 and 2024, the Company’s partnership equity was \$887,000 and \$966,000, respectively.

The Company’s remaining contractual contribution for CREA Corporate Tax Credit Fund 72, LLC (CREA) of \$43,000 is expected to be paid as follows (dollars in thousands):

2026	\$5
2027	1
2028	1
Thereafter	36
<b>Total</b>	<u>\$43</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**

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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, 2025, 4.31% of total loans outstanding were for construction related projects. At December 31, 2025, 1.07% of total loans outstanding were residential lot development loans.

State banking regulations limit any one borrower to 20% of the Company’s capital, excluding accumulated other comprehensive income (loss). At December 31, 2025 the Company’s legal lending limit was \$60,526,000.

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 \$30,000,000. At December 31, 2025, one borrowing relationship totaling \$33,110,000 was in excess of this limit.

### **Note 14 - Employee Compensation Plans**

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#### *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, 266,849 options were available for grant at December 31, 2025. 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>2025</u>	<u>2024</u>
Dividend yield	3.17%	3.79%
Expected life	6.5 years	6.5 years
Risk-free interest rate	4.39%	4.31%
Expected volatility	23.62%	23.46%

A summary of the status of the Bank's stock option plan as of December 31, 2025, and changes during the years ending on those dates, is presented below:

<b>2025</b>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Fair Value at Grant</u>
Outstanding at beginning of year	134,946	\$55.76	\$10.67
Granted	8,346	66.56	14.51
Exercised	15,929	52.00	10.28
Canceled	2,964	48.09	10.49
<b>Outstanding at end of year</b>	<u>124,399</u>	<u>\$57.14</u>	<u>\$10.99</u>

<b>2025</b>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Fair Value at Grant</u>
Vested and expected to vest	108,638	\$57.14	\$10.99
Options exercisable at year end	79,061	\$56.57	\$10.42

The following table summarizes the stock options outstanding and exercisable at December 31, 2025:

	<u>Options Outstanding</u>			<u>Options Exercisable</u>		
	<u>Number Outstanding</u>	<u>Weighted Average Remaining Contractual Life (Years)</u>	<u>Weighted Average Exercise Price</u>	<u>Number Exercisable</u>	<u>Weighted Average Remaining Contractual Life (Years)</u>	<u>Weighted Average Exercise Price</u>
\$ 18.00 – 46.99	18,671	6.80	\$45.19	9,227	6.58	\$44.72
\$ 47.00 – 55.00	18,398	2.85	\$52.42	16,524	2.27	\$52.71
\$ 55.01 – 59.00	32,646	3.25	\$56.95	28,606	3.21	\$56.87
\$ 59.01 – 62.00	30,922	7.76	\$59.94	11,555	5.75	\$60.03
\$ 62.01 – 72.50	23,762	6.19	\$66.83	13,149	4.32	\$66.03
<b>Balance at December 31, 2025</b>	<u>124,399</u>	<u>5.41</u>	<u>\$57.14</u>	<u>79,061</u>	<u>3.96</u>	<u>\$56.57</u>

At December 31, 2025 and 2024, the total intrinsic value of options outstanding was \$1,977,000 and \$549,000, respectively. Weighted average remaining contractual life of options vested and expected to vest is 6.5 years. Total proceeds from options exercised in 2025 and 2024 were \$829,000 and \$248,000, respectively. The total intrinsic value of the options exercised during 2025 and 2024 were \$226,000 and \$100,000, respectively. The Bank recorded a tax benefit of \$40,000 in 2025 due to disqualifying dispositions on stock options exercised.

At December 31, 2025, unrecognized compensation expense related to unvested options totaled \$459,000 and is expected to be recognized over a weighted average period of 26 months. During 2025, 16,446 options vested with a weighted average fair value at grant date of \$10.74. During 2024, 17,828 options vested with a weighted average fair value at grant date of \$10.27. Total expense recognized by the Bank for stock options for the years ended December 31, 2025 and 2024 was \$175,000 and \$141,000, 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 2025 and 2024. Total expense recognized by the Bank for restricted stock awards for the years ended December 31, 2025 and 2024 was \$3,000 and \$2,000, respectively.

