

**Baker Boyer Bancorp and Subsidiary Consolidated Financial
Statements and Report of Independent Auditors
December 31, 2025 and 2024**

Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

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



INDEPENDENT AUDITORS' REPORT

Board of Directors
Baker Boyer Bancorp and Subsidiary
Walla Walla, Washington

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Baker Boyer Bancorp and Subsidiary, which comprise the consolidated balance sheet as of December 31, 2025, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year 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 Baker Boyer Bancorp and Subsidiary as of December 31, 2025, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Baker Boyer Bancorp and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Baker Boyer Bancorp and Subsidiary, as of and for the year ended December 31, 2024, were audited by other auditors, whose report dated February 21, 2025 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated 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 consolidated 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 Baker Boyer Bancorp and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 Baker Boyer Bancorp and 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 Baker Boyer Bancorp and 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.



CliftonLarsonAllen LLP

Kennewick, Washington
February 19, 2026

Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Consolidated Balance Sheets

Dollars in thousands, except per share amounts

December 31,	2025	2024
Assets		
Cash and cash equivalents	\$85,049	\$32,420
Interest-bearing deposits at other financial institutions	24,897	7,160
Debt securities available for sale, at fair value (amortized cost \$186,683 and \$223,246, net of \$0 allowance for credit losses)	181,282	211,130
Debt securities held to maturity, net of \$0 allowance for credit losses, (fair value \$253 and \$489)	254	494
Other restricted stock, at cost	1,078	1,213
Loans	394,712	393,147
Allowance for credit losses	(4,160)	(3,950)
Net Loans	390,552	389,197
Premises and equipment, net	18,869	19,390
Accrued interest receivable	2,746	2,660
Deferred tax assets, net	1,693	3,102
Other assets	3,214	3,140
Total Assets	\$709,634	\$669,906
Liabilities and Shareholders' Equity		
Deposits:		
Demand, non-interest bearing	\$219,047	\$221,075
Savings and interest bearing demand	327,595	280,637
Time	100,909	85,377
Total Deposits	647,551	587,089
Accrued interest payable	394	383
Securities sold under agreements to repurchase	0	25,075
Other borrowed funds	0	2,500
Other liabilities	1,526	910
Total Liabilities	649,471	615,957
Commitments and Contingencies (Note 11)		
Shareholders' Equity		
Common stock (no par value, stated value \$3.125 per share);		
authorized 4,000,000 shares; issued and outstanding:		
2025 - 1,315,411 shares issued and outstanding;		
2024 - 1,309,621 shares issued and outstanding	4,111	4,093
Additional paid-in capital	1,470	1,255
Retained earnings	58,849	58,173
Accumulated other comprehensive loss, net of tax	(4,267)	(9,572)
Total Shareholders' Equity	60,163	53,949
Total Liabilities and Shareholders' Equity	\$709,634	\$669,906

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

Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Consolidated Statements of Income

Dollars in thousands, except per share amounts

Years Ended December 31,

	<u>2025</u>	<u>2024</u>
Interest and dividend income		
Loans, including fees	\$22,980	\$21,839
Taxable securities	2,247	2,976
Tax-exempt securities	703	828
Other investment income and dividends	65	121
Interest bearing deposits at other financial institutions	2,450	503
Total interest income	<u>28,445</u>	<u>26,267</u>
Interest expense		
Deposits	5,293	4,523
Security repurchase agreements and other borrowings	562	1,829
Total interest expense	<u>5,855</u>	<u>6,352</u>
Net interest income	22,590	19,915
Provision for credit losses-loans	238	800
Provision (recapture) for credit losses-off balance sheet credit exposures	5	(60)
Net interest income after provision for credit losses	<u>22,347</u>	<u>19,175</u>
Non-interest income		
Trust and investment management fees	12,126	11,728
Service charges on deposit accounts	439	424
Other service charges and fees	1,299	1,301
Other operating (loss) income	(251)	122
Total non-interest income	<u>13,613</u>	<u>13,575</u>
Non-interest expense		
Salaries and employee benefits	20,997	20,402
Occupancy and equipment	2,294	2,127
Professional services	1,379	1,319
Information systems and data processing	3,007	3,104
Marketing & charitable contributions	490	397
Business and federal deposit insurance	804	854
ATM and debit card expense	566	560
Other operating expenses	2,350	1,721
Total non-interest expense	<u>31,887</u>	<u>30,484</u>
Income before provision for income taxes	4,073	2,266
Provision for income taxes	766	372
Net income	<u>\$3,307</u>	<u>\$1,894</u>
Basic earnings per share	\$2.52	\$1.45
Diluted earnings per share	\$2.49	\$1.43
Basic weighted average number of shares outstanding	1,294,255	1,290,126
Diluted weighted average number of shares outstanding	1,306,554	1,303,872

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

Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Consolidated Statement of Comprehensive Income

Dollars in thousands

Years ended December 31,	2025	2024
Net Income	\$3,307	\$1,894
Other comprehensive income:		
Unrealized holding gain on securities available for sale net of tax of \$1,410 and \$1,243, respectively	5,015	4,674
Reclassification adjustment for loss on sale of securities available for sale included in net income, net of tax of \$77 and \$0, respectively	290	1
Total other comprehensive income	5,305	4,675
Total comprehensive income	\$8,612	\$6,569

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

Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Consolidated Statements of Shareholders' Equity

Dollars in thousands, except share amounts

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Compre- hensive Income (Loss)	Total
Balance at December 31, 2023	1,306,060	\$4,086	\$963	\$58,900	(\$14,247)	\$49,702
Net income				1,894		1,894
Other comprehensive income					4,675	4,675
Cash dividends paid (\$2.00 per share)				(2,621)		(2,621)
Stock issued to directors in lieu of compensation	520	2	26			28
Net restricted stock activity to officers under stock incentive plan	3,041	5	(5)			0
Stock-based compensation expense			271			271
Balance at December 31, 2024	1,309,621	\$4,093	\$1,255	\$58,173	(\$9,572)	\$53,949
Net income				3,307		3,307
Other comprehensive income					5,305	5,305
Cash dividends paid (\$2.00 per share)				(2,631)		(2,631)
Net restricted stock activity to officers under stock incentive plan	6,290	19	(19)			0
Stock-based compensation expense			252			252
Repurchases and cancellation of common stock	(500)	(1)	(18)			(19)
Balance at December 31, 2025	1,315,411	\$4,111	\$1,470	\$58,849	(\$4,267)	\$60,163

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

Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Statements of Cash Flows

Dollars in thousands

Years ended December 31,

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Net income	\$3,307	\$1,894
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses-loans	238	800
Provision (recapture) for credit losses-off balance sheet credit exposures	5	(60)
Depreciation and amortization	1,014	1,041
Loss (gain) on disposal of assets	1	(10)
Restricted stock compensation expense	252	271
Director's stock issued in lieu of compensation	0	28
Amortization of net deferred loan fees and costs	208	95
Net realized loss on sales of securities	367	2
Net investment amortization	1,097	1,585
Deferred income tax benefit	(1)	(194)
Mortgage servicing rights amortization, net	32	80
Recovery on mortgage servicing rights, net	(12)	0
Origination of loans held for sale	0	(481)
Proceeds from sale of loans held for sale	0	480
Net gain on sales of loans	0	(3)
Gain loss on other real estate owned	0	(61)
(Increase) decrease in interest receivable	(86)	303
Increase in accrued interest payable	11	118
Other - net	491	71
Net cash provided by operating activities	6,924	5,959
Cash Flows from Investing Activities		
Activity in securities available for sale:		
Sales	4,887	6,695
Maturities, prepayments, and calls	58,755	66,719
Purchases	(28,548)	0
Principal repayments and maturities of securities held to maturity	245	0
Net redemption of Federal Reserve Bank Stock	2	3
Net redemption of Federal Home Loan Bank stock	125	414
Purchases of certificates of deposit	(22,177)	(500)
Maturities of certificates of deposit	4,440	8,633
Increase in loans made to customers, net of principal collections	(1,801)	(20,512)
Proceeds from sale of other real estate owned	0	399
Purchases of premises and equipment, net	(460)	(137)
Net cash (used) provided by investing activities	15,468	61,714

(continued)

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

Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Consolidated Statements of Cash Flows *(concluded)*

Dollars in thousands

	2025	2024
Cash Flows from Financing Activities		
Net increase (decrease) in deposits	60,462	(33,107)
Repayments of Federal Home Loan Bank advances-long term	(2,500)	(2,000)
Proceeds of Federal Home Loan Bank advances-long term	0	3,500
Net repayments from other borrowed funds	0	(13,300)
Net (decrease) increase in security repurchase agreements	(25,075)	1,202
Cash dividends paid	(2,631)	(2,621)
Repurchases of common stock	(19)	0
Net cash provided (used) by financing activities	30,237	(46,326)
Net increase in cash and cash equivalents	52,629	21,347
Cash and Cash Equivalents		
Beginning of year	32,420	11,073
End of year	\$85,049	\$32,420
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$5,844	\$6,234
Income taxes paid	\$1,226	\$316
Supplemental Disclosures of Non-Cash Investing and Financing Activities		
Fair value holding gain of securities available for sale	\$6,716	\$5,920
Retention of mortgage servicing rights from loan sales	\$0	(\$4)

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

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

Baker Boyer Bancorp (the Company) and its wholly owned subsidiary, Baker Boyer National Bank (the Bank), provide banking services primarily to the greater Walla Walla, Columbia Valley, and Yakima area of southeastern Washington and northeastern Oregon. Services are marketed primarily to individuals, small businesses, and the agricultural industry. The Company and its subsidiary are subject to competition from other financial institutions, as well as non-financial intermediaries. Primary sources of revenue are loans, investment securities, and wealth management services. The Company and its subsidiary are also subject to the regulations of certain federal and state agencies and undergo periodic examinations by those regulatory agencies.

