

# 2023

## THIRD QUARTER REPORT



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(509) 525-2000

### BOARD OF DIRECTORS

Megan F. Clubb, Chair

Riley B. Clubb	Mark H. Kajita
Edward Chvatal Jr.	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 13, 2023

At the recent September 14, 2023 Shareholders' Summer Update, Megan Clubb and I discussed the Bank's strategy of expanding our loan portfolio while other banks pulled back their lending facility. In the long-term we believe that this strategy will not only strengthen the economy of our communities; it will also increase our long-term shareholder value by increasing our client base.

As we finished the third quarter of 2023, Baker Boyer has seen the loan portfolio reach an actual balance as of September 30, 2023 of \$370.8 million. This is a 4.4% increase from the June 30, 2023 actual balance of \$356.0 million (please note that these are actual balances as of the dates listed – not the average for the quarter as is reported in the financial statements). This is a substantial amount of growth in just three months. It is an indication of Baker Boyer's ability to grow loans, and our communities' need for a trusted bank to lend when others may be pulling back. As we look forward, we continue to see additional interest in Baker Boyer's capacity to continue lending. As loan volumes grow we will need to continue to support our equity in order to accommodate that growth and provide additional services to our clients.

In addition, non-interest income continues to be strong with total non-interest income 2.4% higher for the first nine months of 2023 in comparison to the same time period in 2022. This non-interest income was predominately from Wealth Management fees of \$8.3 million for the first 9 months of 2023. This strong non-interest income showcases the excellent diversification of revenue streams that is unique to Baker Boyer's business model.

It is the strength of this business model that has provided the communities we serve stable and continued financial services for over 150 years. As we come to our 154th Anniversary on November 10, 2023, we continue to celebrate the trust that our communities, shareholders, employees, and clients place in us to protect and support our stakeholders. It is this celebration of our shared duty to each other that has been the cornerstone for the profitability and strength of all of us together.

As always, if you have additional questions, please contact me directly at the Bank.

Respectfully,

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

Mark H. Kajita, CPA  
President and CEO

## Consolidated Balance Sheet - Average ytd

(Unaudited)

	Sept 30,		% Chg.
	2023	2022	
	<i>(Dollars in Thousands)</i>		
<b>ASSETS</b>			
Cash and amounts due from banks	\$ 875	\$ 6,347	(86.2)
FFS and Int-bearing deposits at other financial institutions	29,963	76,492	(60.8)
<b>Total Cash and Cash Equivalents</b>	<b>30,838</b>	<b>82,839</b>	<b>(62.8)</b>
Investment securities:			
Available-for-sale, at fair value	314,040	346,490	(9.4)
Held-to-maturity at cost	1,344	1,333	0.8
Other investments, at cost	2,460	1,599	53.8
<b>Total Investments</b>	<b>317,844</b>	<b>349,422</b>	<b>(9.0)</b>
Loans	355,696	344,088	3.4
Allowance for credit losses	(3,408)	(5,210)	(34.6)
<b>Net Loans</b>	<b>352,288</b>	<b>338,878</b>	<b>4.0</b>
Bank premises and equipment, net	20,597	22,443	(8.2)
Accrued interest receivable	4,121	2,948	39.8
Other assets	8,635	6,191	39.5
<b>TOTAL ASSETS</b>	<b>\$ 734,323</b>	<b>\$ 802,721</b>	<b>(8.5)</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits			
Noninterest bearing	\$ 249,579	\$ 282,308	(11.6)
Interest bearing	400,071	444,765	(10.0)
<b>Total Deposits</b>	<b>649,650</b>	<b>727,073</b>	<b>(10.6)</b>
Federal funds purchased and security repurchase agreements	18,194	25,680	(29.2)
Other borrowed funds	21,462	0	-
Accrued interest payable	142	14	914.3
Other liabilities	698	407	71.5
<b>TOTAL LIABILITIES</b>	<b>690,146</b>	<b>753,174</b>	<b>(8.4)</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common stock (no par value, stated value \$3.125 per share)			
	9/30/23	9/30/22	
Shares authorized	4,000,000	4,000,000	
Shares issued and outstanding	1,305,156	1,303,689	4,079 4,073 0.1
Additional paid-in capital	911	647	40.8
Retained earnings	58,697	57,166	2.7
Accumulated other comprehensive income (loss)	(19,510)	(12,339)	58.1
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>44,177</b>	<b>49,547</b>	<b>(10.8)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 734,323</b>	<b>\$ 802,721</b>	<b>(8.5)</b>

## Consolidated Statements of Income

(Unaudited)

	Nine Months Ending Sept 30,		% Chg.
	2023	2022	
	<i>(Dollars in Thousands, except per share amounts)</i>		
<b>Interest and Dividend Income</b>			
Loans, including fees	\$ 13,693	\$ 11,854	15.5
Federal funds sold and deposits at other financial institutions	479	625	(23.4)
Investment securities:			
Taxable	2,953	2,511	17.6
Tax-exempt	574	726	(20.9)
Other investment income and dividends	64	50	28.0
<b>Total Interest and Dividend Income</b>	<b>17,763</b>	<b>15,766</b>	<b>12.7</b>
<b>Interest Expense</b>			
Deposits	1,349	146	824.0
Federal funds purchased and security repurchase agreements	181	7	2,485.7
Other borrowed funds	842	0	-
<b>Total Interest Expense</b>	<b>2,372</b>	<b>153</b>	<b>1,450.3</b>
<b>Net Interest Income</b>	<b>15,391</b>	<b>15,613</b>	<b>(1.4)</b>
<b>Provision for credit losses</b>	<b>0</b>	<b>(3,885)</b>	<b>-</b>
<b>Net Interest Income after Provision for Credit Losses</b>	<b>15,391</b>	<b>19,498</b>	<b>(21.1)</b>
<b>Non-Interest Income</b>			
Wealth Management fees	8,324	8,435	(1.3)
Service charges on deposit accounts	363	434	(16.4)
Other service charges and fees	954	951	0.3
Other operating income	992	563	76.2
<b>Total Non-Interest Income</b>	<b>10,633</b>	<b>10,383</b>	<b>2.4</b>
<b>Non-Interest Expense</b>			
Salaries, wages, and other compensation	11,703	11,022	6.2
Retirement and employee benefits	3,753	3,534	6.2
Net occupancy expense	1,083	1,130	(4.2)
Furniture and equipment expense	518	551	(6.0)
Other operating expense	6,186	5,612	10.2
<b>Total Non-Interest Expense</b>	<b>23,243</b>	<b>21,849</b>	<b>6.4</b>
<b>Income Before Income Taxes</b>	<b>2,781</b>	<b>8,032</b>	<b>(65.4)</b>
<b>Provision For Income Taxes</b>	<b>405</b>	<b>1,512</b>	<b>(73.2)</b>
<b>NET INCOME</b>	<b>\$ 2,376</b>	<b>\$ 6,520</b>	<b>(63.6)</b>
<b>Basic Earnings Per Common Share</b>	<b>\$ 1.85</b>	<b>\$ 5.07</b>	<b>(63.6)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>1,287,664</b>	<b>1,285,275</b>	