



FAMILY LEGACIES GROWN LOCALLY

Walla Walla Valley Tri-Cities Yakima

2020 ANNUAL REPORT

Together.





In March of 2020, we stacked hands in-person one last time and took the unprecedented step of closing our public spaces and offices for the safety of our employees, clients and communities.

Despite the challenge of distance, we adapted and worked even harder to deliver the same legendary Baker Boyer service we've always been known for.

We did it.

And we'll continue to do it, **together.**



LETTER TO SHAREHOLDERS

BY MARK KAJITA

Commitment and Perseverance:

Since I started in business in 1991 I have seen the aftermath of the savings and loan crisis, the dot-com bubble burst, the war on terror, the sub-prime crisis and the Great Recession. But, I can honestly say that 2020 was a year like no other that I have experienced in my 30 years of working as a professional. I don't think any of us anticipated a year quite like 2020. When reflecting on the year, two words kept popping into my mind; commitment and perseverance. Let me explain.

2020 started like any other year, except we were looking towards the future and the hope of a new decade. The economy was improving; people were feeling more confident as the long shadow of the Great Recession seemed to be abating. The Bank was finally seeing continual improvements in interest rates (something we hadn't seen for over 12 years). The Board of Directors and Management had planned on massive investments in technology and human talent acquisition to power us towards our 2020 vision. This would lower our overall net income in 2020. A necessary investment to secure our future success.

Then, in early February, the Walla Walla Valley and its rivers were inundated with heavy rainfall and snow melt. From the seventh floor of the Baker Building in Downtown Walla Walla, I could see where the rain was heaviest. It pointed towards flooding of the Walla Walla River, through Milton-Freewater and on towards the Columbia River. The Bank acted fast, mobilizing our workforce to assist any customer or business in the path of the raging waters. Although the flooding was extensive, it confined itself mostly to pasture land immediately adjacent to the Walla Walla River. With that being said, one casualty of the flooding could have had severe consequences to all citizens of Walla Walla; the severing of the main water supply pipeline to the City of Walla Walla. Baker Boyer assisted

the City by offering a \$2 million interest free line of credit as bridge lending so the repairs could begin immediately while insurance claims were filed.

Baker Boyer felt confident that we had aided the community as best we could, through lending facilities, free lunches to volunteers fighting the flood and support of our local agencies in their time of need. We fulfilled our promise and commitment to our community by being there for it, providing perseverance and support for everyone involved. We took a deep breath and felt we had narrowly averted a true crisis.

Within a few weeks, the first signs of COVID-19 started to trickle in from the Seattle region. It is hard to believe, but within our own region we were notified of the third confirmed case of COVID – in Umatilla County. Management of the Bank quickly pivoted and enacted our recently updated Pandemic Protocol, which provided us instructions on how to phase a reduction of on-site staff and enact a redundancy of critical functions so customers could have free access to liquidity in a time of crisis.

In early March, we identified employees who provided primary, secondary and tertiary critical functions in the Bank. Many were instructed to work from home for the duration, so that any one employee who became sick would not alter the critical functions of the Bank and our commitment to our communities. On March 17, we reluctantly but wisely closed all public spaces and our retail lobbies. We felt this was necessary to protect the community and our employees from additional spread of COVID.

The Bank's Credit Planning team met and discussed an overall strategy and established goals for our lending portfolio. The number one overriding goal for everyone on the team was to ensure liquidity to our businesses so they could not only survive the inevitable recession brought on by COVID, but thrive in a post-COVID world. To that end, we worked with borrowers, both commercial and consumer, to assist them in planning out their response. These plans would temporarily lower the Bank's revenue, but these actions were needed to fulfill our promise and commitment to our communities. In addition, the Federal Reserve enacted a rapid reduction of 150 basis points, which put additional downward pressure on our revenue stream.

The Bank also took part in the Small Business Administration's (SBA) Paycheck Protection Program (PPP). This was a brand-new program, hastily put together with little to no instructions from the SBA

at the very beginning. We put together a team of employees to read the actual law that was enacted. With the help of our own internal experts in law, accounting, business and credit, we deciphered the intent of the law and built our own calculators to speed the process of onboarding PPP loans. Our Business Advisors sat distanced in-person or virtually with our borrowers and helped them file their claims. They also answered questions as they arose, while keeping abreast of constant daily changes of the program through interim final rulings and directives handed down by the SBA. In the end, Baker Boyer booked 329 new PPP loans worth \$44 million in the Walla Walla Valley, Tri-Cities and Yakima – all this was done in a matter of a few weeks.

