

2023

FIRST QUARTER REPORT



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(509) 525-2000

BOARD OF DIRECTORS

Megan F. Clubb, Chair

Riley B. Clubb	Mark H. Kajita
Russell S. Colombo	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

Tri-Cities Yakima Walla Walla

Dear Baker Boyer Shareholder:

April 24, 2023

Spring is here in Eastern Washington and so is the beautiful weather. It is always gratifying to see the green color on our fields and mountains as the winter wheat is developing. With the recent strong pricing of wheat, this should be another solid year for our farmers and our borrowers. In addition, construction continues to move forward as we have financed the building of new hospitality and other businesses that are strengthening their foothold in their respective industries. Shareholders should be reassured that both of our core businesses of lending and asset management are very strong.

As the Federal Reserve has increased rates to 5.00% on the overnight rate, our net interest margin continues to improve. The rate of increase, although quite quick, is a good indicator of our future strength in net interest income for the future. For the first quarter of 2023, net interest income improved by 7.1% to \$5.2 million, year-over-year. More importantly, interest and dividend income from both our loan and securities portfolio improved by 13.1% year-over-year for the first quarter.

Asset management income has decreased slightly year-over-year in the first three months of 2023. This was largely due to market disruptions that affected the first three months of 2023 that were not present at the same time in 2022. The strength of asset management income of \$2.7 million in the first quarter of 2023 is testament to the strength and stability of asset management as a core business, even in the midst of strong market movements.

Finally, in the first quarter of 2023, there was a one-time adjustment to compensation expense that was due to a change in compensation procedures. This one-time adjustment had the effect of lowering our first quarter net income to \$0.4 million from \$1.0 million for the first three months of 2023 and 2022 respectively. It is important to note that this was a timing issue, and that we strongly believe we will meet our overall budget for all of 2023. This is why the Board of Directors elected at our March 2023 meeting to pay \$0.82 per share on March 31, 2023.

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. I wish you all a wonderful spring, and 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 and CEO

Consolidated Balance Sheet - Average ytd

(Unaudited)

	March 31,		% Chg.
	2023	2022	
<i>(Dollars in Thousands)</i>			
ASSETS			
Cash and amounts due from banks	\$ 4,045	\$ 6,318	(36.0)
FFS and Int-bearing deposits at other financial institutions	29,857	107,426	(72.2)
Total Cash and Cash Equivalents	33,902	113,744	(70.2)
Investment securities:			
Available-for-sale, at fair value	331,002	333,444	(0.7)
Held-to-maturity at cost	1,339	1,331	0.6
Other investments, at cost	1,791	1,531	17.0
Total Investments	334,132	336,306	(0.6)
Loans	348,714	340,822	2.3
Allowance for credit losses	(3,407)	(6,602)	(48.4)
Net Loans	345,307	334,220	3.3
Bank premises and equipment, net	20,779	22,597	(8.0)
Accrued interest receivable	3,942	2,616	50.7
Other assets	9,059	4,439	104.1
TOTAL ASSETS	\$ 747,121	\$ 813,922	(8.2)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Noninterest bearing	\$ 268,458	\$ 280,243	(4.2)
Interest bearing	408,345	448,032	(8.9)
Total Deposits	676,803	728,275	(7.1)
Federal funds purchased and security repurchase agreements	15,492	28,874	(46.3)
Other borrowed funds	10,831	0	-
Accrued interest payable	52	16	225.0
Other liabilities	1,085	417	160.2
TOTAL LIABILITIES	704,263	757,582	(7.0)
SHAREHOLDERS' EQUITY			
Common stock (no par value, stated value \$3.125 per share)			
	3/31/23	3/31/22	
Shares authorized	4,000,000	4,000,000	
Shares issued and outstanding	1,304,633	1,295,986	0.3
Additional paid-in capital	895	570	57.0
Retained earnings	58,695	55,838	5.1
Accumulated other comprehensive income (loss)	(20,812)	(4,136)	403.2
TOTAL SHAREHOLDERS' EQUITY	42,858	56,340	(23.9)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 747,121	\$ 813,922	(8.2)

Consolidated Statements of Income

(Unaudited)

	Three Months Ending March 31,		% Chg.
	2023	2022	
<i>(Dollars in Thousands, except per share amounts)</i>			
Interest and Dividend Income			
Loans, including fees	\$ 4,157	\$ 3,782	9.9
Federal funds sold and deposits at other financial institutions	168	200	(16.0)
Investment securities:			
Taxable	1,014	686	47.8
Tax-exempt	212	244	(13.1)
Other investment income and dividends	23	15	53.3
Total Interest and Dividend Income	5,574	4,927	13.1
Interest Expense			
Deposits	224	50	348.0
Federal funds purchased and security repurchase agreements	8	3	166.7
Other borrowed funds	120	0	-
Total Interest Expense	352	53	564.2
Net Interest Income	5,222	4,874	7.1
Provision for credit losses	0	0	-
Net Interest Income after Provision for Credit Losses	5,222	4,874	7.1
Non-Interest Income			
Wealth Management fees	2,677	2,988	(10.4)
Service charges on deposit accounts	123	139	(11.5)
Other service charges and fees	309	305	1.3
Other operating income	53	67	(20.9)
Total Non-Interest Income	3,162	3,499	(9.6)
Non-Interest Expense			
Salaries, wages, and other compensation	3,998	3,582	11.6
Retirement and employee benefits	1,357	1,197	13.4
Net occupancy expense	369	399	(7.5)
Furniture and equipment expense	173	161	7.5
Other operating expense	2,062	1,782	15.7
Total Non-Interest Expense	7,959	7,121	11.8
Income Before Income Taxes	425	1,252	(66.1)
Provision For Income Taxes	29	239	(87.9)
NET INCOME	\$ 396	\$ 1,013	(60.9)
Basic Earnings Per Common Share	\$ 0.31	\$ 0.79	(61.0)
Weighted Average Number of Shares Outstanding	1,287,411	1,284,045	