Principles of Consolidation

The consolidated financial statements include the amounts of the parent company and its wholly owned subsidiary. All significant intercompany transactions and balances have been eliminated.

Operating Segment Reporting

The Company has determined that the Board of Directors serves as the chief decision-maker for purposes of segment reporting. Given this, the Board is responsible for the allocation of resources and assessment of performance across the organization. However, discrete financial information necessary for reporting at a more granular segment level is not available, other than on a company-wide basis. Consequently, the company operates as a single reporting segment, with all financial data being aggregated and presented on an overall basis, as the Board's decisions and resource allocations are based on consolidated performance rather than on specific segments or business units.

Use of Estimates

In preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States (U.S. GAAP), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as the date of the consolidated balance sheets and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for credit losses.

Subsequent Events

Subsequent events are events or transactions that occur after the date of the consolidated balance sheet but before the consolidated financial statements are issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheets but arose after the date of the consolidated balance sheets and before the financial statements are available to be issued.

The Company has evaluated subsequent events through February 19, 2026, the date on which the consolidated financial statements were available to be issued.

Cash and Cash Equivalents

Cash and cash equivalents include amounts due from banks including the Federal Reserve, Federal Home Loan Bank, and federal funds sold. The Company maintains balances in depository institutions, which at any time may exceed federally insured limits. Federal funds sold generally mature in one day.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 1 - Summary of Significant Accounting Policies *(continued)*

Interest Bearing Deposits at Other Financial Institutions

Interest bearing deposits at other financial institutions mature within five years, are carried at cost, and do not exceed federally insured limits.

Scheduled maturities of certificates of deposit for future years ending December 31 are as follows *(dollars in thousands)*:

2026	\$10,214
2027	11,191
2028	2,742
2029	0
2030	750
Total	\$24,897

Debt Securities

Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization or accretion of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become greater than 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income. There was no accrued interest reversed against interest income for the years ended December 31, 2025 and 2024, respectively.

Allowance for Credit Losses – Debt Securities Held to Maturity

Management measures expected credit losses on held to maturity debt securities on a collective basis by major security type. Accrued interest receivable on held to maturity debt securities totaled \$1,000 and \$2,000 at December 31, 2025 and 2024, respectively, and is excluded from the estimate of credit losses.

The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

Allowance for Credit Losses – Debt Securities Available for Sale

For available for sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or if it 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's amortized cost basis is written down to fair value through income. For debt securities available for sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 1 - Summary of Significant Accounting Policies *(continued)*

Allowance for Credit Losses – Debt Securities Available for Sale *(concluded)*

If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as provision for credit losses (recapture). Losses are charged against the allowance when management believes the uncollectibility of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available for sale debt securities totaled \$764,000 and \$949,000 at December 31, 2025 and 2024, respectively and is excluded from the estimate of credit losses.

Equity Securities

Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. The Company also holds non-voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac), which is required in connection with the Bank's participation in Farmer Mac lending programs. The Farmer Mac stock has a readily determinable fair value based on observable market transactions and is therefore recorded at fair value, with changes in fair value recognized in earnings. The investment is included in other restricted stock on the balance sheet. As of December 31, 2025 and 2024, the Company held 500 shares of equity securities (Farmer Mac). The Company also holds Pacific Coast Bankers' Bancshares (PCBB) stock and Federal Reserve Bank (FRB) Stock. No ready market exists for PCBB and FRB stock, and it has no quoted market value. These restricted securities are carried at cost and included in other restricted stock on the balance sheet.

Other Restricted Stock

The Company is a member of the Federal Home Loan Bank of Des Moines (FHLB) and as a member is required to maintain a minimum level of investment in FHLB stock based on its outstanding FHLB borrowings. The Company's investment in FHLB stock is restricted and has no quoted market value and is carried at par value (\$100 per share). Management periodically evaluates FHLB stock for impairment. The securities were not considered to be impaired at December 31, 2025 or 2024.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or estimated market value. Net unrealized losses, if any, are recognized through a charge to earnings. There were no loans held for sale December 31, 2025 and 2024.

Mortgage loans are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains or losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loans sold.

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 1 - Summary of Significant Accounting Policies *(continued)*

Adoption of New Accounting Standards

Segment Reporting -2023-07—Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures

On January 1, 2024, the Company adopted Accounting Standards Codification (ASC) 280, *Segment Reporting*. The amendments in this Update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in this update:

Require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss (collectively referred to as the “significant expense principle”).

Require that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the difference between segment revenue less the segment expenses disclosed under the significant expense principle and each reported measure of segment profit or loss.

Require that a public entity provide all annual disclosures about a reportable segment’s profit or loss and assets currently required by Topic 280 in interim periods.

Clarify that if the CODM uses more than one measure of a segment’s profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity’s consolidated financial statements. In other words, in addition to the measure that is most consistent with the measurement principles under generally accepted accounting principles (GAAP), a public entity is not precluded from reporting additional measures of a segment’s profit or loss that are used by the CODM in assessing segment performance and deciding how to allocate resources.

Require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources.

Require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in this update and all existing segment disclosures in Topic 280. The adoption of this standard does not have a material impact.

Income Tax (Topic 740)—Improvements to Income Tax Disclosures

On January 1, 2024, the Company adopted Accounting Standards Update (ASU) 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This update enhances income tax disclosures by requiring expanded qualitative and quantitative information, including a more detailed rate reconciliation and disclosures related to income taxes paid, disaggregated by jurisdiction. The objective of this update is to provide greater transparency into the factors affecting the Company’s effective tax rate and the geographic distribution of tax payments. The Company has incorporated these new disclosure requirements into its financial statements and continues to evaluate the impact on future reporting to ensure compliance and improved financial clarity for stakeholders. The adoption of the standard does not have a material impact.

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Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 1 - Summary of Significant Accounting Policies *(continued)*

Adoption of New Accounting Standards *(concluded)*

Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (ASU 2024-03, including ASU 2025-01)

In 2024, the Company began preparations to implement Accounting Standards Update (ASU) 2024-03, *Income Statement – Reporting Comprehensive Income (Topic 205, 220): Expense Disaggregation Disclosures*, which enhances transparency by requiring additional disclosure of specific expense categories within the income statement. This update aims to provide stakeholders with more detailed insights into the nature of expenses, such as employee compensation, depreciation, and other significant operating costs. The adoption of this standard is not expected to have a material impact.

Additionally, *ASU 2025-01* was issued to clarify the effective date of the previously issued ASU 2024-03 and transition requirements for non-public entities. The Company evaluating the impact of these new requirements and will implement the necessary disclosures in accordance with the applicable timelines to ensure continued compliance and enhanced financial reporting clarity. The adoption of this standard is not expected to have a material impact.

Financial Instruments-Credit Losses (Topic 326)

On November 12, 2025, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2025-08, *Financial Instruments—Credit Losses (Topic 326): Improved Guidance on Purchased Loans*, which extends the gross-up approach to purchased seasoned loans and eliminates “day one” credit loss expense for these assets. ASU 2025-08 is effective for years beginning after December 15, 2026. The adoption of the standard is not expected to have a material impact.

Loans and Allowance for Credit Losses

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for credit losses, and any deferred fees or costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income.

Interest income on loans is accrued over the term of the loans based upon the principal outstanding. The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due, generally once a loan becomes 90 days delinquent. Past due status is based on contractual terms of the loan. When interest accrual is discontinued, all unpaid accrued interest is reversed against interest income. Interest income is subsequently recognized only to the extent that cash payments are received until, in management's judgment, the borrower has the ability to make contractual interest and principal payments, in which case the loan is returned to accrual status.

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of the loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. The allowance for credit losses (ACL) is an estimate of the expected credit losses on financial assets measured at amortized cost, which is measured using relevant information about past events, including historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 1 - Summary of Significant Accounting Policies *(continued)*

Loans and Allowance for Credit Losses *(continued)*

The formula portion of the allowance for credit losses is generally established by applying an appropriate methodology to a segmented loan portfolio. The loan portfolio segmentation is largely based on the idea of grouping loans with similar risk characteristics. Once the loan portfolio is segmented in this manner an appropriate methodology is elected to assess the reserve amount for each respective segment. A key component to selecting the methodology is the data available to analyze. The Company determined methodology used based on historical data available.

