2017 THIRD QUARTER REPORT



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

BOARD OF DIRECTORS

Megan F. Clubb, Chair
Peter Allen
Jon S. Bren
David B. Campbell
Charles H. Eglin
Dave Gordon

Mark H. Kajita
J. Eric Kimball
Kip Kontos
Susan C. Pratt
John R. Valaas



FAMILY LEGACIES GROWN LOCALLY

WallaWalla. Dri-Cities Yakima.

Dear Baker Boyer Shareholder:

October 18, 2017

Throughout the 3rd Quarter of 2017, the Bank made major strides in executing on its vision of providing the Advisors that our clients need in this ever-increasingly complex world. We have continued to welcome new Advisors and Associates – all with backgrounds in areas of finance, politics, and strategic planning - throughout the Bank. These hires have greatly strengthened our ability to anticipate our client's questions and needs and then address them in order to grow their legacy in the present while also preparing them for their future. We accomplished this in one of the more competitive hiring environments seen in my career, highlighted by a national unemployment rate of 4.2% as of the writing of this letter. I am happy to share that the Bank's vision and legacy to the communities we serve resonates with our new staff, and continues to provide us a competitive advantage in hiring the best and brightest.

As our numbers highlight, the Bank's legacy of focusing on strengthening our communities by investing in the Advisors needed has been extremely profitable for our shareholders as well. Deposits have grown by 4.9% to \$525 million, up from \$500 million as of September 30, 2017, and 2016 respectively. Interest income for the Banks combined loan and securities portfolio has increased by 4.3% to \$14.4 million for the nine months ending September 30, 2017, as compared to the same time period in 2016. Growth was especially apparent in our tax-exempt security portfolio, which saw income gains of 22.7% for the first nine months of 2017, compared to the first nine months of 2016.

Additionally, strong growth in our Trust and Investment Management Services has propelled fee income to \$5.8 million for the nine months ending September 30, 2017, which is a 9.4% increase over the same time-period in 2016. This continued strength in our Asset Management group has been a strong contributor to the overall value of the Baker Boyer Brand since its inception: it is especially apparent that this strength is a critical part of the profitability success our Shareholders have experienced over the last decade.

The Bank continues to execute on our strategy of hiring the experts and Advisors our clients need to succeed. We see the future of our strategy as our differentiator from competitors who continue to cut costs while adjusting to a higher interest rate environment. Our careful strategy of reducing long-term risk to our Shareholders by leveraging the different profit streams of our Bank has been a sound strategy, and provides for consistent dividend streams. We will continue to focus on this same strategy as we move forward.

