

# 2022

## SECOND QUARTER REPORT



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### 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:

April 20, 2022

As we enter into summer, the Bank continues to be in a very strong position in regard to its loan portfolio strength as well as the stability of the economies in our footprint. We have seen a marked improvement in our already healthy loan portfolio due to strengthening business trends as well as the paydowns on many of the higher risk loans of the Bank. The remainder of our loan portfolio continues to see overall strengthening in its resilience to both COVID as well as the increasing interest rates imposed by the Federal Reserve.

This increase in Federal Reserve rates will have a positive impact on the interest income the Bank will be recognizing over the next 18 months. This increase in interest income will take a gradual course as our loans reset to higher interest rates in the future.

This increase in forecasted interest income as well as the resiliency and strength of our loan portfolio has led to the Board of Directors to reduce our loan loss reserve by \$3.1 million (net of tax). This has increased our year-to-date net income for the first six months of 2022, to \$5.2 million (net of tax). This is a 130.1% increase over the first six months of 2021.

Other areas of the Bank are also strengthening. Average deposits for the six months ended June 30, 2022 have increased by 8.3% to \$728.6 million from the same time period in 2021. This is coupled with a 7.1% increase in wealth management fees for the six months ended June 30, 2022 to \$5.8 million from the same time period in 2021.

Although the Bank continues to be strong, we consistently are looking at obstacles that could have a negative impact on our business in the future. Please be assured that we continue to be good stewards of this banking legacy.

Thank you and have a wonderful summer.

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)

	June 30,		
	2022	2021	% Chg.
<i>(Dollars in Thousands)</i>			
<b>ASSETS</b>			
Cash and amounts due from banks	\$ 7,515	\$ 5,933	26.7
FFS and Int-bearing deposits at other financial institutions	88,042	152,498	(42.3)
<b>Total Cash and Cash Equivalent</b>	<b>95,557</b>	<b>158,431</b>	<b>(39.7)</b>
Investment securities:			
Available-for-sale, at fair value	344,154	215,260	59.9
Held-to-maturity at cost	1,332	1,324	0.6
Other investments, at cost	1,581	1,438	9.9
<b>Total Investments</b>	<b>347,067</b>	<b>218,022</b>	<b>59.2</b>
Loans	341,950	358,803	(4.7)
Allowance for credit losses	(6,176)	(6,362)	(2.9)
<b>Net Loans</b>	<b>335,774</b>	<b>352,441</b>	<b>(4.7)</b>
Bank premises and equipment, net	22,375	22,546	(0.8)
Accrued interest receivable	2,915	2,759	5.7
Other assets	5,840	3,017	93.6
<b>TOTAL ASSETS</b>	<b>\$ 809,528</b>	<b>\$ 757,216</b>	<b>6.9</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits			
Noninterest bearing	\$ 281,765	\$ 258,320	9.1
Interest bearing	446,832	414,277	7.9
<b>Total Deposits</b>	<b>728,597</b>	<b>672,597</b>	<b>8.3</b>
Federal funds purchased and security repurchase agreements	28,938	22,924	26.2
Other borrowed funds	1	0	-
Accrued interest payable	15	18	(16.7)
Other liabilities	448	965	(53.6)
<b>TOTAL LIABILITIES</b>	<b>757,999</b>	<b>696,504</b>	<b>8.8</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common stock (no par value, stated value \$3.125 per share)			
	6/30/22	6/30/21	
Shares authorized	4,000,000	4,000,000	
Shares issued and outstanding	1,302,777	1,295,986	4,071 4,051 0.5
Additional paid-in capital	602	253	137.9
Retained earnings	56,209	55,022	2.2
Accumulated other comprehensive income (loss)	(9,353)	1,386	(774.8)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>51,529</b>	<b>60,712</b>	<b>(15.1)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 809,528</b>	<b>\$ 757,216</b>	<b>6.9</b>

## Consolidated Statements of Income

(Unaudited)

	Six Months Ending June 30,		
	2022	2021	% Chg.
<i>(Dollars in Thousands, except per share amounts)</i>			
<b>Interest and Dividend Income</b>			
Loans, including fees	\$ 7,501	\$ 8,308	(9.7)
Federal funds sold and deposits at other financial institutions	398	687	(42.1)
Investment securities:			
Taxable	1,572	756	107.9
Tax-exempt	488	599	(18.5)
Other investment income and dividends	35	33	6.1
<b>Total Interest and Dividend Income</b>	<b>9,994</b>	<b>10,383</b>	<b>(3.7)</b>
<b>Interest Expense</b>			
Deposits	99	109	(9.2)
Federal funds purchased and security repurchase agreements	5	6	(16.7)
Other borrowed funds	0	0	-
<b>Total Interest Expense</b>	<b>104</b>	<b>115</b>	<b>(9.6)</b>
<b>Net Interest Income</b>	<b>9,890</b>	<b>10,268</b>	<b>(3.7)</b>
<b>Provision for credit losses</b>	(3,900)	0	-
<b>Net Interest Income after Provision for Credit Losses</b>	<b>13,790</b>	<b>10,268</b>	<b>34.3</b>
<b>Non-Interest Income</b>			
Wealth Management fees	5,804	5,419	7.1
Service charges on deposit accounts	285	251	13.5
Other service charges and fees	628	662	(5.1)
Other operating income	431	189	128.0
<b>Total Non-Interest Income</b>	<b>7,148</b>	<b>6,521</b>	<b>9.6</b>
<b>Non-Interest Expense</b>			
Salaries, wages, and other compensation	7,256	7,184	1.0
Retirement and employee benefits	2,390	2,385	0.2
Net occupancy expense	780	789	(1.1)
Furniture and equipment expense	363	284	27.8
Other operating expense	3,749	3,470	8.0
<b>Total Non-Interest Expense</b>	<b>14,538</b>	<b>14,112</b>	<b>3.0</b>
<b>Income Before Income Tax</b>	<b>6,400</b>	<b>2,677</b>	<b>139.1</b>
<b>Provision For Income Taxes</b>	1,241	435	185.3
<b>NET INCOME</b>	<b>\$ 5,159</b>	<b>\$ 2,242</b>	<b>130.1</b>
<b>Basic Earnings Per Common Share</b>	<b>\$ 4.02</b>	<b>\$ 1.75</b>	<b>129.3</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>1,284,740</b>	<b>1,279,995</b>	