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

	<b>Shares</b>	<b>Weighted Average Fair Value at Grant</b>
<b>Outstanding at December 31, 2023</b>	40	\$59.45
Granted	15	\$53.89
Vested	(55)	\$57.93
<b>Outstanding at December 31, 2024</b>	--	\$--
Granted	596	\$67.09
Vested	(50)	\$68.17
<b>Outstanding at December 31, 2025</b>	546	\$67.00

Scheduled vesting for outstanding restricted stock awards as of December 31, 2025 is as follows:

2026	108
2027	110
2028	108
2029	110
2030	110
<b>Total</b>	<b>546</b>

*Mitchell, Reed & Schmitt Insurance, Inc. Stock Option Plan*

In 2022, Mitchell, Reed & Schmitt 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, 2025, 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:

	<b>2022</b>
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, 2025, and changes during the years ending on those dates, is presented below:

<b>2025</b>	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Fair Value at Grant</b>
Outstanding at beginning of year	660	\$1,190	\$43.74
Granted	--	--	--
Exercised	178	1,190	44.01
<b>Outstanding at end of year</b>	<b>482</b>	<b>\$1,190</b>	<b>\$43.64</b>

<b>2025</b>	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Fair Value at Grant</b>
Vested and expected to vest	482	\$1,190	\$43.64
Options exercisable at year end	--	\$--	\$--

The total intrinsic value of the options exercised during 2025 and 2024 was \$169,000 and \$107,000, respectively. Weighted average remaining contractual life of options vested and expected to vest is 4.1 years. Total proceeds from options exercised in 2025 and 2024 was \$212,000.

At December 31, 2025, unrecognized compensation expense related to unvested options totaled \$21,000 and is expected to be recognized over a weighted average period of 27 months. During 2025, 178 options vested with a weighted average fair value at grant date of \$44.01. During 2024, 178 options vested with a weighted average fair value at grant date of \$44.01. Total expense recognized by MRS for stock options for the years ended December 31, 2025 and 2024 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 2025 and 2024 totaled \$49,000 and \$101,000, respectively. Total expense recognized by MRS for restricted stock awards for the years ended December 31, 2025 and 2024 was \$51,000.

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

	<b>Shares</b>	<b>Weighted Average Fair Value at Grant</b>
<b>Outstanding at December 31, 2023</b>	129	\$1,190.00
Granted	--	\$--
Vested	(43)	\$1,190.00
<b>Outstanding at December 31, 2024</b>	86	\$1,190.00
Granted	--	\$--
Vested	(43)	\$1,190.00
<b>Outstanding at December 31, 2025</b>	<b>43</b>	<b>\$1,190.00</b>

As of December 31, 2025, the remaining 43 outstanding restricted stock awards are 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 \$787,000 and \$730,000 in 2025 and 2024, 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

2024 and 2023, with the amounts awarded in 2025 and 2024. Amounts awarded under the plan in 2025 and 2024 were \$1,484,000 and \$1,441,000, 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, 2025 and 2024, liabilities recorded in connection with deferred compensation plan benefits totaled \$4,853,000 and \$4,589,000, respectively. Compensation is charged to expense in the period earned. For the years ended December 31, 2025 and 2024, the Company recognized \$297,000 and \$304,000 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 2025 and 2024, the cost of providing health care, disability, and life insurance benefits was \$3,448,000 and \$2,836,000, respectively.

### **Note 15 - Regulatory Matters**

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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, 2025, 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, 2025 and 2024. The Company met all CBLR requirements as of December 31, 2025 and 2024.