Sincerely,

Mark H. Kajita, CPA President and CEO

Consolidated Balance Sheet - Average ytd

ASSETS Cash and amounts due from banks FS and Int-bearing deposits at other financial institutions Total Cash and Service in Servi			(Unaudited)						
ASETS Cash and amounts due from banks Cash and amounts due from banks FFS and Int-bearing deposits at other financial institutions Total Cash and Cash Equivalents Total Cash and Cash Equivalents Investment securities: Available-for-sale, at fair value Held-to-maturity at cost Other investments, at cost Total Investments Total Investments Total Investments Total Investments 1,293 1,397 1,268 7,2 1,399 1,268 7,2 1,399 1,268 7,2 1,399 1,268 7,2 1,399 1,268 7,2 1,399 1,268 7,2 1,399 1,268 7,2 1,399 1,268 7,2 1,399 1,398 1,397 1,397 1,398 1,					Septen				
Cash and amounts due from banks \$ 4,727 \$ 4,393 7.6 FFS and Int-bearing deposits at other financial institutions Total Cash and Cash Equivalents 90,423 69,478 30.1 Investment securities: Available-for-sale, at fair value 210,390 193,199 8.9 Held-to-maturity at cost 1,293 1,297 (7.4 Other investments, at cost Total Investments 213,042 195,864 8.8 Loans 280,089 289,134 (3.1 3.1 3.2 3.2 3.2 Allowance for credit losses Net Loans 280,089 289,134 (3.1 4.0 4.0 1.0 4.0 4.0 1.0 4.0 4.0 1.0 4.0 1.0 4.0 3.					2017		2016	% Chg.	
FFS and Int-bearing deposits at other financial institutions 70 tal Cash and Cash Equivalents 70 tal Cash Cash Cash Cash Cash Cash Cash Cash	ASSETS				(Dollars in	sands)			
Total Cash and Cash Equivalents	Cash and amounts due from	banks		\$	4,727	\$	4,393	7.6	
Investment securities	FFS and Int-bearing deposits	at other financial in	nstitutions		90,423		69,478	30.1	
Available-for-sale, at fair value 210,390 193,199 8.9 Held-to-maturity at cost 1,293 1,397 (7.4) Other investments, at cost 1,359 1,268 7.2 Loans 280,089 289,134 (3.1) Allowance for credit losses (6,170) (6,107) 1.0 Net Loans 273,919 283,027 (3.2) Bank premises and equipment, net 13,219 13,265 (0.3) Accrued interest receivable 2,797 2,585 8.2 Other assets TOTAL ASSETS 602,847 572,891 5.2 LIABILITIES AND SHAREHOLDERS' EQUITY Deposits Noninterest bearing \$ 163,170 \$ 146,557 11.3 Interest bearing \$ 163,170 \$ 146,557 11.3 Total Deposits 524,530 499,875 4.9 Federal funds purchased and security repurchase agreements 22,574 20,330 11.0 Other borrowed funds 1,595 0 -		Total Cash and	l Cash Equivalents		95,150		73,871	28.8	
Held-to-maturity at cost	Investment securities:								
Other investments, at cost Total Investments 1,359 1,268 7.2 Loans 280,089 289,134 (3.1) Allowance for credit losses (6,170) (6,107) 1.0 Net Loans 273,919 283,027 (3.2) Bank premises and equipment, net 13,219 13,265 (0.3) Accrued interest receivable 2,797 2,585 8.2 Other assets 4,720 4,279 10.3 EACTURE INTERS AND SHAREHOLDERS EQUITY 560,2847 \$72,891 5.2 LIABILITIES AND SHAREHOLDERS EQUITY 5163,170 \$146,557 11.3 Interest bearing \$163,170 \$146,557 11.3 Interest bearing \$163,170 \$146,557 1.3 Interest bearing \$154,530 499,875 4.9 Federal funds purchased and security repurchase agreements 22,574 20,330 11.0 Other borrowed funds 1,595 0 2 Accrued interest payable 20 24 (16,7) Other liabilities <td>Available-for-sale, at fair va</td> <td>lue</td> <td></td> <td></td> <td>210,390</td> <td></td> <td>193,199</td> <td>8.9</td>	Available-for-sale, at fair va	lue			210,390		193,199	8.9	
Loans 280,089 289,134 (3.1) Allowance for credit losses Net Loans 280,089 289,134 (3.1) Allowance for credit losses Net Loans 273,919 283,027 (3.2) Bank premises and equipment, net 13,219 13,265 (0.3) Accrued interest receivable 2,797 2,585 8.2 Other assets 4,720 4,279 10.3 Ederal funds purchaset 502,847 \$ 572,891 5.2 LIABILITIES AND SHAREHOLDERS' EQUITY 11.3 11.3 11.3 Poposits 7 Total Deposits 5 163,170 \$ 146,557 11.3 Interest bearing 1 51,510 \$ 146,557 11.3 Interest bearing 2 1,125 254,530 499,875 4.9 Federal funds purchased and security repurchase agreements 2,2,574 20,330 11.0 Other borrowed funds 1,595 0 - Accrued interest payable 20 24 (16.7) Other liabilities 1,727 834	Held-to-maturity at cost				1,293		1,397	(7.4)	
