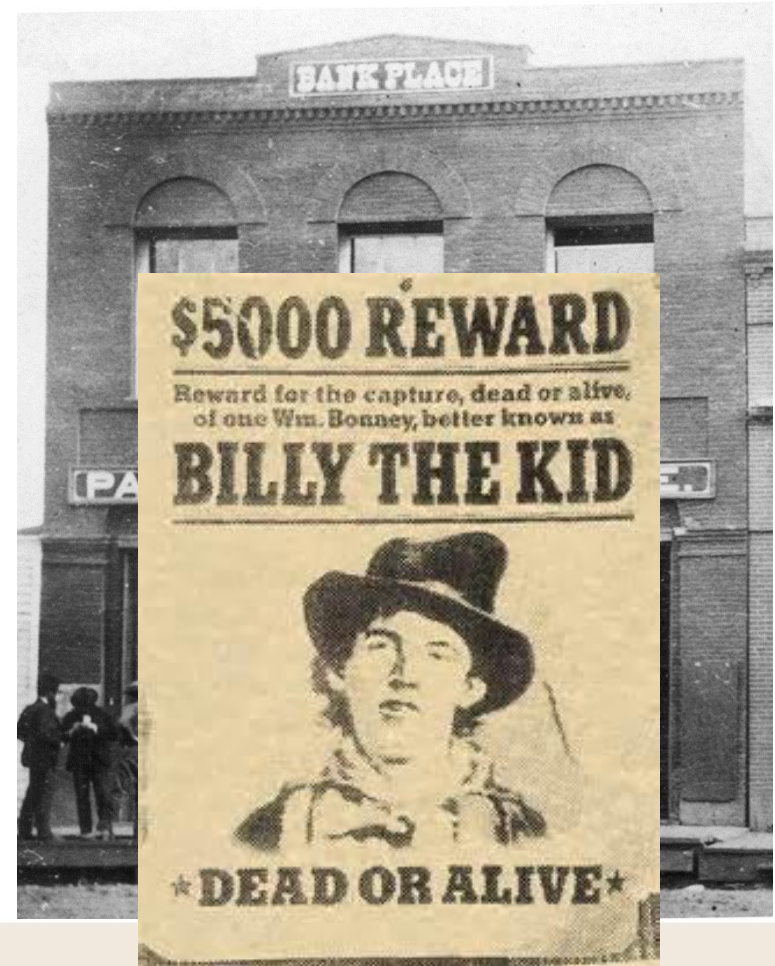




Baker & Boyer



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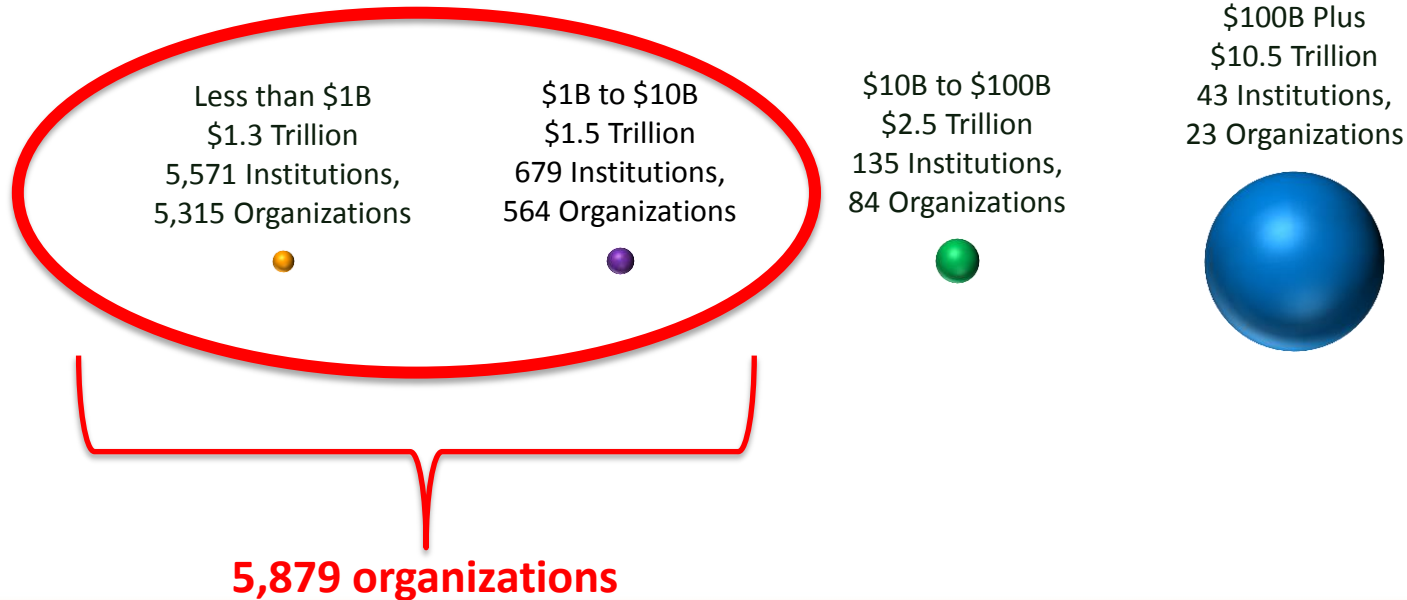
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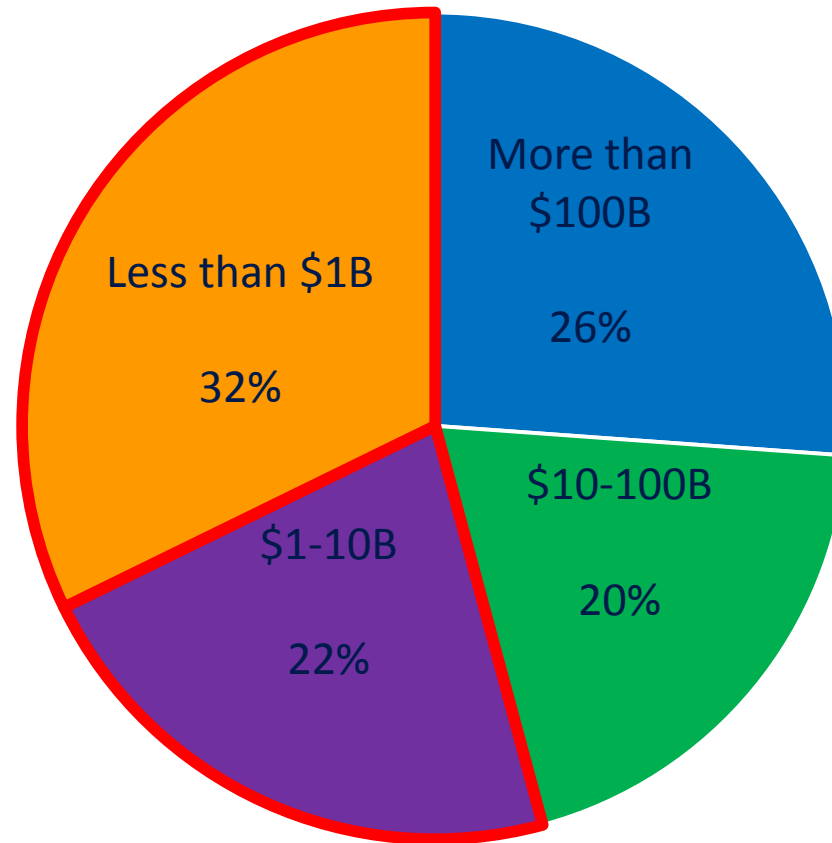


Banking Industry by Assets

Consolidated by Holding Company
total assets = circle diameter
As of 3/31/2015



Small Business Loans Market Share*



*Outstanding balances of small business loans with starting balances below \$1 million

Source: Independent Community Bankers of America



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Value of Small Banks

- “We document that small businesses with better access to small banks are less prone to experiencing financing difficulties (getting access to loans)...and during the recent financial crisis, more access to small bank finance mitigated the effects of credit rationing by large banks experiencing funding liquidity shocks....small banks still serve a valuable role in alleviating financial constraints for small businesses, particularly during period of economic and financial distress, so that the decline in the presence of these banks may impose a social cost”.



