

# 2022

## THIRD QUARTER REPORT



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

### BOARD OF DIRECTORS

Megan F. Clubb, Chair

Russell S. Colombo	Mark H. Kajita
Riley B. Clubb	J. Eric Kimball
Charles B. Eglin	Clifford "Kip" Kontos
David B. Gordon	Michael J. Mahoney
Martha C. Huber	Jason H. Pratt



## BAKER BOYER

FAMILY LEGACIES GROWN LOCALLY

*Walla Walla Tri-Cities Yakima*

Dear Baker Boyer Shareholder:

October 20, 2022

Summer has now officially ended and we have entered the fall here in Eastern Washington. With it has come good news as it pertains to the economy of the Walla Walla Valley. Strong wheat prices have increased the income of our farmers, even though the costs of fuel, fertilizer and other materials have cut into their margins.

The Federal Reserve's interest rate increases have now started to show improvements to our net interest margins. As I mentioned in last quarter's report, we expect a gradual increase in interest revenue due to the timeline of our loans repricing. The process will take place over the next 18 months as we should see a rebound in our interest revenue.

During the summer our loan portfolio continued to strengthen as we continue to see many of our loans strengthen. This may seem counterintuitive to common sense, but many of our businesses have strengthened despite the increase in inflation that we are seeing throughout the country. In addition, the excellent relationships we continue to have with our clients makes our dealings with them more like a partnership. One where we assist them if they struggle and they work hard to pay off their debt.

Wealth management fees are 1.0% higher for the nine months ended September 30, 2022, from the same time period last year. This is despite the recent downturn in the equity markets. Although this downturn has been severe, the investment strategy implemented by our portfolio managers has helped our clients weather the storm.

As we enter the fall, all eyes are on the Federal Reserve and their continued fight against inflation. Although this may prolong the length of the equity downturn, the interest rate increases will be a welcome relief to our Banking Division. Shareholder's will once again be glad that they are invested in a corporation with two complimentary revenue streams.

I wish you all the best this fall. 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 and CEO

## Consolidated Balance Sheet - Average ytd

(Unaudited)

	Sept 30,		% Chg.
	2022	2021	
<i>(Dollars in Thousands)</i>			
<b>ASSETS</b>			
Cash and amounts due from banks	\$ 6,347	\$ 5,499	15.4
FFS and Int-bearing deposits at other financial institutions	76,492	148,446	(48.5)
<b>Total Cash and Cash Equivalents</b>	<b>82,839</b>	<b>153,945</b>	<b>(46.2)</b>
Investment securities:			
Available-for-sale, at fair value	346,490	226,715	52.8
Held-to-maturity at cost	1,333	1,325	0.6
Other investments, at cost	1,599	1,465	9.1
<b>Total Investments</b>	<b>349,422</b>	<b>229,505</b>	<b>52.3</b>
Loans	344,088	360,915	(4.7)
Allowance for credit losses	(5,210)	(6,333)	(17.7)
<b>Net Loans</b>	<b>338,878</b>	<b>354,582</b>	<b>(4.4)</b>
Bank premises and equipment, net	22,443	22,560	(0.5)
Accrued interest receivable	2,948	2,753	7.1
Other assets	6,191	2,321	166.7
<b>TOTAL ASSETS</b>	<b>\$ 802,721</b>	<b>\$ 765,666</b>	<b>4.8</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits			
Noninterest bearing	\$ 282,308	\$ 264,959	6.5
Interest bearing	444,765	415,619	7.0
<b>Total Deposits</b>	<b>727,073</b>	<b>680,578</b>	<b>6.8</b>
Federal funds purchased and security repurchase agreements	25,680	23,921	7.4
Other borrowed funds	0	0	-
Accrued interest payable	14	18	(22.2)
Other liabilities	407	314	29.6
<b>TOTAL LIABILITIES</b>	<b>753,174</b>	<b>704,831</b>	<b>6.9</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common stock (no par value, stated value \$3.125 per share)			
	9/30/22	9/30/21	
Shares authorized	4,000,000	4,000,000	
Shares issued and outstanding	1,303,689	1,296,670	0.5
Additional paid-in capital	647	294	120.1
Retained earnings	57,166	55,109	3.7
Accumulated other comprehensive income (loss)	(12,339)	1,380	(994.1)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>49,547</b>	<b>60,835</b>	<b>(18.6)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 802,721</b>	<b>\$ 765,666</b>	<b>4.8</b>

## Consolidated Statements of Income

(Unaudited)

	Nine Months Ending Sept 30,		% Chg.
	2022	2021	
<i>(Dollars in Thousands, except per share amounts)</i>			
<b>Interest and Dividend Income</b>			
Loans, including fees	\$ 11,854	\$ 12,647	(6.3)
Federal funds sold and deposits at other financial institutions	625	975	(35.9)
Investment securities:			
Taxable	2,511	1,202	108.9
Tax-exempt	726	881	(17.6)
Other investment income and dividends	50	48	4.2
<b>Total Interest and Dividend Income</b>	<b>15,766</b>	<b>15,753</b>	<b>0.1</b>
<b>Interest Expense</b>			
Deposits	146	161	(9.3)
Federal funds purchased and security repurchase agreements	7	9	(22.2)
Other borrowed funds	0	0	-
<b>Total Interest Expense</b>	<b>153</b>	<b>170</b>	<b>(10.0)</b>
<b>Net Interest Income</b>	<b>15,613</b>	<b>15,583</b>	<b>0.2</b>
<b>Provision for credit losses</b>	(3,885)	0	-
<b>Net Interest Income after Provision for Credit Losses</b>	<b>19,498</b>	<b>15,583</b>	<b>25.1</b>
<b>Non-Interest Income</b>			
Wealth Management fees	8,435	8,354	1.0
Service charges on deposit accounts	434	386	12.4
Other service charges and fees	951	996	(4.5)
Other operating income	563	264	113.3
<b>Total Non-Interest Income</b>	<b>10,383</b>	<b>10,000</b>	<b>3.8</b>
<b>Non-Interest Expense</b>			
Salaries, wages, and other compensation	11,022	10,693	3.1
Retirement and employee benefits	3,534	3,479	1.6
Net occupancy expense	1,130	1,174	(3.7)
Furniture and equipment expense	551	450	22.4
Other operating expense	5,612	5,185	8.2
<b>Total Non-Interest Expense</b>	<b>21,849</b>	<b>20,981</b>	<b>4.1</b>
<b>Income Before Income Taxes</b>	<b>8,032</b>	<b>4,602</b>	<b>74.5</b>
<b>Provision For Income Taxes</b>	1,512	781	93.6
<b>NET INCOME</b>	<b>\$ 6,520</b>	<b>\$ 3,821</b>	<b>70.6</b>
<b>Basic Earnings Per Common Share</b>	<b>\$ 5.07</b>	<b>\$ 2.98</b>	<b>70.0</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>1,285,275</b>	<b>1,280,340</b>	