One of the key components of CECL is the requirement for forward looking information. CECL is forward-looking and broadens the range of data that must be considered in the estimation of credit losses. More specifically, CECL requires consideration of not only past events and current conditions, but also reasonable and supportable forecasts that affect expected collectability. The Company must revert to historical credit loss experience for those periods of the contractual term of financial assets beyond which the Company is able to make or obtain reasonable and supportable forecasts of expected credit losses.

Qualitative Adjustment Factors, or Q factors provide the bank flexibility in how to estimate expected credit losses. These Q factors can be stand-alone adjustments, adjustments to individual inputs within a model or a combination of the two. With the Q factor, The Company may take into consideration, the volume and severity of past due financial assets, volume of nonaccrual assets, and the volume of adversely classified or graded assets. Q factors can also change over time as risk profiles change.

Estimating an appropriate ACL does involve a high degree of management judgment and is inherently imprecise. The bank's process for determining an appropriate ACL may result in a range of estimates for credit losses. The Company supports and records the best estimate within the range of expected credit losses.

Regulatory agencies, as an integral part of their examination process, periodically review the Company's ACL and may require the bank to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

The Company's loan portfolio is segmented commercial and industrial-business and agriculture (C&I), commercial real estate (CRE) owner occupied and non-owner occupied, consumer-installment, auto and other, and residential real estate.

Loans risk rated doubtful, nonaccrual, and 60 days past due are individually evaluated for impairment and are not included in the collective evaluation as previously described. A collateral-dependent loan is a loan for which the repayment is expected to be provided primarily or substantially through the sale or operation of the underlying collateral when the borrower is unable to repay the loan through other means. These loans are evaluated based on the fair value of the collateral, less any costs to sell if repayment is dependent on liquidation. This classification is commonly used in determining credit losses under CECL methodology and in assessing the adequacy of loan loss reserves.

The Company has elected the probability of default/loss given default (PD/LGD) for longer term loans (generally longer than 5 years), and a variation of a vintage analysis, the static pool method for loans with shorter maturity dates (generally 5 years or less).

The PD/LGD methodology incorporates a loss likelihood (PD) and loss severity (LGD) to arrive at an overall estimated loss factor. PD calculations essentially review historical loan portfolios to determine a probability that a loan segment will default in the near future. The LGD reviews the collateral position to determine what the expected loss will be in a loan defaults situation.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 1 - Summary of Significant Accounting Policies *(continued)*

Loans and Allowance for Credit Losses *(concluded)*

The static pool method resembles a charge off ratio, in which a loss rate is obtained by summing up all losses incurred over a historical look-back period and dividing by the average portfolio balance over that period. The loss rate is obtained by isolating a historical pool of loans and tracking its loss behavior over the remainder of its life. When economic conditions are not the same as the historical pool, the company may adjust the loss rate for current economic conditions and supportable forecasts.

In addition to the pool methodologies described, management also includes qualitative factors (Q factors) that include relevant internal loan information and trends, external sources that provide guidance for current economic conditions, and a forward forecast that is applied to all loan segmentations. Our internal loan information includes levels and trends in delinquencies and impaired loans. Our external information includes local, regional, and national and industry economic trends and conditions.

Allowance for Credit Losses on Unfunded Commitments. The estimate uses essentially the same factors and assumptions as used for the allowance for credit losses on loans in the respective segmentation pools. The likelihood to fund is calculated using historical average balances in loan segments over the prior 12 months and comparing the current segment balance to determine the likelihood of funding in the future.

Premises and Equipment

Premises and equipment are recorded at cost. Depreciation is computed on the straight-line method over the following estimated useful lives: building and improvements - up to forty years; software, furniture, and equipment - three to seven years; and automobiles - five years. Amortization of leasehold improvements is calculated on the straight-line method over the shorter of the estimated useful lives of the assets or corresponding contractual lease term, which does not generally include renewal options. These assets are reviewed for impairment when events indicate their carrying value may not be recoverable. If management determines impairment exists, the asset is reduced with an offsetting charge to expense. The cost of maintenance and repairs is charged to expense as incurred. Gains and losses on dispositions are reflected in earnings.

Other Real Estate Owned

Real estate properties no longer used by the Bank or 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. 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 revenues and expenses from the operations of properties are charged to operations. The Company had no foreclosed real estate at December 31, 2025 and 2024. The Company had no other real estate owned from bank owned premises at December 31, 2025 and 2024, respectively.

The Company records a gain or loss from the sale of other real estate owned when control of the property transfers to the buyer, which generally occurs at the time of an executed deed of trust. When the Company finances the sale of other real estate owned to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the other real estate owned asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on sale, The Company adjusts the transaction price and related gain or loss on sale if a significant financing component is present.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 1 - Summary of Significant Accounting Policies *(continued)*

Servicing Assets

Servicing assets are recognized when rights are acquired through purchase or through sale of financial assets. Servicing rights resulting from the sale or securitization of loans originated by the Company are initially measured at fair value at the date of transfer. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. The Company has elected to subsequently measure the servicing rights using the amortization method. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. Each class of servicing assets subsequently measured using the amortization method are evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent the fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial recognition of impairment. Changes in valuation allowances are reported with other income on the consolidated statement of income. Fair value in excess of the carrying amount of servicing asset for that stratum is not recognized.

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 mortgage servicing rights is netted against loan servicing fee income.

Trust Assets

Assets held by the Company in a fiduciary or agency capacity for trust department customers are not included in the consolidated financial statements because such items are not assets of the Company or its subsidiary. Assets totaling \$1,753,145,000 and \$1,598,127,000 were held in trust as of December 31, 2025 and 2024, respectively.

Transfers of Financial Assets

Transfers of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset 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 or the ability to unilaterally cause the holder to return specific assets.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were \$167,000 and \$143,000 for the years ending December 31, 2025 and 2024, respectively.

Income Taxes

Deferred income taxes reflect the effect of temporary differences between the tax basis of assets and liabilities and the reported amounts of those assets and liabilities for financial reporting purposes. Deferred tax assets and liabilities 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. 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 the deferred tax assets will not be realized. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 1 - Summary of Significant Accounting Policies *(continued)*

Income Taxes *(concluded)*

Financial Accounting Standards Board (FASB) ASC 740-10, *Income Taxes*, requires recognition and measurement of uncertain tax positions using a “more-likely-than-not” approach. The Company’s approach to FASB ASC 740-10 consisted of an examination of its financial statements, its income tax provision, and its federal and state income tax returns. The Company analyzed its tax positions including the permanent and temporary differences as well as the major components of income and expense. As of December 31, 2025, the Company did not believe that it had any uncertain tax positions that would rise to the level of having a material effect on its financial statements. In addition, the Company had no accrued interest or penalties as of December 31, 2025. It is the Company’s policy to record interest and penalties as a component of income tax expense.

Revenue From Contracts with Customers

The Company recognizes revenue from contracts with customers in accordance with ASC 606 – *Revenue From Contracts with Customers*. The Company has elected to use the following optional exemptions that are permitted under the ASC 606, which have been applied consistently to all contracts within all reporting periods presented.

The Company recognizes the incremental cost of obtaining a contract as an expense, when incurred, if the amortization period of the asset that the Company would have recognized is one year or less.

For performance obligations satisfied over time, if the Company has a right to consideration from a member in an amount that corresponds directly with the value to the member of the Company’s performance completed to date, the Company will generally recognize revenue in the amount to which the Company has a right to invoice.

The Company does not generally disclose information about its remaining performance obligations for those performance obligations that have an original expected duration of one year or less, or where the Company recognizes revenue in the amount to which the Company has a right to invoice.

ASC 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. The Company’s services that fall within the scope of ASC 606 are presented within noninterest income and are recognized as revenue as the Company satisfies its obligation to the customer. Significant components of noninterest income considered to be within the scope of ASC 606 are discussed below.

Service Charges on Deposit Accounts

The Company earns fees from its deposit customers for account maintenance, transaction-based activity, 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.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 1 - Summary of Significant Accounting Policies *(continued)*

Revenue From Contracts with Customers *(concluded)*

Other Service Charges and Fee Income and Expenses

Debit and ATM interchange income represent fees earned when a debit 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' debit card. Certain expenses directly associated with the credit and debit card are recorded on a net basis with the interchange income.

Trust and Investment Management Fees

Trust and Investment Management fees consist of transaction fees earned from asset management, trade execution, and administrative fees from investments. Asset Management fees are variable, since they are based on the underlying portfolio value, which is subject to market conditions and amounts invested by clients. Asset management fees are recognized over the period that services are provided, and when the portfolio values are known or can be estimated at the end of each quarter. The amount of revenue earned is determined by the value and type of each instrument sold and is recognized when the policy is in force.

The Company does not typically enter into long-term revenue contracts with customers, and therefore, does not experience significant contract balances. As of December 31, 2025 and 2024, the Company did not have any significant contract balances or any contract acquisition costs.