Loans 280,089 289,134 (3.1) Allowance for credit losses Net Loans 273,919 283,027 (3.2) Bank premises and equipment, net 13,219 13,265 (0.3) Accrued interest receivable 2,797 2,585 8.2 Other assets 4,720 4,279 10.3 TOTAL ASSETS 5 602,847 \$ 572,891 5.2 LIABILITIES AND SHAREHOLDERS' EQUITY 5 10.3 10.3 Poposits 5 163,170 \$ 146,557 11.3 Interest bearing 5 163,170 \$ 146,557 11.3 Interest bearing 5 24,530 499,875 4.9 Federal funds purchased and security repurchase agreements 22,574 20,330 11.0 Other borrowed funds 1,595 0 - Accrued interest payable 20 24 (16.7) Other liabilities 1,727 834 107.1 TOTAL LIABILITIES 550,446 521,063 5.6 SHAREHOLDERS' EQUITY <t< td=""><td>Other investments, at cost</td><td></td><td></td><td></td><td>1,359</td><td></td><td>1,268</td><td>7.2</td></t<>	Other investments, at cost				1,359		1,268	7.2	
Net Loans (6,170) (6,107) 1.0 Bank premises and equipment, net 13,219 283,027 (3.2) Bank premises and equipment, net 13,219 13,265 (0.3) Accrued interest receivable 2,797 2,585 8.2 Other assets 4,720 4,279 10.3 TOTAL ASSETS \$ 602,847 \$ 572,891 5.2 LIABILITIES AND SHAREHOLDERS'EQUITY Deposits Noninterest bearing \$ 163,170 \$ 146,557 11.3 Interest bearing 361,360 353,318 2.3 Total Deposits 524,530 499,875 4.9 Federal funds purchased and security repurchase agreements 22,574 20,330 11.0 Other borrowed funds 1,595 0 - Accrued interest payable 20 24 (16.7) Other liabilities TOTAL LIABILITIES 550,446 521,063 5.6 SHAREHOLDERS'EQUITY <td c<="" td=""><td></td><td></td><td>Total Investments</td><td></td><td>213,042</td><td></td><td>195,864</td><td>8.8</td></td>	<td></td> <td></td> <td>Total Investments</td> <td></td> <td>213,042</td> <td></td> <td>195,864</td> <td>8.8</td>			Total Investments		213,042		195,864	8.8
Net Loans 273,919 283,027 (3.2) Bank premises and equipment, net 13,219 13,265 (0.3) Accrued interest receivable 2,797 2,585 8.2 Other assets 4,720 4,279 10.3 TOTAL ASSETS 602,847 \$ 572,891 5.2 LIABILITIES AND SHAREHOLDERS' EQUITY Deposits Noninterest bearing \$ 163,170 \$ 146,557 11.3 Interest bearing \$ 163,170 \$ 146,557 11.3 Interest bearing \$ 163,170 \$ 146,557 11.3 Interest bearing \$ 22,574 20,330 11.0 Colspan="3">Colspan="3"	Loans				280,089		289,134	(3.1)	
Bank premises and equipment, net 13,219 13,265 (0.3) Accrued interest receivable 2,797 2,585 8.2 Other assets 4,720 4,279 10.3 TOTAL ASSETS \$ 602,847 \$ 572,891 5.2 LIABILITIES AND SHAREHOLDERS' EQUITY Deposits Noninterest bearing \$ 163,170 \$ 146,557 11.3 Interest bearing \$ 21,063 353,318 2.3 Total Deposits \$ 22,574 20,330 11.0 Other borrowed funds \$ 1,595 0 - Accrued interest payable 20 24 (16.7) Other liabilities TOTAL LIABILITIES 550,446 521,063 5.6 SHAREHOLDERS'EQUITY Common stock (no par value, stated value \$3.125 per share)	Allowance for credit losses				(6,170)		(6,107)	1.0	
Accrued interest receivable			Net Loans		273,919		283,027	(3.2)	
TOTAL ASSETS	Bank premises and equipmer	nt, net			13,219		13,265	(0.3)	
TOTAL ASSETS \$ 602,847 \$ 572,891 5.2	Accrued interest receivable				2,797		2,585	8.2	
Noninterest bearing \$ 163,170 \$ 146,557 11.3 Interest bearing \$ 163,170 \$ 146,557 11.3 Interest bearing \$ 361,360 353,318 2.3 Total Deposits 524,530 499,875 4.9 Federal funds purchased and security repurchase agreements 22,574 20,330 11.0 Other borrowed funds 1,595 0 -	Other assets				4,720		4,279	10.3	
Deposits Noninterest bearing \$ 163,170 \$ 146,557 11.3 Interest bearing Total Deposits 361,360 353,318 2.3 Federal funds purchased and security repurchase agreements 22,574 20,330 11.0 Other borrowed funds 1,595 0 - Accured interest payable 20 24 (16.7) Other liabilities 1,727 834 107.1 TOTAL LIABILITIES 550,446 521,063 5.6 SHAREHOLDERS' EQUITY Common stock (no par value, stated value \$3.125 per share) 9/30/17 9/30/16 550,446 521,063 5.6 Shares authorized 4,000,000 4,000,000 4,000,000 50 5.0 4,074 (0.7) Additional paid-in capital 700 1,098 (36.2) 36.2 36.2 36.2 36.2 36.2 36.2 36.2 36.2 36.2 36.2 36.2 36.2 36.2 36.2 36.2 36.2 36.2 36.2 36.2 <td< td=""><td></td><td></td><td>TOTAL ASSETS</td><td>\$</td><td>602,847</td><td>\$</td><td>572,891</td><td>5.2</td></td<>			TOTAL ASSETS	\$	602,847	\$	572,891	5.2	
Noninterest bearing \$ 163,170 \$ 146,557 11.3	LIABILITIES AND SHAREHOI	LDERS' EQUITY							
Total Deposits Total Deposits S24,530 353,318 2.3	Deposits								
Total Deposits 524,530 499,875 4.9	Noninterest bearing			\$	163,170	\$	146,557	11.3	