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DOMESTIC		CABLE	
TELEGRAM	X	FULL RATE	
DAY LETTER		DEFERRED	
NIGHT MESSAGE		NIGHT LETTER	
NIGHT LETTER		WEEK END LETTER	

Patrons should check class of service desired; otherwise message will be transmitted as a full-rate communication.

CHG OUR ACCT

COPY OF WESTERN UNION TELEGRAM

March 7, 1933

Secretary of the Treasury

Washington, D. C.

We are the only bank in this community and have over three million dollars deposits. On March tenth we wish to issue small denominations of unsecured bearer certificates, to depositors wishing to split up their balances. To be issued in substantially the following form:

Walla Walla, Wn., March 10, 1933

"This certifies that the bearer has blank dollars on deposit in the Baker-Boyer National Bank payable in accordance with any regulations established by the Secretary of the Treasury governing the payment of bank balances on deposit prior to the bank holiday proclaimed on March sixth, Nineteen Hundred Thirty Three."

We believe these certificates will supply the community with a temporary medium of exchange and be entirely acceptable to the business interests here.

Please wire immediately if above will be allowable or suggest approved wording.

Baker-Boyer National Bank



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Value of Small Banks

- “It is possible that some of the loans to small businesses by small banks could result in the finding of negative net present value (NPV) investments, which could lead to sharper fluctuations in economic conditions over time... We show that the **greater small bank market shares may result in some IMPROVEMENTS in local economic outcomes,** alleviating concerns that additional small business lending by small banks is used to fund negative NPV”



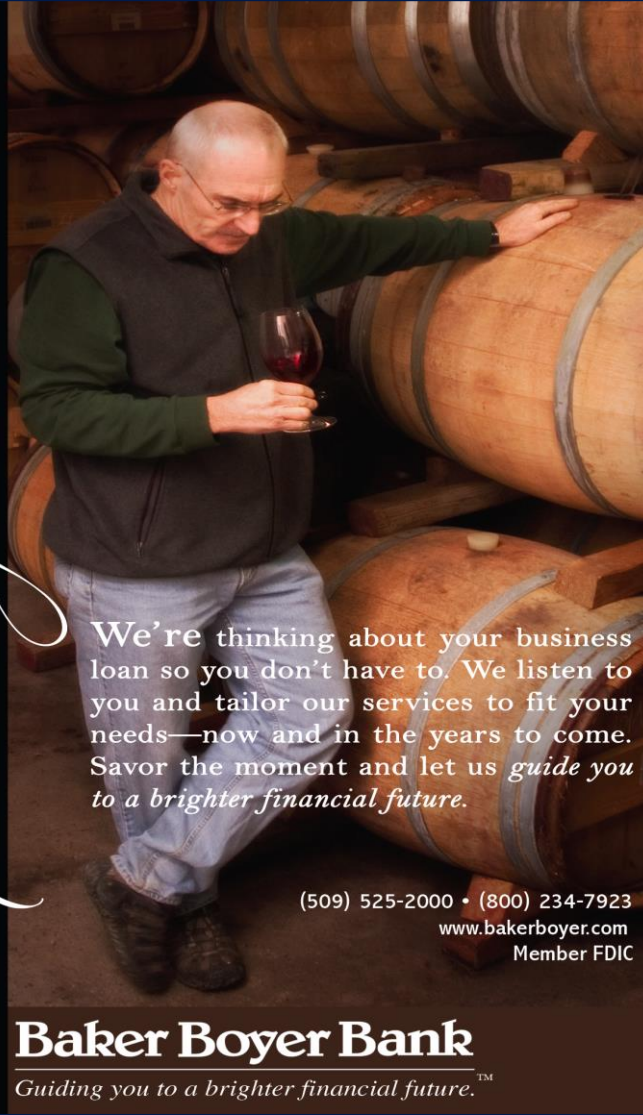
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Community Banking in the 21st Century