Earnings Per Common Share

Basic and diluted earnings per common share are calculated using a two-class method. Under the two-class method, basic earnings per common share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period, excluding outstanding participating securities. Participating securities include non-vested restricted stock awards. Diluted earnings per common share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding determined for the basic earnings per share calculation plus the dilutive effect of unvested restricted shares and options of common stock using the treasury stock method.

Stock-Based Compensation

The Company records compensation expense in the accompanying consolidated statements of income related to restricted stock awards by recognizing the grant date fair value of such awards. Compensation cost is recognized over the required service period, generally defined as the vesting period.

Comprehensive Income (Loss)

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. However, certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are components of comprehensive income and are reported in a separate statement following the statements of income, along with net income.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 1 - Summary of Significant Accounting Policies *(concluded)*

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Reclassification

Certain amounts in the 2024 consolidated financial statements have been reclassified to conform to the 2025 presentation.

Note 2 - Restricted Assets

Federal Reserve Board regulations often require that the Company maintain reserves in the form of cash and deposit balances with the Federal Reserve Bank, based on a percentage of deposits. For years ended December 31, 2025 and 2024, no reserves were required.

Note 3 - Debt and Equity Securities

Debt securities have been classified according to management's intent. The amortized cost of securities, allowance for credit losses, and approximate fair values and credit losses were as follows *(dollars in thousands)*:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Values
Available for Sale:					
December 31, 2025					
U.S. Government securities	\$32,062	\$3	\$469	\$0	\$31,596
U.S. Agency securities	59,244	2	1,808	0	57,438
Municipal securities	85,977	76	3,149	0	82,904
Residential mortgage-backed securities	9,400	12	68	0	9,344
Total	\$186,683	\$93	\$5,494	\$0	\$181,282
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Values
Held to Maturity:					
December 31, 2025					
Municipal securities	\$254	\$0	\$1	\$0	\$253

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 3 - Debt and Equity Securities *(continued)*

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Values
Available for Sale:					
December 31, 2024					
U.S. Government and agency obligations	\$109,359	\$0	\$5,578	\$0	\$103,781
Municipal bonds	113,887	37	6,575	0	107,349
Total	\$223,246	\$37	\$12,153	\$0	\$211,130
Held to Maturity:					
December 31, 2024					
Municipal bonds	\$494	\$0	\$5	\$0	\$489

The proceeds from sales and calls of securities and the associated gains and losses are listed below:

	<u>2025</u>	<u>2024</u>
Proceeds	\$7,671	\$8,209
Gross Gains	\$0	\$26
Gross Losses	(\$367)	(\$28)

The Company did not transfer securities from available for sale to held to maturity during 2025 or 2024.

The Company monitors the credit quality of debt securities held to maturity through the use of credit ratings which are reviewed and updated quarterly. The Company had no debt securities held to maturity past due 90 days. The Company's non-rated held to maturity debt securities are unlimited general obligation municipal debt of the state of Washington, carrying minimal to no credit risk.

At year-end 2025 and 2024, there were no holdings of securities of any one issuer, other than U.S. government and its agencies, in an amount greater than 10% of shareholders' equity.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 3 - Debt and Equity Securities (continued)

The following table summarizes debt securities available for sale in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2025 and 2024, aggregated by major security type and length of time in a continuous unrealized loss position as of December 31 are as follows (*dollars in thousands*):

	<u>Less Than 12 Months</u>		<u>More Than 12 Months</u>		<u>Total</u>	
	<u>Fair Values</u>	<u>Unrealized Losses</u>	<u>Fair Values</u>	<u>Unrealized Losses</u>	<u>Fair Values</u>	<u>Unrealized Losses</u>
Available for Sale:						
December 31, 2025						
U.S. Government securities	\$6,061	\$13	\$22,518	\$456	\$28,579	\$469
U.S. Agency securities	5,863	51	50,678	1,757	56,541	1,808
Municipal securities	1,787	9	69,101	3,140	70,888	3,149
Residential mortgage-backed securities	7,395	68	0	0	7,395	68
Total available for sale	\$21,106	\$141	\$142,297	\$5,353	\$163,403	\$5,494
December 31, 2024						
U.S. Government securities	\$0	\$0	\$39,441	\$1,493	\$39,441	\$1,493
U.S. Agency securities	0	0	64,340	4,085	64,340	4,085
Municipal securities	3,365	37	95,768	6,538	99,133	6,575
Total available for sale	\$3,365	\$37	\$199,549	\$12,116	\$202,914	\$12,153
	<u>Less Than 12 Months</u>		<u>More Than 12 Months</u>		<u>Total</u>	
	<u>Fair Values</u>	<u>Unrealized Losses</u>	<u>Fair Values</u>	<u>Unrealized Losses</u>	<u>Fair Values</u>	<u>Unrealized Losses</u>
Held to Maturity						
December 31, 2025						
Municipal securities	\$253	\$1	\$0	\$0	\$253	\$1
December 31, 2024						
Municipal securities	\$0	\$0	\$489	\$5	\$489	\$5

As of December 31, 2025, and 2024, there were 25 and 12 securities available for sale, respectively, in an unrealized loss position less than one year. As of December 31, 2025, and 2024, there were 267 and 374 securities available for sale, respectively, in an unrealized loss position more than one year. The unrealized losses associated with these securities are believed to be caused by changing market conditions that are considered to be temporary, and the Company does not intend to sell the securities, and it is not likely to be required to sell these securities prior to maturity. Management monitors the published credit ratings of the issuers of the debt securities for material ratings or outlook changes quarterly. The vast majority of the Company's municipal securities portfolio consists of obligations from states and political subdivisions within the Company's geographic footprint, which are subject to annual financial reviews.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 3 - Debt and Equity Securities *(concluded)*

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

	<u>Available for Sale</u>		<u>Held to Maturity</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in one year or less	\$62,784	\$61,870	\$254	\$253
Due from one year to five years	89,145	85,613	0	0
Due from five to ten years	17,818	17,182	0	0
Due after ten years	7,536	7,274	0	0
	<u>177,283</u>	<u>171,939</u>	<u>254</u>	<u>253</u>
Investment securities not due at a single maturity date:				
Residential mortgage-backed securities	9,400	9,344	0	0
Total	<u>\$186,683</u>	<u>\$181,282</u>	<u>\$254</u>	<u>\$253</u>

Securities pledged at year end 2025 and 2024 had an approximate carrying amount of \$28,492,000 and \$70,228,000, respectively, and were pledged to secure public deposits, repurchase agreements, trust deposits, and for other purposes required or permitted by law.

Note 4 -Loans and Allowance for Credit Losses

Major classifications of loans at December 31 consist of the following *(dollars in thousands)*:

	<u>2025</u>	<u>2024</u>
Commercial	\$74,871	\$75,650
Commercial real estate	185,249	187,610
Residential real estate	127,964	122,883
Consumer, auto, and other	7,168	7,342
Total loans, gross	395,252	393,485
Net deferred loan fees, net	(540)	(338)
Allowance for credit losses on loans	<u>(4,160)</u>	<u>(3,950)</u>
Total Loans, net	<u>\$390,552</u>	<u>\$389,197</u>

The Company maintains multiple loan portfolio segments. These portfolio segments and their risk characteristics are described as follows:

Commercial and Industrial: Commercial and industrial loans generally possess a lower inherent risk of loss than real estate portfolio segments because these loans are generally underwritten to existing cash flows of operating businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 4 -Loans and Allowance for Credit Losses (continued)

Commercial Real Estate: Commercial real estate loans generally possess a higher inherent risk of loss than other real estate portfolio segments, except land and construction loans. Adverse economic developments, or an overbuilt market, impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for the properties to produce sufficient cash flow to service debt obligations.

Residential Real Estate: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Consumer and Other: The consumer and other loan portfolio is usually comprised of a large number of small loans. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

The following tables presents the activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2025 and 2024 (dollars in thousands):

	December 31, 2025				
	Commercial	Commercial Real Estate	Real Estate Residential	Consumer, Auto, and Other	Total
Allowance for credit losses:					
Beginning balance:	\$1,047	\$1,769	\$1,043	\$91	\$3,950
Provision (recapture) for credit losses	711	(195)	(424)	146	238
Loans charged-off	0	0	(30)	(170)	(200)
Recoveries collected	48	0	18	106	172
Total ending allowance balance	\$1,806	\$1,574	\$607	\$173	\$4,160

	December 31, 2024				
	Commercial	Commercial Real Estate	Real Estate Residential	Consumer, Auto, and Other	Total
Allowance for credit losses:					
Beginning balance:	\$916	\$1,290	\$969	\$129	\$3,304
Provision (recapture) for credit losses	277	479	58	(14)	800
Loans charged-off	(184)	0	0	(40)	(224)
Recoveries collected	38	0	16	16	70
Total ending allowance balance	\$1,047	\$1,769	\$1,043	\$91	\$3,950

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 4 -Loans and Allowance for Credit Losses (continued)

In addition to the allowance for credit losses on loans above, the Company has established an allowance for credit losses on unfunded commitments, classified in other liabilities on the consolidated balance sheets. This allowance is maintained at a level that management believes is sufficient to absorb losses arising from unfunded loan commitments and is determined based on a methodology similar to the methodology for determining the allowance for credit losses on loans. The allowance for credit losses on unfunded commitments as of December 31, 2025 and 2024 was \$30,000 and \$25,000, respectively.