<b>December 31, 2025</b>	<b>Actual Ratio</b>	<b>CBLR Minimum Ratio</b>	<b>Regulatory Minimum to be "Adequately Capitalized"</b>	<b>Regulatory Minimum to be "Well Capitalized"</b>
Tier 1 leverage	13.17%	9.00%	4.00%	5.00%

  

<b>December 31, 2024</b>	<b>Actual Ratio</b>	<b>CBLR Minimum Ratio</b>	<b>Regulatory Minimum to be "Adequately Capitalized"</b>	<b>Regulatory Minimum to be "Well Capitalized"</b>
Tier 1 leverage	12.93%	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, 2025 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):

	<b>Level</b>	<b>December 31, 2025</b>		<b>December 31, 2024</b>	
		<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<b>Financial Assets</b>					
Cash and cash equivalents	1	\$250,920	\$250,920	\$219,921	\$219,921
Securities available for sale	2	862,103	862,103	716,508	716,508
Securities held to maturity, net	2	123,412	117,261	130,254	119,678
FHLB stock	2	5,008	5,008	2,846	2,846
Loans held for sale	2	1,135	1,135	4	4
Loans and leases, net	3	940,470	921,300	949,621	912,400
Mortgage servicing rights	3	2,382	4,792	2,441	5,223
Accrued interest receivable	2	8,868	8,868	8,952	8,952
Bank Owned Life Insurance	2	27,343	27,343	27,647	27,647
Interest rate swaps	2	--	--	2,133	2,133
<b>Financial Liabilities</b>					
Deposits	3	\$1,900,776	\$1,754,300	\$1,837,953	\$1,668,200
Borrowings	3	83,000	83,100	36,000	36,000
Interest rate swaps	2	1,917	1,917	276	276
Accrued interest payable	2	3,073	3,073	2,842	2,842

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 \$862,103,000 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
<b>December 31, 2025</b>				
SBA loans backed by U.S. government agency	\$9,166	\$--	\$9,166	\$--
State and municipal securities	262,718	--	262,718	--
Collateralized mortgage obligations	403,235	--	403,235	--
Mortgage-backed securities	90,680	--	90,680	--
Student loans backed by U.S. government agency	43,152	--	43,152	--
Corporate securities	53,152	--	53,152	--
<b>Total securities available for sale</b>	<b>\$862,103</b>	<b>\$--</b>	<b>\$862,103</b>	<b>\$--</b>
Interest rate swap derivatives	\$(1,917)	\$--	\$(1,917)	\$--

	Assets (Liabilities)	Fair Value Measurement Using			
		Total	Level 1	Level 2	Level 3
<b>December 31, 2024</b>					
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	--	
<b>Total securities available for sale</b>	<b>\$716,508</b>	<b>\$--</b>	<b>\$716,508</b>	<b>\$--</b>	
Interest rate swap derivatives	\$1,857	\$--	\$1,857	\$--	

*Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis*

As of December 31, 2025 and 2024, the Company did not have any liabilities measured at fair value on a non-recurring 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):

	Fair Value Measurement Using				Total Gains (Losses)
	Total	Level 1	Level 2	Level 3	
<b>December 31, 2025</b>					
Collateral dependent loans	\$9,985	\$--	\$--	\$9,985	\$--
Other real estate owned	148	--	--	148	--
<b>Total</b>	<b>\$10,133</b>	<b>\$--</b>	<b>\$--</b>	<b>\$10,133</b>	<b>\$--</b>
<b>December 31, 2024</b>					
Collateral dependent loans	\$10,458	\$--	\$--	\$10,458	\$--
Other real estate owned	97	--	--	97	--
<b>Total</b>	<b>\$10,555</b>	<b>\$--</b>	<b>\$--</b>	<b>\$10,555</b>	<b>\$--</b>

