

2022

FIRST QUARTER REPORT



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

BOARD OF DIRECTORS

Megan F. Clubb, Chair

Russell S. Colombo
Charles B. Eglin
David B. Gordon
Martha C. Huber
Mark H. Kajita

J. Eric Kimball
Clifford "Kip" W. Kontos
Michael J. Mahoney
Jason H. Pratt
Jon S. Bren



BAKER BOYER

FAMILY LEGACIES GROWN LOCALLY

Walla Walla Tri-Cities Yakima

Dear Baker Boyer Shareholder:

April 20, 2022

2022 started with several obstacles to overcome. The first being the Omicron strain of COVID that swept through our communities, once again putting more and more people in lockdown. In addition, Baker Boyer experienced a flood at our Milton-Freewater branch due to a burst pipe during a very cold weekend. The start of the year wasn't the best omen for what we could expect for the rest of 2022. But as all things do, they peak in their severity and then subside. As quickly as Omicron spiked, the variant burnt out.

This gave us the opportunity to focus our efforts on re-opening our locations to our employees, asking them once again to join their family of co-workers in person. As we welcomed back our own employees, the Federal Reserve increased interest rates for the first time in nearly 3 years. This increase and the reassurance by the Federal Reserve of several more to come, will gradually and effectively increase the net interest margins of our loan and investment portfolios.

Overall, the Bank has grown considerably since the first quarter of 2021. Average first quarter of 2022 deposits have grown 10.7% year over year. This has prompted a combined growth in our average first quarter of 2022 cash, cash equivalents, and investment portfolios of 22.7%, year-over-year. Over time, these portfolios will be used to purchase much higher interest rate securities. This will greatly improve our net interest margin over the coming quarters.

In addition, the fees from our Asset Management Division steadily strengthened. The income generated by the Asset Management Division has increased 13.1% year-over-year. This strong income will also add to the strength of future earnings in coming quarters.

At the close of the first quarter of 2022, we are reassured that the Federal Reserve will continue to increase interest rates throughout 2022. This increased interest will be welcomed by Baker Boyer as we should see an expansion of the net interest margin that will strengthen the long-term earnings for all our shareholders.

As always, if you have any questions, please contact me. I wish you a happy and healthy future as we enter our summer season.

Sincerely,

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)

	March 31,		% Chg.
	2022	2021	
<i>(Dollars in Thousands)</i>			
ASSETS			
Cash and amounts due from banks	\$ 6,318	\$ 6,412	(1.5)
FFS and Int-bearing deposits at other financial institutions	107,426	159,327	(32.6)
Total Cash and Cash Equivalents	113,744	165,739	(31.4)
Investment securities:			
Available-for-sale, at fair value	333,444	198,459	68.0
Held-to-maturity at cost	1,331	1,323	0.6
Other investments, at cost	1,531	1,362	12.4
Total Investments	336,306	201,144	67.2
Loans	340,822	352,204	(3.2)
Allowance for credit losses	(6,602)	(6,372)	3.6
Net Loans	334,220	345,832	(3.4)
Bank premises and equipment, net	22,597	22,480	0.5
Accrued interest receivable	2,616	2,556	2.3
Other assets	4,439	3,720	19.3
TOTAL ASSETS	\$ 813,922	\$ 741,471	9.8
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Noninterest bearing	\$ 280,243	\$ 248,665	12.7
Interest bearing	448,032	409,121	9.5
Total Deposits	728,275	657,786	10.7
Federal funds purchased and security repurchase agreements	28,874	20,615	40.1
Other borrowed funds	0	0	-
Accrued interest payable	16	19	(15.8)
Other liabilities	417	1,729	(75.9)
TOTAL LIABILITIES	757,582	680,149	11.4
SHAREHOLDERS' EQUITY			
Common stock (no par value, stated value \$3.125 per share)			
	3/31/22	3/31/21	
Shares authorized	4,000,000	4,000,000	
Shares issued and outstanding	1,302,777	1,295,986	0.5
Additional paid-in capital	570	225	153.3
Retained earnings	55,838	55,018	1.5
Accumulated other comprehensive income (loss)	(4,136)	2,032	(303.5)
TOTAL SHAREHOLDERS' EQUITY	56,340	61,322	(8.1)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 813,922	\$ 741,471	9.8

Consolidated Statements of Income

(Unaudited)

	Three Months Ending March 31,		% Chg.
	2022	2021	
<i>(Dollars in Thousands, except per share amounts)</i>			
Interest and Dividend Income			
Loans, including fees	\$ 3,782	\$ 4,196	(9.9)
Federal funds sold and deposits at other financial institutions	200	366	(45.4)
Investment securities:			
Taxable	686	341	101.2
Tax-exempt	244	300	(18.7)
Other investment income and dividends	15	20	(25.0)
Total Interest and Dividend Income	4,927	5,223	(5.7)
Interest Expense			
Deposits	50	55	(9.1)
Federal funds purchased and security repurchase agreements	3	3	-
Other borrowed funds	0	0	-
Total Interest Expense	53	58	(8.6)
Net Interest Income	4,874	5,165	(5.6)
Provision for credit losses	0	0	-
Net Interest Income after Provision for Credit Losses	4,874	5,165	(5.6)
Non-Interest Income			
Wealth Management fees	2,988	2,641	13.1
Service charges on deposit accounts	139	117	18.8
Other service charges and fees	305	319	(4.4)
Other operating income	67	92	(27.2)
Total Non-Interest Income	3,499	3,169	10.4
Non-Interest Expense			
Salaries, wages, and other compensation	3,582	3,562	0.6
Retirement and employee benefits	1,197	1,202	(0.4)
Net occupancy expense	399	375	6.4
Furniture and equipment expense	161	126	27.8
Other operating expense	1,782	1,717	3.8
Total Non-Interest Expense	7,121	6,982	2.0
Income Before Income Taxes	1,252	1,352	(7.4)
Provision For Income Taxes	239	225	6.2
NET INCOME	\$ 1,013	\$ 1,127	(10.1)
Basic Earnings Per Common Share	\$ 0.79	\$ 0.88	(10.4)
Weighted Average Number of Shares Outstanding	1,284,045	1,279,319	