The following table is an aging analysis of the recorded investment in loans receivable by loan class at December 31, (dollars in thousands):

	2025					
	30-59 Past Due	60-89 Past Due	90 Days or greater	Total Past Due	Current	Total Loans
Commercial						
Business	\$430	\$0	\$0	\$430	\$56,069	\$56,499
Agriculture	0	0	0	0	18,372	18,372
Commercial real estate						
Owner occupied	77	453	796	1,326	93,795	95,121
Non-owner occupied	0	0	0	0	90,128	90,128
Residential	380	1,056	0	1,436	126,528	127,964
Consumer						
Consumer - other	5	4	0	9	7,128	7,137
Consumer - auto	0	0	0	0	31	31
Total	\$892	\$1,513	\$796	\$3,201	\$392,051	\$395,252

	2024					
	30-59 Past Due	60-89 Past Due	90 Days or greater	Total Past Due	Current	Total Loans
Commercial						
Business	\$648	\$0	\$0	\$648	\$52,590	\$53,238
Agriculture	0	0	0	0	22,412	22,412
Commercial real estate						
Owner occupied	950	0	0	950	62,169	63,119
Non-owner occupied	50	31	0	81	124,410	124,491
Residential	524	115	26	665	122,218	122,883
Consumer						
Consumer - other	17	0	0	17	7,247	7,264
Consumer - auto	0	0	0	0	78	78
Total	\$2,189	\$146	\$26	\$2,361	\$391,124	\$393,485

There was 1 loan that was 90 days or more past due and still accruing interest on December 31, 2025 and 2024, respectively.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 4 -Loans and Allowance for Credit Losses (continued)

Modified Loans. Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

There were 5 loans modified during 2025. At December 31, 2025 and 2024, there were no commitments to lend additional funds to borrowers whose loans have been modified.

The following table presents the amortized cost basis of loan modifications made to borrowers experiencing financial difficulty during the year ended December 31, 2025:

	<u>Type of Concession</u>			Percent of Total Segment of Loans
	Term Extension	Payment delay and Term Extension	Total	
Commercial and industrial	\$1,175	\$0	\$1,175	2%
Commercial real estate	791	0	791	0%
Residential real estate	0	349	349	0%
Total	\$1,966	\$349	\$2,315	1%

There were no modifications made to borrowers experiencing financial difficulty during the year ended December 31, 2024.

For the year ended December 31, 2025 term extensions made to borrowers experience financial difficulty included:

Commercial and industrial - Extended 2 loans maturity dates by 6 and 8 months, respectively.

For the year ended December 31, 2025, term extensions made to borrowers experiencing financial difficulty included:

Commercial real estate - Extended loans maturity dates by 8 and 12 months, respectively.

For the year ended December 31, 2025, payment delays and term extensions made to borrowers experiencing financial difficulty included:

Residential real estate- Payment delay of 12 months.

There were no loans that had a payment default during the years ended December 31, 2025 and 2024 and were modified as borrowers experiencing financial difficulty during the period.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 4 -Loans and Allowance for Credit Losses *(continued)*

Credit Quality Indicators. The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually to classify the loans as to the credit risk. The Company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. The weaknesses to be corrected should be identified and corrected within the timeframe of a specific action plan (generally no longer than one year). If the correction does not take place within the framework of the plan, further downgrade may be warranted. All special mention loans will be monitored for improvement or deterioration of the borrower's financial condition.

Substandard. Loans classified as substandard may be inadequately protected by current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as 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.

Loans not meeting the criteria above that are analyzed individually as part of the above-described process are considered to be pass-rated loans. Consumer auto and other loans are evaluated based upon the past due status of the loan. Loans that are 90 days or more past due are classified as non-performing.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 4 -Loans and Allowance for Credit Losses (continued)

The following credit quality indicators are based on management's most recent analysis and vary by loan type. At December 31 they were as follows (dollars in thousands):

Term Loans Amortized Cost Basis by Origination Year									
	2025	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2025									
Commercial:									
Risk rating									
Pass	\$6,605	\$4,698	\$6,042	\$2,163	\$1,300	\$12,300	\$28,776	\$0	\$61,884
Special mention	0	387	323	201	4	1,110	4,883	0	6,908
Substandard	456	431	94	0	163	3,588	1,347	0	6,079
Doubtful	0	0	0	0		0	0	0	0
Total commercial loans	\$7,061	\$5,516	\$6,459	\$2,364	\$1,467	\$16,998	\$35,006	\$0	\$74,871
Commercial loans:									
Current period gross write offs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
As of December 31, 2025									
Commercial real estate:									
Risk rating									
Pass	\$17,252	\$22,548	\$27,841	\$17,938	\$28,803	\$58,500	\$0	\$0	\$172,882
Special mention	409	0	0	960	371	986	0	0	2,726
Substandard	357	1,711	1,160	1,284	703	4,426	0	0	9,641
Doubtful	0	0	0	0	0	0	0	0	0
Total commercial real estate loans	\$18,018	\$24,259	\$29,001	\$20,182	\$29,877	\$63,912	\$0	\$0	\$185,249
Commercial real estate loans:									
Current period gross write offs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 4 -Loans and Allowance for Credit Losses (continued)

	2025	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2025									
Residential real estate:									
Risk rating									
Pass	\$20,215	\$11,439	\$7,578	\$12,251	\$29,638	\$44,299	\$0	\$0	\$125,420
Special mention	0	0	0	0	0	0	0	0	0
Substandard	0	0	399	0	896	1,249	0	0	2,544
Doubtful	0	0	0	0	0	0	0	0	0
Total residential real estate loans	\$20,215	\$11,439	\$7,977	\$12,251	\$30,534	\$45,548	\$0	\$0	\$127,964
Residential real estate:									
Current period gross write offs	\$0	\$0	\$0	\$0	\$30	\$0	\$0	\$0	\$30
As of December 31, 2025									
Consumer, auto, other:									
Payment performance									
Performing	\$61	\$66	\$239	\$1,728	\$0	\$361	\$4,708	\$0	\$7,163
Nonperforming	0	0	0	0	0	5	0	0	5
Total consumer, auto, other loans	\$61	\$66	\$239	\$1,728	\$0	\$366	\$4,708	\$0	\$7,168
Consumer, auto, other:									
Current period gross write offs	\$0	\$0	\$0	\$0	\$29	\$142	\$0	\$0	\$171

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 4 -Loans and Allowance for Credit Losses (continued)

Term Loans Amortized Cost Basis by Origination Year

	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2024								
Commercial:								
Risk rating								
Pass	\$5,960	\$9,024	\$2,662	\$1,776	\$13,526	\$30,796	\$0	\$63,744
Special mention	200	274	60	10	84	2,735	0	3,363
Substandard	210	294	688	270	2,917	4,164	0	8,543
Doubtful	0	0	0		0	0	0	0
Total commercial loans	\$6,370	\$9,592	\$3,410	\$2,056	\$16,527	\$37,695	\$0	\$75,650

Commercial loans:

Current period gross write offs

	\$0	\$39	\$145	\$0	\$0	\$0	\$0	\$184
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	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2024								
Commercial Real Estate:								
Risk rating								
Pass	\$22,479	\$32,936	\$18,351	\$30,587	\$65,763	\$0	\$0	\$170,116
Special mention	0	48	986	5,944	36	0	0	7,014
Substandard	0	1,127	2,400	736	6,217	0	0	10,480
Doubtful	0	0	0		0	0	0	0
Total commercial real estate loans	\$22,479	\$34,111	\$21,737	\$37,267	\$72,016	\$0	\$0	\$187,610

Commercial real estate loans:

Current period gross write offs

	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 4 -Loans and Allowance for Credit Losses (continued)

	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2024								
Residential real estate:								
Risk rating								
Pass	\$12,648	\$10,953	\$13,481	\$34,024	\$51,470	\$0	\$0	\$122,576
Special mention	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	307	0	0	307
Doubtful	0	0	0	0	0	0	0	0
Total residential real estate loans	\$12,648	\$10,953	\$13,481	\$34,024	\$51,777	\$0	\$0	\$122,883
Residential real estate:								
Current period gross write offs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
As of December 31, 2024								
Consumer, auto, other:								
Payment performance								
Performing	\$173	\$303	\$1,426	\$28	\$424	\$4,982	\$0	\$7,336
Nonperforming	0	0	0	0	6	0	0	6
Total consumer, auto, other loans	\$173	\$303	\$1,426	\$28	\$430	\$4,982	\$0	\$7,342
Consumer, auto, other:								
Current period gross write offs	\$0	\$0	\$0	\$0	\$40	\$0	\$0	\$40

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 4 -Loans and Allowance for Credit Losses (continued)

The following table present the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31 (dollars in thousands):