Research and
Policy Conference

Savor the Moment



We're thinking about your business loan so you don't have to. We listen to you and tailor our services to fit your needs—now and in the years to come. Savor the moment and let us *guide you to a brighter financial future.*

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Challenges for Small Banks

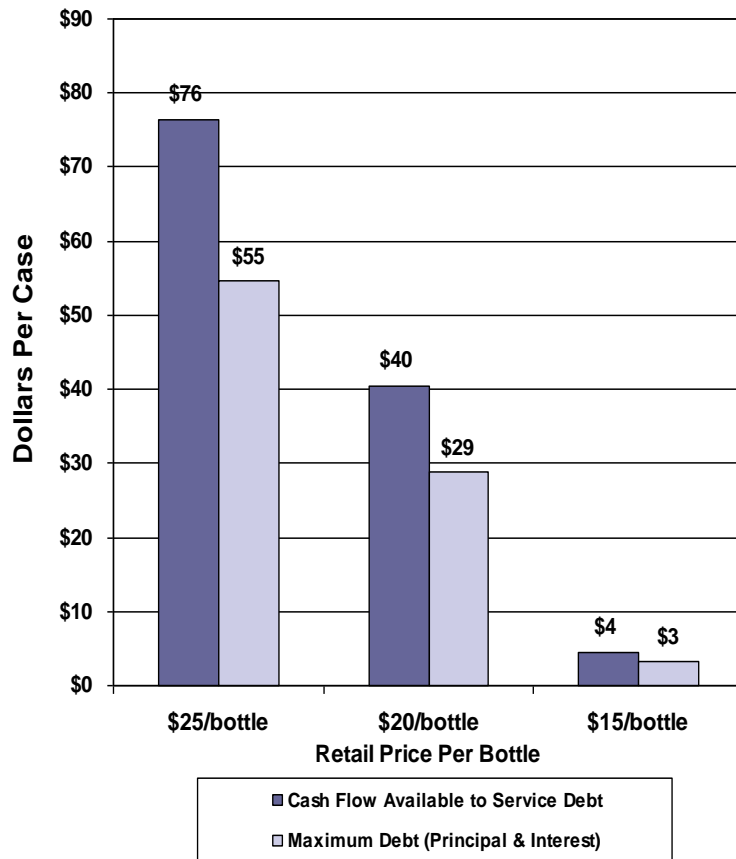
- “The historic advantage community banks have had in making small business loans was their ability to leverage “soft” information like knowledge of a businesses’ cash flow from lock box and checking account relationships to make sound small business loans. Now community bank competitors have developed technology that more efficiently uses multiple sources of information to make speedy lending decisions, greatly reducing the competitive advantage of the type of information community banks have about their customers. The technology also reduces the involvement of lending staff which reduces the cost of making these loans.”



