

2025

FIRST QUARTER REPORT



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BOARD OF DIRECTORS

Megan F. Clubb, Chair

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Riley B. Clubb	J. Eric Kimball
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Martha C. Huber	



BAKER BOYER

FAMILY LEGACIES GROWN LOCALLY

Tri-Cities Yakima Walla Walla

Dear Baker Boyer Shareholder:

April 18, 2025

As we approach the Bank's Annual Shareholder meeting on April 24, 2025, fresh rains and warmer weather are bringing on new growth in the Valley. I find these seasonal changes make for a great time to reflect on where we are, and where we are going.

Over the past several years, large government stimulus and reduced consumer spending during the early stages of the Pandemic resulted in record deposits across the industry. Following those record high deposits and in the aftermath of the Pandemic, Baker Boyer, like much of the industry, experienced a reduction in average deposits as consumer spending increased and the economy began to absorb those large cash infusions. The compounding impact of bank failures such as Silicon Valley Bank and First Republic amplified the impact by shifting some consumer deposits to large "too big to fail" banks.

Throughout all of this we believed that our communities and our future lay in a strategy of strengthening and growing our commercial loans. This forced us to focus on a long-term strategy of supporting our small businesses in our communities so that we can continue to prosper with them in the long-term. This also required us to lessen our focus on the short-term goal of increasing quarterly profits as we continue to invest in our future. An example of this investment was when we hired two seasoned Business Advisors in our Tri-Cities market. These additions will help us further diversify and execute on our loan growth strategy, complementing the strong momentum we have established in Yakima.

This long-term strategy has resulted in loan growth of 13% in the past two years, resulting in an overall loan portfolio of \$396.2 Million as of March 31, 2025. This strategy also allowed us to post an improved Net Interest Margin of 3.40%, a year-over-year increase of 42 basis points.

At the same time, our Wealth Management fees started the year off strong at \$2.9 million, a growth rate of 4.6% in the first three months of the year, topping last year's first-quarter growth of 4.5%. Our substantial Wealth Management Division continues to provide a stable source of revenue and adds diversification to our overall business model.

As we look forward to the rest of the year, we continue to monitor ongoing global trade negotiations and Federal Government reorganizations and how they may impact our local economies. I am grateful for the commitment that our communities and shareholders have to the Bank. I wish you all a wonderful spring and I hope to see you at our Annual Shareholder meeting. 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,		% Chg.
	2025	2024	
	<i>(Dollars in thousands)</i>		
Assets			
Cash and noninterest bearing due from banks	\$ 8,008	\$ 3,985	101.0
Int-bearing deposits at other financial institutions	34,033	20,393	66.9
Total cash and cash equivalents	42,041	24,378	72.5
Debt securities available-for-sale, at fair value	203,686	273,626	(25.6)
Debt securities held-to-maturity	494	491	0.6
Other investments, at cost	1,183	1,891	(37.4)
Total investments	205,363	276,008	(25.6)
Loans	393,884	375,790	4.8
Allowance for credit losses	(3,941)	(3,312)	19.0
Net loans	389,943	372,478	4.7
Bank premises and equipment, net	19,362	20,173	(4.0)
Accrued interest receivable	3,675	3,882	(5.3)
Other assets	4,933	7,065	(30.2)
Total assets	\$ 665,317	\$ 703,984	(5.5)
Liabilities and Shareholders' Equity			
Liabilities:			
Demand deposits- noninterest bearing	\$ 214,503	\$ 228,785	(6.2)
Interest bearing deposits	367,302	377,325	(2.7)
Total deposits	581,805	606,110	(4.0)
Securities sold under agreements to repurchase	25,430	24,327	4.5
Borrowed funds	1,867	22,774	(91.8)
Accrued interest payable	464	403	15.1
Other liabilities	1,434	1,181	21.4
Total liabilities	611,000	654,795	(6.7)
Shareholders' equity			
Common stock (no par value, stated value \$3.125 per share)			
4,000,000 shares authorized			
March 31, 2025 - 1,315,711 shares issued and outstanding			
March 31, 2024 - 1,310,290 shares issued and outstanding	4,100	4,088	0.3
Additional paid-in capital	1,278	1,018	25.5
Retained earnings	58,250	58,640	(0.7)
Accumulated other comprehensive loss	(9,311)	(14,557)	(36.0)
Total Shareholders' equity	54,317	49,189	10.4
Total liabilities and Shareholders' equity	\$ 665,317	\$ 703,984	(5.5)

Consolidated Statements of Income

(Unaudited)

	Three Months Ending Mar 31,		% Chg.
	2025	2024	
	<i>(Dollars in thousands, except per share amounts)</i>		
Interest income			
Interest and fees on loans	\$ 5,567	\$ 5,207	6.9
Interest on deposits in banks and other	302	130	132.3
Interest on taxable debt securities	658	882	(25.4)
Interest on debt securities exempt from Federal taxes	112	150	(25.3)
Interest income on other investments	22	28	(21.4)
Total interest income	6,661	6,397	4.1
Interest expense			
Interest on deposits	1,203	999	20.4
Interest on securities sold under agreements to repurchase	188	224	(16.1)
Interest on borrowings	25	311	(92.0)
Total interest expense	1,416	1,534	(7.7)
Net interest income	5,245	4,863	7.9
Provision for credit losses-loans	0	150	-
Net interest income after provision for credit losses	5,245	4,713	11.3
Non-interest income			
Wealth Management fees	2,927	2,798	4.6
Service charges on deposit accounts	109	98	11.2
Other service charges and fees	305	285	7.0
Other operating income	32	47	(31.9)
Total non-interest income	3,373	3,228	4.5
Non-interest expense			
Salaries, wages, and other compensation	3,913	3,975	(1.6)
Retirement and employee benefits	1,170	1,221	(4.2)
Net occupancy expense	390	379	2.9
Furniture and equipment expense	169	161	5.0
Other operating expense	1,935	1,946	(0.6)
Total non-interest expense	7,577	7,682	(1.4)
Income before provision for income taxes	1,041	259	301.9
Provision for income taxes	196	21	833.3
Net income	\$ 845	\$ 238	255.0
Earnings per common share-basic	\$ 0.65	\$ 0.18	254.0
Weighted average number of shares outstanding	1,291,615	1,287,815	