	2025		
	Nonaccrual With No Allowance for Credit Losses	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Commercial			
Business	\$0	\$880	\$0
Agriculture	0	0	0
Commercial real estate			
Owner occupied	0	1,711	796
Non-owner occupied	0	0	0
Residential	11	905	0
Consumer			
Consumer - other	9	0	0
Consumer - auto	0	0	0
Total	\$20	\$3,496	\$796

	2024		
	Nonaccrual With No Allowance for Credit Losses	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Commercial			
Business	\$98	\$0	\$0
Agriculture	0	0	0
Commercial real estate			
Owner occupied	398	0	0
Non-owner occupied	31	0	0
Residential	120	0	13
Consumer			
Consumer - other	6	0	0
Consumer - auto	0	0	0
Total	\$653	\$0	\$13

The Company did not recognize interest income on nonaccrual loans during the years ended December 31, 2025 and 2024.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 4 -Loans and Allowance for Credit Losses *(continued)*

The following table presents the amortized cost basis of collateral dependent loans by class of loans as of December 31, 2025 and 2024 *(dollars in thousands)*:

	December 31, 2025			ACL Allocation
	Real Estate	Equipment	Total	
Commercial	\$0	\$699	\$699	\$399
Commercial real estate	1,711	0	1,711	148
Residential real estate	2,897	0	2,897	9
Consumer, auto, and other	0	0	0	0
Total	\$4,608	\$699	\$5,307	\$556

	December 31, 2024			ACL Allocation
	Real Estate	Equipment	Total	
Commercial	\$0	\$0	\$0	\$0
Commercial real estate	428	0	428	0
Residential real estate	108	0	108	0
Consumer, auto, and other	0	0	0	0
Total	\$536	\$0	\$536	\$0

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 4 -Loans and Allowance for Credit Losses *(concluded)*

The following table presents loans purchased and/or sold during the year by portfolio segment *(dollars in thousands)*:

	December 31, 2025				
	Commercial	Commercial Real Estate	Residential Real Estate	Consumer, auto, and other	Total
Purchases	\$1,993	\$0	\$0	\$0	\$1,993
Sales	\$0	\$0	\$0	\$0	\$0

	December 31, 2024				
	Commercial	Commercial Real Estate	Residential Real Estate	Consumer, auto, and other	Total
Purchases	\$468	\$2,786	\$0	\$0	\$3,254
Sales	\$0	\$0	\$484	\$0	\$484

Purchased Credit Deteriorated Loans. The Company has not purchased loans, for which there was, at acquisition, evidence of more than insignificant deterioration of credit quality since origination.

Related Parties. Certain related parties of the Company, principally Company directors and their associates, were loan customers of the Company in the ordinary course of business during 2025 and 2024. Total loans outstanding at December 31, 2025 and 2024, to key officers and directors were \$6,462,000 and \$4,584,000, respectively. During 2025, loan advances totaled \$8,983,000 and loan repayments totaled \$7,105,000 on these loans. During 2024, loan advances totaled \$4,506,000 and loan repayments totaled \$4,252,000 on these loans.

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 5 – Servicing Assets

Mortgage loans serviced for others are not included on the accompanying consolidated balance sheets. The unpaid principal balances of mortgage and other loans serviced for others were approximately \$45,293,000 and \$51,280,000 at December 31, 2025 and 2024, respectively.

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in deposits, were approximately \$578,000 and \$552,000 at December 31, 2025 and 2024, respectively.

The activity pertaining to mortgage servicing rights and the related valuation allowance for the years ended December 31 is as follows (*dollars in thousands*):

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$108	\$184
Additions	0	4
Recoveries	13	0
Impairments	(1)	0
Amortization of servicing rights	(32)	(80)
Balance, end of year	<u>\$88</u>	<u>\$108</u>
Fair Value	<u>\$511</u>	<u>\$556</u>

Valuation Allowance:

	<u>2025</u>	<u>2024</u>
Balance, at beginning of year	(\$122)	(\$122)
Recoveries	\$13	\$0
Impairments	(1)	0
Balance, end of year	<u>(\$110)</u>	<u>(\$122)</u>

The fair value of servicing rights was determined using a discount rate of 9.0% and 10.0% at December 31, 2025 and 2024, respectively. Prepayment speeds ranging from 6.11% to 23.00% and 5.89% to 17.21% December 31, 2025 and 2024, respectively, constant prepayment rate (CPR), depending on the specific characteristics of each loan.

The most significant assumption in valuing the servicing rights is the change in prepayment speed that results from shifts in mortgage interest rates. The Company assumed weighted-average years to payoff to range from 0.6 to 9.0 years and 0.5 to 9.4 years at December 31, 2025 and 2024, respectively, depending on loan type and interest rates.

Servicing rights are included in other assets on the consolidated balance sheet.

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 6 - Premises and Equipment

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

	<u>2025</u>	<u>2024</u>
Land	\$1,860	\$1,860
Buildings	26,202	26,153
Furniture and equipment	4,647	4,779
	<u>32,709</u>	<u>32,792</u>
Construction in process	83	9
Less accumulated depreciation	<u>13,923</u>	<u>13,411</u>
Total premises and equipment, net	<u>\$18,869</u>	<u>\$19,390</u>

The total depreciation expense for years ending December 31, 2025 and 2024, was \$979,000 and \$981,000, respectively.

Rental expense of month to month leased premises and equipment totaled \$33,000 and \$24,000 in 2025 and 2024, which are included in occupancy and furniture and equipment expense.

Note 7 – Deposits

The aggregate amount of certificates of deposit with balances of \$250,000 or more was approximately \$51,098,000 and \$40,334,000 at December 31, 2025 and 2024, respectively.

Scheduled maturities of certificates of deposit for future years ending December 31 are as follows (*dollars in thousands*):

2026	\$96,058
2027	1,824
2028	1,803
2029	780
2030	444
Total	<u>\$100,909</u>

Certain related parties of the Company, principally Company directors and their associates, have deposit accounts with the Company. Total related party Company deposits were \$2,695,000 and \$4,009,000 at December 31, 2025 and 2024, respectively.

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 8 – Security Repurchase Agreements

The following table presents information regarding securities sold under agreements to repurchase for the years ended December 31 (*dollars in thousands*):

	<u>2025</u>	<u>2024</u>
Average balance during the year	\$18,433	\$25,247
Average interest rate during the year	2.87%	3.67%
Maximum month-end balance during the year	\$25,314	\$27,458
Balance outstanding at year-end	\$0	\$25,075
Average interest rate at year-end	N/A	3.30%

The outstanding balances are comprised entirely of overnight instruments; therefore, the weighted average life of these arrangements is one day. Investment securities are pledged as collateral in an amount equal to or greater than the repurchase agreements. The carrying amount of securities pledged as collateral for repurchase agreements at December 31, 2025 and 2024, were \$6,426,000 and \$29,380,000, respectively.

Note 9 – Employee Benefits

401(k) Profit Sharing Plan

The Company has a profit-sharing 401(k) plan, with cash or deferred arrangements permitted by Internal Revenue Code subsection 401(k). New employees are immediately eligible for immediate deferrals to their 401k before they are eligible for the Company's contribution. Requirements for the Company contributions are six months of service and attainment of age 18, with plan entry the following January 1 or July 1. The Company's profit-sharing contribution is 6% of eligible compensation. The Company's safe-harbor matching contribution is 100% of the first 6% of a participant's eligible compensation per payroll period deferred as 401(k) contributions. Under the 401(k) savings aspect of the plan, employees may contribute up to the regulatory or statutory dollar limitation for deferrals, plus the catch-up dollar limitation. The safe harbor matching contribution does not have an hour of service or employment on the last day of the plan year accrual requirement. The profit-sharing contribution has a greater than 500 hours of service accrual requirement if not employed on the last day of the plan year. There is no hour of service accrual requirement if employed on the last day of the plan year, the employee dies, becomes disabled, or attains the plan's normal retirement age. Total employer contribution expenses were \$1,694,000 and \$1,705,000 for 2025 and 2024, respectively.

Self-Insured Medical Plan

The Company offers a medical plan to its employees and self-insures this plan. The Company contracts with a third party to act as a claim's administrator. Funding for benefit is derived from employer and employee contributions. The Company limits the potential losses through an insurance policy with a stop-loss carrier. Medical expenses were \$1,436,000 and \$829,000 in 2025 and 2024, respectively. Self-insurance reserves were \$61,000 and \$51,000 at December 31, 2025, and 2024, respectively, and were included in other liabilities.

Outside Directors' Nonqualified Deferred Compensation Plan

The Company previously offered an outside directors' nonqualified deferred compensation plan. The plan has been discontinued and is closed to new contributions or additional deferrals. Under the original terms of the plan, outside directors (a non-employee director) were permitted to elect to defer a portion of their directors' fees. Account balances become payable after a participant's termination of service, or earlier in the event of an unforeseeable emergency, in accordance with plan provisions. There are currently three participants in the plan. Balances include total deferrals plus earnings and were \$552,000 and \$487,000 at December 31, 2025 and 2024, respectively. There were no expenses incurred related to the administration of the plan for 2025 and 2024, respectively.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 9 - Employee Benefits *(concluded)*

Stock Incentive Plan

The Company adopted a restricted stock purchase/bonus incentive plan for the benefit of key employees. The objective of the plan is to retain personnel of experience and ability in key positions by providing them with a proprietary interest in the Company. The plan is also expected to enhance the ability of the Company to attract and retain key employees. The Company's plan is administered by its board of directors' Executive Compensation Committee. Members of this committee consist only of the Chair of the Board and other Board members.

