BAKER BOYER

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

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# 2026

# THIRD QUARTER REPORT

BAKER BOYER

FAMILY LEGACIES GROWN LOCALLY

*Walla Walla* *Tri-Cities* *Yakima*

Dear Baker Boyer Shareholder: October 19, 2026

This is my first quarterly report as President and CEO. Rather than walk through every line of the financial statements that follow, I want to share what is driving them.

For those newer to us, Baker Boyer has served the Walla Walla Valley for more than 150 years. We began expanding into our Tri-Cities and Yakima markets over 25 years ago and they now represent about 40% of our loan and wealth management business.

Our earnings recovery following the challenges that deposit rates posed in a post-pandemic economy is now in its second year. Net income for the first nine months of 2026 was $3.3 million, compared with $2.1 million in 2025 and $0.9 million in 2024. The biggest driver has been our balance sheet. As pandemic-era deposits ran off, we temporarily borrowed from the Federal Reserve at much higher rates until investments matured and we could realize the benefits from our strong deposit base. Since then, we lowered our funding costs and widened our margin, and net interest income rose 14% to $18.7 million. Third-quarter earnings were our strongest of the year. A modest reduction in our credit loss reserve helped boost those earnings.

Wealth Management revenue reached $9.7 million, up 11%, and is roughly a third of our total revenue. These fees are often less sensitive to interest rates than lending, so they bring balance to our earnings. Revenue also grew faster than expenses, and with much of the expenses that did grow going into our people and technology.

Our clearest opportunity is lending. Average loan balances were down about 3%, mostly because of payoffs, including larger loans we were participating with other banks on, while deposits grew. That leaves us room to lend more, and we intend to grow carefully without relaxing the credit standards that have served this Bank for generations.

Wenatchee is part of how we will put that lending capacity to work in addition to helping grow our assets under management. Steven Wilkinson joined us as Wenatchee Market Manager on October 1. We are excited to have him join our team as we evaluate locations for our physical presence in the market.

Interest rates and the agricultural economy remain uncertain, and progress won't always come in a straight line. We will keep balancing growth with the discipline long-term shareholders expect. Consistent with that commitment, we increased our quarterly dividend to $0.55 per share this year.

Thank you for your continued trust, as both your CEO and fellow shareholder. I look forward to what we will accomplish together.

Respectfully,

Kip

Clifford W. "Kip" Kontos
President & CEO

## Consolidated Balance Sheet - Average YTD

(Unaudited)

| | As of September 30, 2026 | 2025 | % Chg. |
|---|---|---|---|
| | *(dollars in thousands)* | | |
| **Assets** | | | |
| Cash and noninterest bearing due from banks | $ 9,831 | $ 7,798 | 26.1 |
| Int-bearing deposits at other financial institutions | 83,221 | 48,496 | 71.6 |
| Total cash and cash equivalents | 93,052 | 56,294 | 65.3 |
| Debt securities available-for-sale, at fair value | 189,725 | 189,185 | 0.3 |
| Debt securities held-to-maturity | 254 | 496 | (48.8) |
| Other restricted stock | 1,094 | 1,127 | (2.9) |
| Total investments | 191,073 | 190,808 | 0.1 |
| Loans | 383,114 | 396,163 | (3.3) |
| Allowance for credit losses | (4,159) | (4,007) | 3.8 |
| Net loans | 378,955 | 392,156 | (3.4) |
| Bank premises and equipment, net | 18,748 | 19,239 | (2.6) |
| Accrued interest receivable | 2,823 | 2,725 | 3.6 |
| Other assets | 4,781 | 5,911 | (19.1) |
| **Total assets** | **$ 689,432** | **$ 667,133** | **3.3** |
| **Liabilities and shareholders' equity** | | | |
| Liabilities: | | | |
| Demand deposits- noninterest bearing | $ 207,828 | $ 211,547 | (1.8) |
| Interest bearing deposits | 419,293 | 375,067 | 11.8 |
| Total deposits | 627,121 | 586,614 | 6.9 |
| Securities sold under agreements to repurchase | - | 22,164 | (100.0) |
| Borrowed funds | - | 822 | (100.0) |
| Accrued interest payable | 462 | 502 | (8.0) |
| Other liabilities | 1,215 | 1,108 | 9.7 |
| **Total liabilities** | **628,798** | **611,210** | **2.9** |
| Shareholders' equity | | | |
| Common stock (no par value, stated value $3.125 per share) 4,000,000 shares authorized September 30, 2026 - 1,319,121 shares issued and outstanding; September 30, 2025 - 1,315,711 shares issued and outstanding | 4,119 | 4,108 | 0.3 |
| Additional paid-in capital | 1,536 | 1,335 | 15.1 |
| Retained earnings | 59,325 | 58,261 | 1.8 |
| Accumulated other comprehensive loss | (4,346) | (7,781) | (44.1) |
| **Total shareholders' equity** | 60,634 | 55,923 | 8.4 |
| **Total liabilities and shareholders' equity** | **$ 689,432** | **$ 667,133** | **3.3** |

## Consolidated Statements of Income

(Unaudited)

| | Nine Months Ended September 30, 2026 | 2025 | % Chg. |
|---|---|---|---|
| | *(dollars in thousands, except per share amounts)* | | |
| **Interest income** | | | |
| Interest and fees on loans | $ 16,869 | $ 17,332 | (2.7) |
| Interest on deposits in other banks | 2,277 | 1,452 | 56.8 |
| Interest on taxable debt securities | 2,737 | 1,661 | 64.8 |
| Interest on debt securities exempt from federal taxes | 568 | 520 | 9.2 |
| Interest income on other investments | 46 | 49 | (6.1) |
| **Total interest income** | **22,497** | **21,014** | **7.1** |
| **Interest expense** | | | |
| Interest on deposits | 4,047 | 3,851 | 5.1 |
| Interest on securities sold under agreements to repurchase | - | 496 | (100.0) |
| Interest on borrowings | - | 32 | (100.0) |
| **Total interest expense** | **4,047** | **4,379** | **(7.6)** |
| **Net interest income** | **18,450** | **16,635** | **10.9** |
| **(Reversal of) provision for credit losses-loans** | (200) | 200 | (200.0) |
| **Net interest income after provision for credit losses** | **18,650** | **16,435** | **13.5** |
| **Non-interest income** | | | |
| Wealth Management fees | 9,667 | 8,730 | 10.7 |
| Service charges on deposit accounts | 318 | 334 | (4.8) |
| Other service charges and fees | 1,030 | 1,051 | (2.0) |
| Other operating income (loss) | 30 | (380) | (107.9) |
| **Total non-interest income** | **11,045** | **9,735** | **13.5** |
| **Non-interest expense** | | | |
| Salaries, wages, and other compensation | 12,827 | 12,125 | 5.8 |
| Retirement and employee benefits | 4,050 | 3,616 | 12.0 |
| Net occupancy expense | 1,182 | 1,175 | 0.6 |
| Furniture and equipment expense | 545 | 522 | 4.4 |
| Other operating expense | 7,002 | 6,170 | 13.5 |
| **Total non-interest expense** | **25,606** | **23,608** | **8.5** |
| **Income before provision for income taxes** | **4,089** | **2,562** | **59.6** |
| **Provision for income taxes** | 792 | 470 | 68.5 |
| **Net income** | **$ 3,297** | **$ 2,092** | **57.6** |
| **Basic earnings per common share** | **$ 2.54** | **$ 1.62** | **57.1** |
| **Weighted average number of shares outstanding** | **1,297,076** | **1,292,885** | |