

2024

THIRD QUARTER REPORT



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BOARD OF DIRECTORS

Megan F. Clubb, Chair

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



BAKER BOYER

FAMILY LEGACIES GROWN LOCALLY

Tri-Cities Yakima Walla Walla

Dear Baker Boyer Shareholder:

October 15, 2024

We have finished the third quarter of the Bank's calendar year and are entering the final quarter for 2024. In the third quarter, we continue to see stabilization of our deposits and a continual lowering of our borrowings from the Federal Reserve and Federal Home Loan Bank. This has lowered our borrowing costs while we continue to institute cost-saving measures in order to support net income for the last two quarters of 2024. All of this has led to net income for the quarter ending September 30, 2024 to be \$0.8 million, and total year-to-date net income to be \$0.9 million.

As we have stated throughout the last few years, we continue our loan growth strategy. From the beginning of 2024, we have seen growth of over 5.0% for the first nine months of the year. This has led to an end of month loan balance on September 30, 2024 of \$392 million. Although we continue to borrow from the Federal Reserve and the FHLB in order to finance the growth of our loan portfolio, it continues to be at a lower amount. This has been expensive, but management and the Board are confident the growth of new relationships will provide profits for decades to come.

Now that deposits appear to be stabilizing, it is allowing for our very short duration investments to mature and provide strong liquidity for our continued loan growth. We anticipate a total of \$160 million of investment interest and maturities to be realized in the next 27 months. This liquidity will then be reinvested in higher rate vehicles such as overnight at the Federal Reserve or in higher interest rate secured bonds. This will alter our earning asset portfolio and support future and stronger net income for the Bank.

In addition, our Wealth Management Division continues to grow revenues and has reported \$8.5 million for the nine months ending September 30, 2024, a 2.1% increase from the prior year. This revenue continues to support our capital as we implement our loan growth strategy. It is the Bank's unique combined income of wealth management fees and interest from our lending facilities that is an integral part of our strategic growth plan going forward.

As we look forward to the holiday season, we continue to invest for our future as we build new business and wealth management relationships. As always, if you have any questions, please feel free to contact me directly.

Respectfully,

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

Mark H. Kajita, CPA
President & CEO

Consolidated Balance Sheet - Average YTD

(Unaudited)

	Sept 30,		% Chg.
	2024	2023	
<i>(Dollars in Thousands)</i>			
Assets			
Cash and amounts due from banks	\$ 8,734	\$ 9,799	(10.9)
FFS and Int-bearing deposits at other financial institutions	13,075	21,039	(37.9)
Cash and cash equivalents	21,809	30,838	(29.3)
Investment securities:			
Available-for-sale, at fair value	259,256	314,040	(17.4)
Held-to-maturity at cost	492	1,344	(63.4)
Other investments, at cost	1,848	2,460	(24.9)
Total investments	261,596	317,844	(17.7)
Loans	382,224	355,696	7.5
Allowance for credit losses	(3,384)	(3,408)	(0.7)
Net loans	378,840	352,288	7.5
Bank premises and equipment, net	19,991	20,597	(2.9)
Accrued interest receivable	4,081	4,121	(1.0)
Other assets	6,767	8,635	(21.6)
Total assets	\$ 693,084	\$ 734,323	(5.6)
Liabilities and Shareholders' Equity			
Deposits			
Noninterest bearing	\$ 224,096	\$ 249,579	(10.2)
Interest bearing	371,958	400,071	(7.0)
Total deposits	596,054	649,650	(8.2)
Federal funds purchased and security repurchase agreements	24,993	18,194	37.4
Other borrowed funds	20,917	21,462	(2.5)
Accrued interest payable	437	142	207.7
Other liabilities	1,015	698	45.4
Total liabilities	643,416	690,146	(6.8)
Shareholders' Equity			
Common stock (no par value, stated value \$3.125 per share)			
	9/30/24	9/30/23	
Shares authorized	4,000,000	4,000,000	
Shares issued and outstanding	1,310,290	1,305,156	0.3
Additional paid-in capital	1,092	911	19.9
Retained earnings	58,102	58,697	(1.0)
Accumulated other comprehensive income (loss)	(13,619)	(19,510)	(30.2)
Total Shareholders' Equity	49,668	44,177	12.4
Total Liabilities and Shareholders' Equity	\$ 693,084	\$ 734,323	(5.6)

Consolidated Statements of Income

(Unaudited)

	Nine Months Ending Sept 30,		% Chg.
	2024	2023	
<i>(Dollars in Thousands, except per share amounts)</i>			
Interest and dividend income			
Loans, including fees	\$ 16,201	\$ 13,693	18.3
Federal funds sold and deposits at other financial institutions	338	479	(29.4)
Investment securities:			
Taxable	2,523	2,953	(14.6)
Tax-exempt	444	574	(22.6)
Other investment income and dividends	86	64	34.4
Total interest and dividend income	19,592	17,763	10.3
Interest expense			
Deposits	3,309	1,349	145.3
Federal funds purchased and security repurchase agreements	712	181	293.4
Other borrowed funds	851	842	1.1
Total interest expense	4,872	2,372	105.4
Net interest income	14,720	15,391	(4.4)
Provision for credit losses	370	0	-
Net interest income after credit loss expense	14,350	15,391	(6.8)
Non-interest Income			
Wealth Management fees	8,502	8,324	2.1
Service charges on deposit accounts	315	363	(13.2)
Other service charges and fees	905	954	(5.1)
Other operating income	136	992	(86.3)
Total non-interest income	9,858	10,633	(7.3)
Non-interest Expense			
Salaries, wages, and other compensation	12,033	11,703	2.8
Retirement and employee benefits	3,657	3,753	(2.6)
Net occupancy expense	1,087	1,083	0.4
Furniture and equipment expense	513	518	(1.0)
Other operating expense	5,840	6,186	(5.6)
Total non-interest expense	23,130	23,243	(0.5)
Income before provision for income taxes	1,078	2,781	(61.2)
Provision for income taxes	139	405	(65.7)
Net income	\$ 939	\$ 2,376	(60.5)
Basic earnings per common share	\$ 0.73	\$ 1.85	(60.5)
Weighted average number of shares outstanding	1,289,216	1,287,664	