The plan allows for the issuance to participants of up to 240,800 shares of the Company's common stock. As of December 31, 2025, shares remaining in reserve for issuance under the plan were 18,069.

The restricted stock is awarded to employees at the end of a five-year vesting period. During this five-year period the employees have voting and dividend rights. Compensation expense equal the grant-date fair value of common stock, determined using the average trading price of the Company's shares during the 90-day period immediately preceding the grant date, on a straight-line basis over the five-year vesting period. Compensation expense related to the plan was \$252,000 and \$271,000 for the years ended December 31, 2025 and 2024, respectively. The tax benefit recognized on this compensation was \$53,000 and \$57,000 for the years ending December 31, 2025 and 2024, respectively. At December 31, 2025, unrecognized compensation expense related to nonvested restricted stock awards was \$492,000 and is expected to be recognized as follows *(dollars in thousands)*:

	Stock-Based Compensation Expense
2026	\$201
2027	138
2028	95
2029	51
2030	7
Total	\$492

The following summarizes activity under the restricted stock plan for the years ending December 31 *(dollars in thousands)*:

	Shares	Aggregate Intrinsic Value	Weighted Average Grant Date Fair Value
Restricted stock grants unvested at December 31, 2023	19,319	\$0	\$68.85
Granted	3,910		47.55
Forfeited	(869)		62.56
Vested	(3,454)		68.31
Restricted stock grants unvested at December 31, 2024	18,906	\$0	\$64.83
Granted	6,290		35.07
Vested	(4,194)		71.53
Restricted stock grants unvested at December 31, 2025	21,002	\$0	\$54.58

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 10 - Income Taxes

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

	2025	2024
Current tax expense		
Federal	\$756	\$554
State	11	12
Total current tax expense	767	566
Deferred tax		
Federal benefit	(1)	(192)
State benefit	0	(2)
Total tax deferred benefit	(1)	(194)
Provision for income taxes	\$766	\$372

The following is reconciliation between the statutory and the effective federal 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 tax based at statutory rate	\$855	21.0%	\$476	21.0%
Tax exempt income	(113)	(2.8%)	(132)	(5.8%)
Other permanent differences	24	0.6%	28	1.2%
Total tax expense	\$766	18.8%	\$372	16.4%

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

	2025	2024
Deferred Tax Assets		
Allowance for credit losses	\$892	\$845
Deferred compensation	150	154
Stock-based compensation	100	67
Unrealized loss on securities available for sale	1,134	2,544
Other	112	89
Total deferred tax assets	2,388	3,699
Deferred Tax Liabilities		
Accumulated depreciation and amortization	(316)	(425)
Prepaid expenses	(210)	(137)
Mortgage servicing rights	(19)	(23)
Other	(150)	(12)
Total deferred tax liabilities	(695)	(597)
Net deferred tax assets	\$1,693	\$3,102

The Company files income tax returns in the U.S. federal jurisdiction and state of Oregon. The Company does not have any uncertain tax positions. As of December 31, 2025, there was no accrued interest or penalties recorded in the financial statements.

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 11 - Commitments and Contingencies

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 on-balance-sheet instruments. A summary of the Company's commitments at December 31 is as follows (*dollars in thousands*):

	<u>2025</u>	<u>2024</u>
Commitments to extend credit	\$89,262	\$91,899
Standby letters of credit	\$712	\$699

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 approximately 41% 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 party. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate, and income-producing commercial properties.

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. Collateral held varies as specified above and is required in instances where the Company deems necessary.

The Company has agreements with commercial banks for lines of credit totaling \$20,000,000, none of which were used at December 31, 2025, or 2024. The Company has a short-term borrowing line with the Federal Reserve Bank Discount Window. The Company pledged securities with the Discount Window as of December 31, 2025 and 2024, \$20,500,000 and \$26,300,000, respectively. The Company has borrowing capacity with the Discount Window of \$19,815,000 and \$26,300,000, respectively, of which \$0 was drawn. The Company is a member of the Federal Home Loan Bank (FHLB) of Des Moines, which entitles it to certain benefits including a variety of borrowing options consisting of a secured line that allows both fixed and variable rate advances. Credit capacity is primarily determined by the value of assets collateralized at the FHLB. As of December 31, 2025 and 2024, the Company had \$119,589,000 and \$117,601,000, respectively, of loans pledged with FHLB with a borrowing capacity of \$76,107,000 and \$66,750,000, respectively. Additionally, The Company utilized the FHLB borrowing arrangement to obtain letters of credit totaling \$11,500,000 and \$0 as of December 31, 2025 and 2024, respectively, which are used to secure certain public fund deposit accounts. The outstanding letters of credit reduce the amount available to be borrowed. As of December 31, 2025, available borrowing capacity under this arrangement was approximately \$64,607,000.

At December 31, advances from FHLB were as follows (*dollars in thousands*):

	<u>2025</u>	<u>2024</u>
	\$0	\$2,500

Because of the nature of its activities, 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.

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 12 - Significant Concentrations of Credit Risk

Most of the Company's loans, commitments, and standby letters of credit have been granted to customers and/or are secured by collateral located in the Company's market areas, which include Washington and northeastern Oregon. As such, significant changes in economic conditions in these areas or with its primary industries could adversely affect the Company's ability to collect loans. The concentrations of credit by type of loan are set forth in Note 4. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Loans are generally limited, by federal banking regulations, to 15% of the Company's shareholders' equity, excluding accumulated other comprehensive income.

Investments in state and political debt securities involve governmental entities primarily in the state of Washington. Significant changes in economic conditions in these municipalities could adversely affect the issuers of these securities to repay their debt. The Company primarily focuses on municipality debt that is guaranteed by the taxing base of the issuer. Furthermore, the Company performs detailed reviews of the majority of bonds, which it primarily purchases from issuers in Washington, Oregon, and Idaho.

The Company places its cash with well capitalized financial institutions. The amount on deposit fluctuates and typically exceeds the insured limits of the Federal Deposit Insurance Corporation, and the Company is therefore exposed to credit risk.

Note 13 - Regulatory Matters

The Company and the Bank are 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 and Bank's financial statements. Under capital adequacy guidelines of the regulatory framework for prompt corrective action, the Bank 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 Bank'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 and the Bank to maintain minimum amounts and ratios (set forth in the table below) of Tier 1 capital (as defined in the regulations) to total average assets (as defined), and minimum ratios of Tier 1 and total capital (as defined) to risk-weighted assets (as defined).

As of December 31, 2025, the most recent notification from the Bank's regulator categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 13 - Regulatory Matters *(continued)*

The Company's and the Bank's actual capital amounts and ratios are also presented in the following table. Management believes, as of December 31, 2025, that the Company and the Bank meet all capital requirements to which they are subject (*dollars in thousands*):

	Actual		Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2025						
<i>Tier 1 capital (to average assets):</i>						
Company	\$64,429	9.2%	\$27,898	4.0%	N/A	N/A
Bank	62,694	9.0	27,898	4.0	\$34,872	5.0%
<i>Common equity tier 1 capital ratio:</i>						
Company	64,429	15.4	18,800	4.5	N/A	N/A
Bank	62,694	15.0	18,800	4.5	27,156	6.5
<i>Tier 1 capital ratio:</i>						
Company	64,429	15.4	25,067	6.0	N/A	N/A
Bank	62,694	15.0	25,067	6.0	33,423	8.0
<i>Total capital ratio:</i>						
Company	68,619	16.4	33,423	8.0	N/A	N/A
Bank	66,884	16.0	33,423	8.0	41,778	10.0
December 31, 2024						
<i>Tier 1 capital (to average assets):</i>						
Company	\$63,521	9.3%	\$27,365	4.0%	N/A	N/A
Bank	62,277	9.1	27,365	4.0	\$34,206	5.0%
<i>Common equity tier 1 capital ratio:</i>						
Company	63,521	14.9	19,232	4.5	N/A	N/A
Bank	62,277	14.6	19,232	4.5	27,779	6.5
<i>Tier 1 capital ratio:</i>						
Company	63,521	14.9	25,642	6.0	N/A	N/A
Bank	62,277	14.6	25,642	6.0	34,190	8.0
<i>Total capital ratio:</i>						
Company	67,496	15.8	34,190	8.0	N/A	N/A
Bank	66,252	15.5	34,190	8.0	42,737	10.0

Common equity Tier 1 capital generally consists of retained earnings and common stock (subject to certain adjustments) as well as accumulated other comprehensive income (AOCI), except to the extent that the Bank elected to make a one-time irrevocable option to exclude certain components of AOCI as of March 31, 2016. The Bank is required to establish a "conservation buffer," consisting of a common equity Tier 1 capital amount equal to 2.5% of risk-weighted assets. An institution that does not meet the conservation buffer will be subject to restrictions on certain activities including payment of dividends, stock repurchases, and discretionary bonuses to executive officers.