Federal funds purchased and security repurchase agreements 22,574 20,330 11.0 Other borrowed funds 1,595 0 - Accrued interest payable 20 24 (16.7) Other liabilities 1,727 834 107.1 TOTAL LIABILITIES 550,446 521,063 5.6 SHAREHOLDERS' EQUITY Common stock (no par value, stated value \$3.125 per share) 9/30/17 9/30/16 Shares authorized 4,000,000 4,000,000 Shares issued and outstanding 1,296,886 1,303,870 4,046 4,074 (0.7) Additional paid-in capital 700 1,098 (36.2) Retained earnings 47,146 45,557 3.5 Accumulated other comprehensive income (loss) 509 1,099 (53.7)	Interest bearing				361,360		353,318	2.3	
Other borrowed funds 1,595 0 - Accrued interest payable 20 24 (16.7) Other liabilities 1,727 834 107.1 TOTAL LIABILITIES SHAREHOLDERS' EQUITY Common stock (no par value, stated value \$3.125 per share) 9/30/17 9/30/16 Shares authorized 4,000,000 4,000,000 Shares issued and outstanding 1,296,886 1,303,870 4,046 4,074 (0.7) Additional paid-in capital 700 1,098 (36.2) Retained earnings 47,146 45,557 3.5 Accumulated other comprehensive income (loss) 509 1,099 (53.7)			Total Deposits		524,530		499,875	4.9	
Accrued interest payable 20 24 (16.7) Other liabilities 1,727 834 107.1 TOTAL LIABILITIES 550,446 521,063 5.6 SHAREHOLDERS' EQUITY Common stock (no par value, stated value \$3.125 per share) 9/30/17 9/30/16 Shares authorized 4,000,000 4,000,000 Shares issued and outstanding 1,296,886 1,303,870 4,046 4,074 (0.7) Additional paid-in capital 700 1,098 (36.2) Retained earnings 47,146 45,557 3.5 Accumulated other comprehensive income (loss) 509 1,099 (53.7)	Federal funds purchased and	security repurchase	e agreements		22,574		20,330	11.0	
Other liabilities 1,727 834 107.1 TOTAL LIABILITIES 550,446 521,063 5.6 SHAREHOLDERS' EQUITY Common stock (no par value, stated value \$3.125 per share) 9/30/17 9/30/16 Shares authorized 4,000,000 4,000,000 Shares issued and outstanding 1,296,886 1,303,870 4,046 4,074 (0.7) Additional paid-in capital 700 1,098 (36.2) Retained earnings 47,146 45,557 3.5 Accumulated other comprehensive income (loss) 509 1,099 (53.7)	Other borrowed funds				1,595		0	-	
TOTAL LIABILITIES 550,446 521,063 5.6 SHAREHOLDERS' EQUITY Common stock (no par value, stated value \$3.125 per share) 9/30/17 9/30/16 Shares authorized 4,000,000 4,000,000 Shares issued and outstanding 1,296,886 1,303,870 4,046 4,074 (0.7) Additional paid-in capital 700 1,098 (36.2) Retained earnings 47,146 45,557 3.5 Accumulated other comprehensive income (loss) 509 1,099 (53.7)	Accrued interest payable				20		24	(16.7)	
SHAREHOLDERS' EQUITY Common stock (no par value, stated value \$3.125 per share) 9/30/17 9/30/16 Shares authorized 4,000,000 4,000,000 Shares issued and outstanding 1,296,886 1,303,870 4,046 4,074 (0.7) Additional paid-in capital 700 1,098 (36.2) Retained earnings 47,146 45,557 3.5 Accumulated other comprehensive income (loss) 509 1,099 (53.7)	Other liabilities				1,727		834	107.1	
		TOT	AL LIABILITIES		550,446		521,063	5.6	
	SHAREHOLDERS' EQUITY								
Shares authorized 4,000,000 4,000,000 Shares issued and outstanding 1,296,886 1,303,870 4,046 4,074 (0.7) Additional paid-in capital 700 1,098 (36.2) Retained earnings 47,146 45,557 3.5 Accumulated other comprehensive income (loss) 509 1,099 (53.7)	Common stock (no par value	, stated value \$3.12	5 per share)						
Shares issued and outstanding 1,296,886 1,303,870 4,046 4,074 (0.7) Additional paid-in capital 700 1,098 (36.2) Retained earnings 47,146 45,557 3.5 Accumulated other comprehensive income (loss) 509 1,099 (53.7)		9/30/17	9/30/16						
outstanding 1,296,886 1,303,870 4,046 4,074 (0.7) Additional paid-in capital 700 1,098 (36.2) Retained earnings 47,146 45,557 3.5 Accumulated other comprehensive income (loss) 509 1,099 (53.7)	Shares authorized	4,000,000	4,000,000						
Additional paid-in capital 700 1,098 (36.2) Retained earnings 47,146 45,557 3.5 Accumulated other comprehensive income (loss) 509 1,099 (53.7)	Shares issued and								
Retained earnings 47,146 45,557 3.5 Accumulated other comprehensive income (loss) 509 1,099 (53.7)	outstanding	1,296,886	1,303,870		4,046		4,074	(0.7)	
Accumulated other comprehensive income (loss) 509 1,099 (53.7)	Additional paid-in capital				700		1,098	(36.2)	
	Retained earnings				47,146		45,557	3.5	
TOTAL SHAREHOLDERS' EQUITY 52,401 51,828 1.1	Accumulated other comprehensive income (loss)				509		1,099	(53.7)	
	TOTAL SHAREHOLDERS' EQUITY				52,401		51,828	1.1	

