

2024

FIRST QUARTER REPORT



Post Office Box 2175
Walla Walla, WA 99362-0175
(509) 525-2000

BOARD OF DIRECTORS

Megan F. Clubb, Chair

Edward Chvatal Jr.	Mark H. Kajita
Riley B. Clubb	J. Eric Kimball
Russell S. Colombo	Clifford "Kip" Kontos
Jim Edmunds	Michael J. Mahoney
Charles B. Eglin	Jason H. Pratt
Martha C. Huber	



BAKER BOYER

FAMILY LEGACIES GROWN LOCALLY

Tri-Cities Yakima Walla Walla

Dear Baker Boyer Shareholder:

April 19, 2024

As we prepare for the Bank's Annual Shareholder meeting on April, 25, 2024, I have been reflecting on what the last 12 months have shown us, especially the resilience of our business model. As of the end of the first quarter, average deposits have fallen \$70.7 million over the last 12 months; much of that due to the instability in the banking industry that Silicon Valley Bank and First Republic Bank's closures caused. In addition, due to higher inflation, higher than normal withdrawals were being taken out of client accounts to pay for everyday living expenses.

At the same time, Baker Boyer continues to support our businesses so they can grow. As I mentioned in my 2023 Annual Report, we believe that strong communities with strong economies are important for Baker Boyer to remain a stable and growing business for our shareholders. This is showcased by a growth in our average loan balances of \$27.1 million over the last 12 months ending March 31, 2024. This represents a 7.8% increase in loan balances, almost all of it in commercial loans to businesses. This loan growth has also precipitated additional funding of our loan loss reserve of \$150,000 in the first quarter of 2024.

Unfortunately, this has coincided with an overall increase in interest expense. For the first three months of 2024, interest expense has increased 335.8% to \$1.5 million. We believe this level of increase will fall as more of our investment securities mature and we depend less on purchased funds to finance the business loans we have invested in.

Finally, wealth management fees continue to grow and be a stable source of revenue for our shareholders. For the first three months of 2024, wealth management fees have increased by 4.5% from the same time period one year earlier to \$2.8 million.

As we look forward to the rest of the year, we continue to be grateful for the commitment that our communities and shareholders have to the Bank. I wish you all a wonderful spring and as always, if you have any questions, please feel free to contact me directly.

Respectfully,

A handwritten signature in black ink, appearing to read "Mark H. Kajita".

Mark H. Kajita, CPA
President & CEO

Consolidated Balance Sheet - Average ytd

(Unaudited)

	March 31,		
	2024	2023	% Chg.
<i>(Dollars in Thousands)</i>			
ASSETS			
Cash and amounts due from banks	\$ 3,985	\$ 4,045	(1.5)
FFS and Int-bearing deposits at other financial institutions	20,393	29,857	(31.7)
Total Cash and Cash Equivalents	24,378	33,902	(28.1)
Investment securities:			
Available-for-sale, at fair value	273,626	331,002	(17.3)
Held-to-maturity at cost	491	1,339	(63.3)
Other investments, at cost	1,891	1,791	5.6
Total Investments	276,008	334,132	(17.4)
Loans	375,790	348,714	7.8
Allowance for credit losses	(3,312)	(3,407)	(2.8)
Net Loans	372,478	345,307	7.9
Bank premises and equipment, net	20,173	20,779	(2.9)
Accrued interest receivable	3,882	3,942	(1.5)
Other assets	7,065	9,059	(22.0)
TOTAL ASSETS	\$ 703,984	\$ 747,121	(5.8)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Noninterest bearing	\$ 228,785	\$ 268,458	(14.8)
Interest bearing	377,325	408,345	(7.6)
Total Deposits	606,110	676,803	(10.4)
Federal funds purchased and security repurchase agreements	24,327	15,492	57.0
Other borrowed funds	22,774	10,831	110.3
Accrued interest payable	403	52	675.0
Other liabilities	1,181	1,085	8.8
TOTAL LIABILITIES	654,795	704,263	(7.0)
SHAREHOLDERS' EQUITY			
Common stock (no par value, stated value \$3.125 per share)			
	3/31/24	3/31/23	
Shares authorized	4,000,000	4,000,000	
Shares issued and outstanding	1,310,290	1,304,633	0.2
Additional paid-in capital	1,018	895	13.7
Retained earnings	58,640	58,695	(0.1)
Accumulated other comprehensive income (loss)	(14,557)	(20,812)	(30.1)
TOTAL SHAREHOLDERS' EQUITY	49,189	42,858	14.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 703,984	\$ 747,121	(5.8)

Consolidated Statements of Income

(Unaudited)

	Three Months Ending March 31,		
	2024	2023	% Chg.
<i>(Dollars in Thousands, except per share amounts)</i>			
Interest and Dividend Income			
Loans, including fees	\$ 5,207	\$ 4,157	25.3
Federal funds sold and deposits at other financial institutions	130	168	(22.6)
Investment securities:			
Taxable	882	1,014	(13.0)
Tax-exempt	150	212	(29.2)
Other investment income and dividends	28	23	21.7
Total Interest and Dividend Income	6,397	5,574	14.8
Interest Expense			
Deposits	999	224	346.0
Federal funds purchased and security repurchase agreements	224	8	2,700.0
Other borrowed funds	311	120	159.2
Total Interest Expense	1,534	352	335.8
Net Interest Income	4,863	5,222	(6.9)
Provision for credit losses	150	0	-
Net Interest Income after Provision for Credit Losses	4,713	5,222	(9.7)
Non-Interest Income			
Wealth Management fees	2,798	2,677	4.5
Service charges on deposit accounts	98	123	(20.3)
Other service charges and fees	285	309	(7.8)
Other operating income	47	53	(11.3)
Total Non-Interest Income	3,228	3,162	2.1
Non-Interest Expense			
Salaries, wages, and other compensation	3,975	3,998	(0.6)
Retirement and employee benefits	1,221	1,357	(10.0)
Net occupancy expense	379	369	2.7
Furniture and equipment expense	161	173	(6.9)
Other operating expense	1,946	2,062	(5.6)
Total Non-Interest Expense	7,682	7,959	(3.5)
Income Before Income Taxes	259	425	(39.1)
Provision For Income Taxes	21	29	(27.6)
NET INCOME	\$ 238	\$ 396	(39.9)
Basic Earnings Per Common Share	\$ 0.18	\$ 0.31	(39.9)
Weighted Average Number of Shares Outstanding	1,287,815	1,287,411	