The prompt corrective action rules are modified to include the common equity Tier 1 capital ratio and to increase the Tier 1 capital ratio requirements for the various thresholds. For example, the requirements for the Bank to be considered well-capitalized under the rules are a 5.0% leverage ratio, a 6.5% common equity Tier 1 capital ratio, an 8.0% Tier 1 capital ratio, and a 10.0% total capital ratio. To be adequately capitalized, those ratios are 4.0%, 4.5%, 6.0%, and 8.0%, respectively.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 13 - Regulatory Matters *(concluded)*

The rules modified the manner in which certain capital elements are determined. The rules make changes to the methods of calculating the risk-weighting of certain assets, which in turn affects the calculation of the risk-weighted capital ratios. Higher risk weights are assigned to various categories of assets, including commercial real estate loans, credit facilities that finance the acquisition, development or construction of real property, certain exposures or credit that are 90 days past due or are nonaccrual, securitization exposures, and in certain cases mortgage servicing rights and deferred tax assets.

Note 14 - Condensed Financial Information - Parent Company Only

Condensed Balance Sheets

Dollars in thousands

Year ended December 31,	2025	2024
Assets		
Cash	\$951	\$481
Interest bearing deposits at other financial institutions	2	1
Investment in the Bank	58,427	52,705
Other assets	783	762
Total Assets	\$60,163	\$53,949
Liabilities	0	0
Shareholders' Equity	60,163	53,949
Total Liabilities and Shareholders' Equity	\$60,163	\$53,949

Condensed Statement of Income

Dollars in Thousands

Year ended December 31,	2025	2024
Revenue		
Dividend income from the Bank	\$2,968	\$1,000
Miscellaneous income	0	0
Total Revenue	2,968	1,000
Expenses	99	87
Income before income taxes and equity in undistributed income of the Bank	2,869	913
Income Tax Benefit	(21)	(18)
Income before undistributed income of the Bank	2,890	931
Equity in Undistributed income of the Bank	417	963
Net Income	\$3,307	\$1,894

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 14 - Condensed Financial Information - Parent Company Only (concluded)

Condensed Statements of Cash Flows

Dollars in thousands

December 31,	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Net income	\$3,307	\$1,894
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed income of the Bank	(417)	(963)
Restricted stock compensation expense	252	271
Stock issued to directors in lieu of compensation	0	28
(Increase) decrease in interest bearing accounts	(1)	1
Other - net	(21)	(3)
Net cash provided by operating activities	3,120	1,228
Cash Flows from Financing Activities		
Cash dividends paid	(2,631)	(2,621)
Repurchase of common stock	(19)	0
Net cash used in financing activities	(2,650)	(2,621)
Increase (decrease) in cash	470	(1,393)
Cash		
Beginning of year	481	1,874
End of year	\$951	\$481

Note 15 - Fair Value of Financial Instruments

The fair value estimates that follow are subjective in nature and involve uncertainties and matters of judgment; therefore, they are not necessarily indicative of the amounts the Company could realize in current market exchange. The Company has not included certain material items in its disclosure, such as the value of the long-term relationships with the Company's lending and deposit clients since this is an intangible and not a financial instrument. Additionally, the estimates do not include any tax ramifications. There may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows that could materially affect the results. For all the reasons, the aggregation of the fair value calculations presented herein do not represent and should not be construed to represent the underlying value of the Company.

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 15 - Fair Value of Financial Instruments *(continued)*

The following presents the carrying amount, estimated fair value, and placement in the fair value hierarchy of the company's financial instruments at December 31, 2025 and 2024 *(dollars in thousands)*:

	2025				
	Carrying Amounts	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Cash and cash equivalents	\$11,119	\$11,119	\$11,119	\$0	\$0
Interest bearing deposits at other financial institutions	98,827	98,836	73,930	24,906	0
Securities available for sale	181,282	181,282	31,596	149,686	0
Securities held to maturity	254	253	0	253	0
Other investments	1,078	1,078	66	1,012	0
Loans receivable	394,712	372,567	0	0	372,567
Mortgage servicing rights	88	511	0	0	511
Financial Liabilities					
Deposits	\$647,551	\$647,401	\$546,642	\$100,759	\$0
Securities sold under agreements to repurchase	0	0	0	0	0
Other borrowed funds	0	0	0	0	0
2024					
	Carrying Amounts	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Cash and cash equivalents	\$8,554	\$8,554	\$8,554	\$0	\$0
Interest bearing deposits at other financial institutions	31,026	30,924	23,866	7,058	0
Securities available for sale	211,131	211,131	39,441	171,690	0
Securities held to maturity	494	489	0	489	0
Other investments	1,213	1,213	74	1,139	0
Loans receivable	393,147	366,061	0	0	366,061
Mortgage servicing rights	108	556	0	0	556
Financial Liabilities					
Deposits	\$587,089	\$586,673	\$501,712	\$84,961	\$0
Securities sold under agreements to repurchase	25,075	25,075	25,075	0	0
Other borrowed funds	2,500	2,500	2,500	0	0

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 15 - Fair Value of Financial Instruments (continued)

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Company's financial instruments will change when interest rate levels change, and that change may either be 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.

ASC 820-10, *Fair Value Measurements and Disclosures*, provides enhanced guidance for measuring assets and liabilities using fair value and applies to situations where other standards require or permit assets or liabilities to be measured at fair value. It also requires expanded disclosure of items that are measured at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings.

Valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about market value. These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable.

Level 3 – Instruments whose significant value drivers are unobservable.

The following table summarizes the Company's financial instruments that were measured at fair value at December 31 (*dollars in thousands*):

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2025				
Assets measured at Fair Value on a recurring basis				
Securities available for sale				
U.S. Government securities	\$31,596	\$31,596	\$0	\$0
U.S. Agency securities	57,438	0	57,438	0
Municipal Securities	82,904	0	82,904	0
Residential mortgage-backed securities	9,344	0	9,344	0
Total	\$181,282	\$31,596	\$149,686	\$0
Assets measured at fair value on a nonrecurring basis				
Loans individually evaluated	\$4,751	\$0	\$0	\$4,751
Total	\$4,751	\$0	\$0	\$4,751

(continued)

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 15 - Fair Value of Financial Instruments *(concluded)*

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Assets measured at fair value on a recurring basis				
Securities available for sale				
U.S. Government and agency securities	\$103,781	\$39,441	\$64,340	\$0
State and political debt securities	107,349	0	107,349	0
Total	\$211,130	\$39,441	\$171,689	\$0
Assets measured at fair value on a nonrecurring basis				
Loans individually evaluated	\$536	\$0	\$0	\$536
Total	\$536	\$0	\$0	\$536

The Company uses the following methods and significant assumptions to estimate fair value. The Company's U.S. equity securities trade in a very active market of identical instruments and their valuation is therefore included under Level 1. The Company's securities available for sale at December 31, 2025, primarily consisted of U.S. Government and Agency obligations and state and political debt securities that trade in active markets. U.S. Treasuries trade in a very active market and their valuation is therefore included under Level 1. Other U.S. Government and Agency obligations securities are included under Level 2 because there may or may not be daily trades in each of the individual securities and because the valuation of these securities may be based on instruments that are not exactly identical to those owned by the Company. If quoted market prices are not available, the fair values are estimated using pricing models from investment service based upon the securities relationship to other benchmark quoted securities. Temporary changes in the valuation of securities available for sale do not affect current income; instead, unrealized gains or losses on available for sale securities are reported as a net amount in accumulated comprehensive income. Declines in the fair value of individual available for sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. No such write-downs have occurred during the periods presented.

The fair value of collateral-dependent loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for the differences between the comparable sales and income data available for similar loans and collateral underlying such loans.

Notes to Consolidated Financial Statements

Baker Boyer Bancorp and Subsidiary

Note 16 – Earnings Per Share

Nonvested share-based payment awards that contain non forfeitable rights to dividends or dividend equivalents are participating securities and are included in the computation of EPS pursuant to the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. Certain of the Company's nonvested restricted stock awards qualify as participating securities.

Net income is allocated between the common stock and participating securities pursuant to the two-class method, based on their rights to receive dividends, participate in earnings, or absorb losses. Basic earnings per common share is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the period, excluding participating nonvested restricted shares.

Diluted earnings per share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding determined for the basic earnings per share calculation plus the dilutive effect of stock compensation using the treasury stock method.

The following table presents the computation of basic and diluted earnings per share for the periods indicated (*in thousands, except share and per share data*):

December 31,	2025	2024
Net Income	\$3,307	\$1,894
Allocated to participating securities	(\$50)	(\$28)
Net income available to common shareholders	\$3,257	\$1,866
Weighted average common shares outstanding	1,294,255	1,290,126
Net effect of dilutive shares	12,299	13,746
Diluted weighted average shares outstanding	1,306,554	1,303,872
Earnings per common share		
Basic	\$2.52	\$1.45
Diluted	\$2.49	\$1.43