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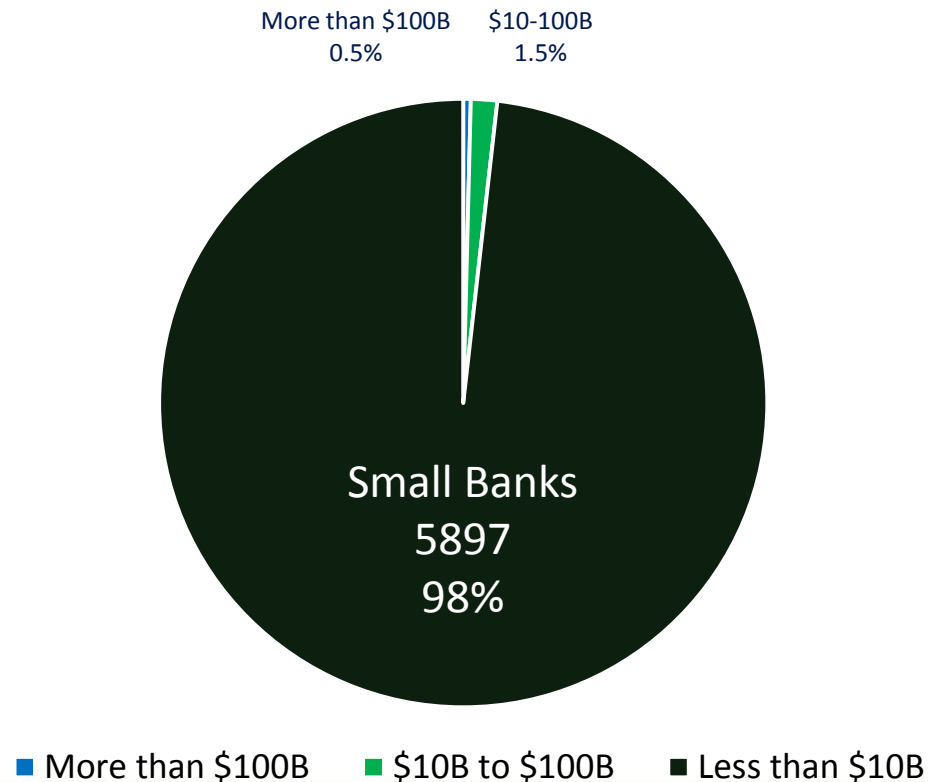
Debt Strategies That Work



- Achieving target pricing per case is a very high priority
- Work the markets to improve mix of retail/wholesale sales
- Avoid growing so fast that you have to discount pricing through post-offs



What Is The Most Important Question?





What Will Happen to Our Clients?

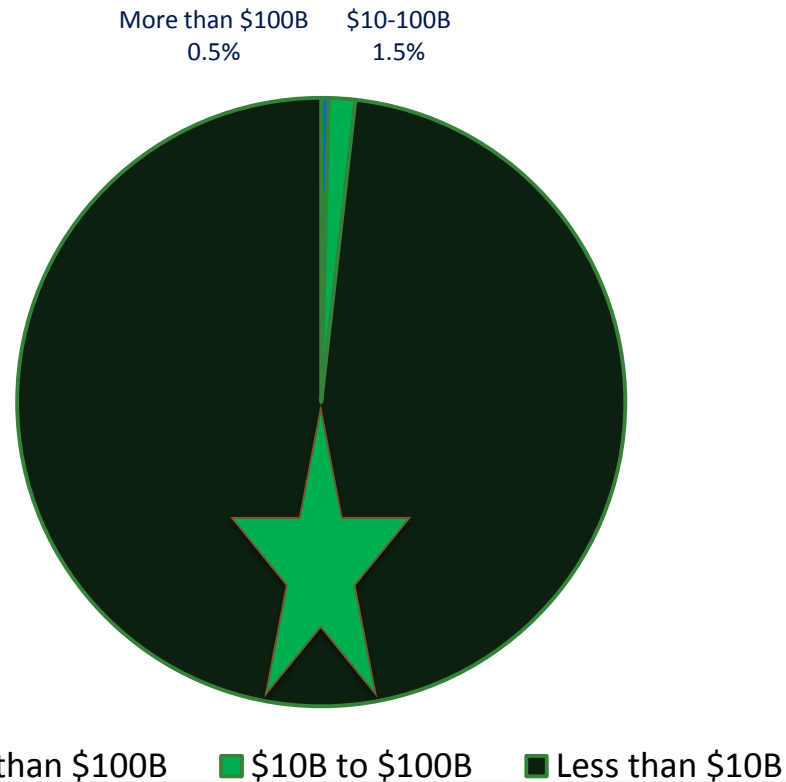
- “With the streamlined credit approval processes (IT) only time will tell how well these loans season”



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Thoughts On Additional Value





Additional Questions for Research

- Will technology driven underwriting systems lead to more small business bankruptcies?
- Can technology driven underwriting systems deliver a debt structure for long-term success?
- Will technology driven underwritings systems better support small businesses in times of an economic downturn?



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