

2024

SECOND QUARTER REPORT



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

BOARD OF DIRECTORS

Megan F. Clubb, Chair

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



BAKER BOYER

FAMILY LEGACIES GROWN LOCALLY

Tri-Cities Yakima Walla Walla

Dear Baker Boyer Shareholder:

July 29, 2024

As we enter the summer months, we are gratified that despite a low-moisture start to 2024, we ended the spring with a much-needed increase in rainfall in June. This has helped strengthen the yields of our farmers in the Walla Walla Valley and brightened our summer.

As we discussed in my 2023 annual report letter, Baker Boyer continues to grow loans to the communities we serve. Although the average total loan balance for the first two quarters of 2024 is the reported \$377.9 million, actual June 30, 2024 total loans amounted to \$385.4 million. This is an increase of \$12.5 million from the December 31, 2023 total loans of \$372.9 million, which is a 3.4% increase in just six months. As I explained, much of this loan growth was funded through borrowing from the Federal Reserve and the Federal Home Loan Bank while our investments continue to mature.

Baker Boyer continues to have plenty of liquidity in the form of maturing bonds, CDs, and interest from our investments. Baker Boyer anticipates \$41.8 million of this liquidity to mature and be realized in the last two quarters of 2024. In addition, Baker Boyer anticipates additional maturities and interest income from our investments of \$67.7 million in 2025 and \$67.5 million in 2026.

Our Wealth Management Division reported revenues of \$5.6 million for the first half of 2024, a 3.6% increase in fees from the same time period one year earlier. During the first half of 2024, Baker Boyer has also reduced non-interest expense by 0.4% to help offset some of the borrowing costs.

The combination of all these financial numbers resulted in a net income of \$0.1 million for the first six months of 2024. This result is mainly due to the cost of borrowing from the Federal Reserve and Federal Home Loan Bank to finance our current loan growth and the increased costs of our own deposits. In addition, the investments we currently own are paying 1.6% on average until they mature in the future. This combination of low interest revenue from our previously purchased investments and increased cost of borrowing has held our net income down. This will reverse as our investments mature and we are able to reinvest them in higher rates that are presently available in the market.

Although the net income for the first half of 2024 is lower than we would like, we anticipate being out of the borrowed position with the Federal Reserve and Federal Home Loan Bank as our investments mature in the near future.

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

Respectfully,

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

Mark H. Kajita, CPA
President & CEO

Consolidated Balance Sheet - Average YTD

(Unaudited)

	June 30,		% Chg.
	2024	2023	
ASSETS	<i>(Dollars in Thousands)</i>		
Cash and amounts due from banks	\$ 3,929	\$ 3,895	0.9
FFS and Int-bearing deposits at other financial institutions	18,778	28,057	(33.1)
Total Cash and Cash Equivalents	22,707	31,952	(28.9)
Investment securities:			
Available-for-sale, at fair value	266,723	322,305	(17.2)
Held-to-maturity at cost	492	1,340	(63.3)
Other investments, at cost	1,795	1,983	(9.5)
Total Investments	269,010	325,628	(17.4)
Loans	377,942	350,556	7.8
Allowance for credit losses	(3,361)	(3,406)	(1.3)
Net Loans	374,581	347,150	7.9
Bank premises and equipment, net	20,098	20,701	(2.9)
Accrued interest receivable	4,082	3,091	32.1
Other assets	7,047	9,753	(27.7)
TOTAL ASSETS	\$ 697,525	\$ 738,275	(5.5)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Noninterest bearing	\$ 226,343	\$ 257,239	(12.0)
Interest bearing	375,266	403,349	(7.0)
Total Deposits	601,609	660,588	(8.9)
Fed. funds purchased and security repurchase agreements	25,300	15,941	58.7
Other borrowed funds	20,108	16,711	20.3
Accrued interest payable	428	85	403.5
Other liabilities	1,094	822	33.1
TOTAL LIABILITIES	648,539	694,147	(6.6)
SHAREHOLDERS' EQUITY			
Common stock (no par value, stated value \$3.125 per share)			
	6/30/24	6/30/23	
Shares authorized	4,000,000	4,000,000	
Shares issued and outstanding	1,310,290	1,303,291	0.3
Additional paid-in capital	1,050	911	15.3
Retained earnings	58,328	58,746	(0.7)
Accumulated other comprehensive (loss)	(14,484)	(19,609)	(26.1)
TOTAL SHAREHOLDERS' EQUITY	48,986	44,128	11.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 697,525	\$ 738,275	(5.5)

Consolidated Statements of Income

(Unaudited)

	Six Months Ending June 30,		% Chg.
	2024	2023	
Interest and Dividend Income	<i>(Dollars in Thousands, except per share amounts)</i>		
Loans, including fees	\$ 10,539	\$ 8,757	20.3
Fed. funds sold and deposits at other financial institutions	236	328	(28.0)
Investment securities:			
Taxable	1,725	1,998	(13.7)
Tax-exempt	302	397	(23.9)
Other investment income and dividends	59	39	51.3
Total Interest and Dividend Income	12,861	11,519	11.7
Interest Expense			
Deposits	2,153	654	229.2
Fed. funds purchased and security repurchase agreements	475	32	1,384.4
Other borrowed funds	550	420	31.0
Total Interest Expense	3,178	1,106	187.3
Net Interest Income	9,683	10,413	(7.0)
Provision for Credit Losses	285	0	-
Net Interest Income after Provision for Credit Losses	9,398	10,413	(9.7)
Non-Interest Income			
Wealth Management fees	5,606	5,411	3.6
Service charges on deposit accounts	204	244	(16.4)
Other service charges and fees	587	627	(6.4)
Other operating income	72	935	(92.3)
Total Non-Interest Income	6,469	7,217	(10.4)
Non-Interest Expense			
Salaries, wages, and other compensation	8,146	7,960	2.3
Retirement and employee benefits	2,521	2,628	(4.1)
Net occupancy expense	720	720	-
Furniture and equipment expense	325	337	(3.6)
Other operating expense	4,032	4,165	(3.2)
Total Non-Interest Expense	15,744	15,810	(0.4)
Income Before Income Taxes	123	1,820	(93.2)
Provision For Income Taxes	7	206	(96.6)
NET INCOME	\$ 116	\$ 1,614	(92.8)
Basic Earnings Per Common Share	\$ 0.09	\$ 1.25	(92.8)
Weighted Average Number of Shares Outstanding	1,288,476	1,287,875	