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>2025</u>	<u>2024</u>
Distributed earnings allocated to common stock	\$7,210	\$6,610
Undistributed earnings allocated to common stock	22,017	21,549
<b>Net earnings allocated to common stock</b>	<u>\$29,227</u>	<u>\$28,159</u>
Weighted average common shares outstanding - Basic	3,900,712	3,888,838
Dilutive effect of options outstanding	15,246	2,237
<b>Weighted average common shares outstanding - Diluted</b>	<u>3,915,958</u>	<u>3,891,075</u>
Earnings per common share – Basic	\$7.49	\$7.24
Earnings per common share – Diluted	\$7.46	\$7.24
“Out of the money” stock options	--	48,156

#### *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 2025 or 2024.

#### **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, 2025 and 2024 (dollars in thousands). Items outside of the scope of ASC 606 are noted as such.

	<u>2025</u>	<u>2024</u>
<b>Noninterest income</b>		
Service charges on deposit accounts	\$2,057	\$2,045
Mortgage banking operations <sup>1</sup>	1,757	1,565
Net gain on sales of securities available for sale <sup>1</sup>	130	--
Brokerage commissions	1,199	1,382
Insurance commissions and fees	9,613	8,754
Net interchange income	4,298	4,571
Earnings from Bank Owned Life Insurance <sup>1</sup>	1,234	838
Remaining other <sup>1</sup>	1,767	1,402
<b>Total noninterest income</b>	<u>\$22,055</u>	<u>\$20,557</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**

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The Company performed an evaluation of subsequent events through March 17, 2026, the date these consolidated financial statements were available to be issued.

On December 10, 2025, the Company announced a share repurchase plan allowing the Company to repurchase up to 200,000 shares. Under the repurchase plan, the Company offered to purchase 200,000 shares via a tender offer a price of \$75.00 per share. The repurchase plan did not require the Company to repurchase a specific number of shares and the tender offer expired on January 12, 2026. In January 2026, the Company repurchased 200,000 shares of its common stock at a cost of \$15,000,000.

On January 20, 2026, the Company's Board of Directors approved a dividend of \$1.00 per share, payable and paid on February 9, 2026, to shareholders of record as of January 30, 2026.

## **Directors and Officers**

### *Board of Directors*

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

### *Administrative Officers*

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

### *Mitchell, Reed & Schmitt Insurance Board of Directors*

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

### *Finance*

Kelly Melton, CPA, VP & Controller

### *Credit Administration*

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

### *Internal Audit*

Mario Gonzalez, CPA, 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 & Senior HR Generalist  
Windy Gill, AVP & 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*

Kari Mullins, VP & Electronic Banking Manager  
Carrie Gerdes, AVP & Treasury Management Officer  
Angela Ward, AVP & Digital Banking Officer

### *Information Technology*

Terri Howard, VP & Information Systems Operations Officer  
Josh Castro, VP & Network Operations  
Nicholas Moore, VP & Information Security Officer  
Antonio Castaneda, AVP & 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, AVP & Mortgage Operations Officer

### *Mitchell, Reed & Schmitt Insurance*

Brent Schmitt, President & Chief Operations Officer

### *Customer Support Center*

Laura Alvarado, Officer & CSC Supervisor

### *Cashmere Branch*

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

### *Maple Street, Wenatchee Branch*

Steve Lee, SVP & Regional Manager  
Andrew King, VP & Branch Manager  
Kelly Walker, AVP & Retail Operations Officer  
Xochitl Velazquez-Hurtado, Loan Officer

### *Leavenworth Branch*

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

### *East Wenatchee Branch*

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

### *Cle Elum Branch*

Jordan Gross, Retail Operations Officer

### *Lake Chelan Branch*

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

### *Yakima Avenue, Yakima Branch*

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

### *Union Gap, Yakima Branch*

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

## Directory

### *Cashmere Valley Bank:*

#### *Website Address*

www.cvb.bank

#### *Administrative Offices, Investor Relations*

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 1<sup>st</sup> 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 112<sup>th</sup> 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 1<sup>st</sup> Street, Cle Elum  
509-674-4433

*Lee Insurance*

11410 98<sup>th</sup> 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.