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY \$ 602,847 \$ 572,891

5.2

Consolidated Statements of Income

(Unaudited)

, · · · · · · ,	Nir	Nine Months Ending Septembr 30,				
				2016	% Chg.	
Interest and Dividend Income		ollars in Tho	except per share	amounts)		
Loans, including fees	\$	11,110	\$	11,277	(1.5)	
Federal funds sold and deposits at other financial institutions		763		353	116.1	
Investment securities:						
Taxable		591		591	-	
Tax-exempt		1,868		1,523	22.7	
Other investment income and dividends		38		33	15.2	
Total Interest and Dividend Income		14,370		13,777	4.3	
Interest Expense						
Deposits		197		205	(3.9)	
Federal funds purchased and security repurchase agreements		16		15	6.7	
Other borrowed funds		0		0	-	
Total Interest Expense		213		220	(3.2)	
Net Interest Income		14,157		13,557	4.4	
Provision for credit losses		2		433	(99.5)	
Net Interest Income after Provision for Credit Losses		14,155		13,124	7.9	
reconnected income after 1104/9/01 for create 2009cs		14,133		13,124	7.5	
Non-Interest Income						
Trust and Investment Management fees		5,805		5,304	9.4	
DS Baker Investment fees (brokerage)		875		911	(4.0)	
Service charges on deposit accounts		629		681	(7.6)	
Other service charges and fees		952		852	11.7	
Other operating income		532		661	(19.5)	
Total Non-Interest Income		8,793		8,409	4.6	
Non-Interest Expense						
Salaries, wages, and other compensation		8,764		8,196	6.9	
Retirement and employee benefits		2,835		2,564	10.6	
Net occupancy expense		941		868	8.4	
Furniture and equipment expense		361		379	(4.7)	
Other operating expense		4,636		4,484	3.4	
Total Non-Interest Expense	-	17,537		16,491	6.3	
Income Before Income Taxes		5,411		5,042	7.3	
Provision For Income Taxes		1,195		1,196	(0.1)	
NET INCOME	¢	4.216	ė.	2.046	0.6	
NET INCOME	\$	4,216	\$	3,846	9.6	
Basic Earnings Per Common Share	\$	3.27	\$	2.97	10.1	
Weighted Average Number of Shares Outstanding		,287,533	1	,293,276		