Our retail branches also needed to adjust, including re-distributing human resources to address the new ways our clients would need to interface with the Bank. In last year's annual report, I explained the large investment that Baker Boyer had made and would continue to make in digital and virtual banking. These investments would be turned on and instituted without delay. We deployed more employees to work with our clients via our newly created digital banking team. This team also implemented new mobile and digital platforms so our clients could more easily navigate their entire retail banking relationship in one holistic and easy to understand platform.

In addition, virtual meeting systems that had been deployed in 2019 by our Information Technology (IT) Team were put to the test as 75% of our employees were now working from home. Although the loneliness and isolation of working from home is not the experience we strive for at the Bank for our employees, the true grit and perseverance they have displayed has truly been astounding. Many clients have expressed appreciation for the depth of conversations still viable via virtual meetings while keeping everyone involved safe.

This past year, I asked all employees to dig deep and commit to our communities. All employees, from lending, retail, asset management, and especially administration worked tirelessly in unbelievable circumstances for our clients and for each other. We even completed our new Baker Boyer Financial Center in Yakima during the height of the Pandemic. Rest assured, the employees of Baker Boyer heard that call and continued to give it everything to safeguard, protect and assist the communities we serve.

Those same communities have also committed back to the Bank. Unprecedented growth in deposits have taken place in 2020. Year over year, the Bank has grown deposits by \$110 million to \$648 million on December 31, 2020 – a 20% increase. In addition, the assistance we displayed by “hand-holding,” our customers (current clients as well as non-clients) through the difficult PPP loan application process did not go unnoticed. We have been praised by several businesses we helped because of the lack of assistance they had received from the financial institution they had been working with. Because of this, those businesses have become new customers which we are more than happy to assist both now and in the future.

As we see the rollout of a vaccine throughout 2021, Baker Boyer sees its future as promising and expanding. Those investments planned in 2019 were instrumental in our ability to pivot and fulfill on our commitment to our communities as quickly as we did. Three years of planned investments were condensed into a mere few months with

as little disruption to our clients as possible. Although interest rate reductions will again temporarily lower our net income for the next few years, this lowering is just that – temporary.

How do I know that? Because this isn't the first Pandemic that the Bank has survived. In 1918 and 1919, Baker Boyer was just celebrating our 50th Anniversary as the entire world stumbled into the Spanish Flu Pandemic. The Presidents of the Bank at that time were Miles Moore, D.S. Baker's son in law and W.W. Baker, D.S. Baker's son. Baker Boyer prospered for 100 years after the last Pandemic, it will prosper for many years after COVID is a distant memory.

I end this letter as I recall my 2018 annual report letter to shareholders – Cui Bono?, “Who Benefits?” The same core values of commitment to the community you serve and perseverance of the unprecedented are the values that lay at the heart of everything we do here at Baker Boyer. “Who Benefits?” We all do when the community and the Bank are as committed to persevering **together**.



A person with long dark hair, wearing a grey textured sweater, is seen from the back, looking at a large video conference screen. The screen displays a grid of several participants in a virtual meeting. The background is slightly blurred, focusing attention on the person and the screen.

FINANCIAL HIGHLIGHTS 2020

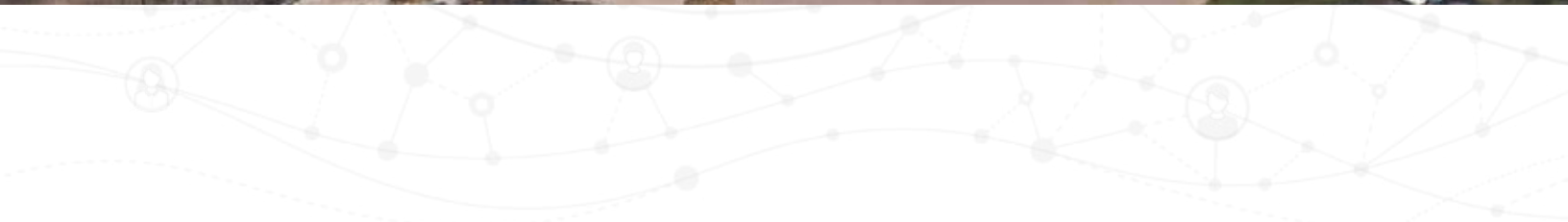
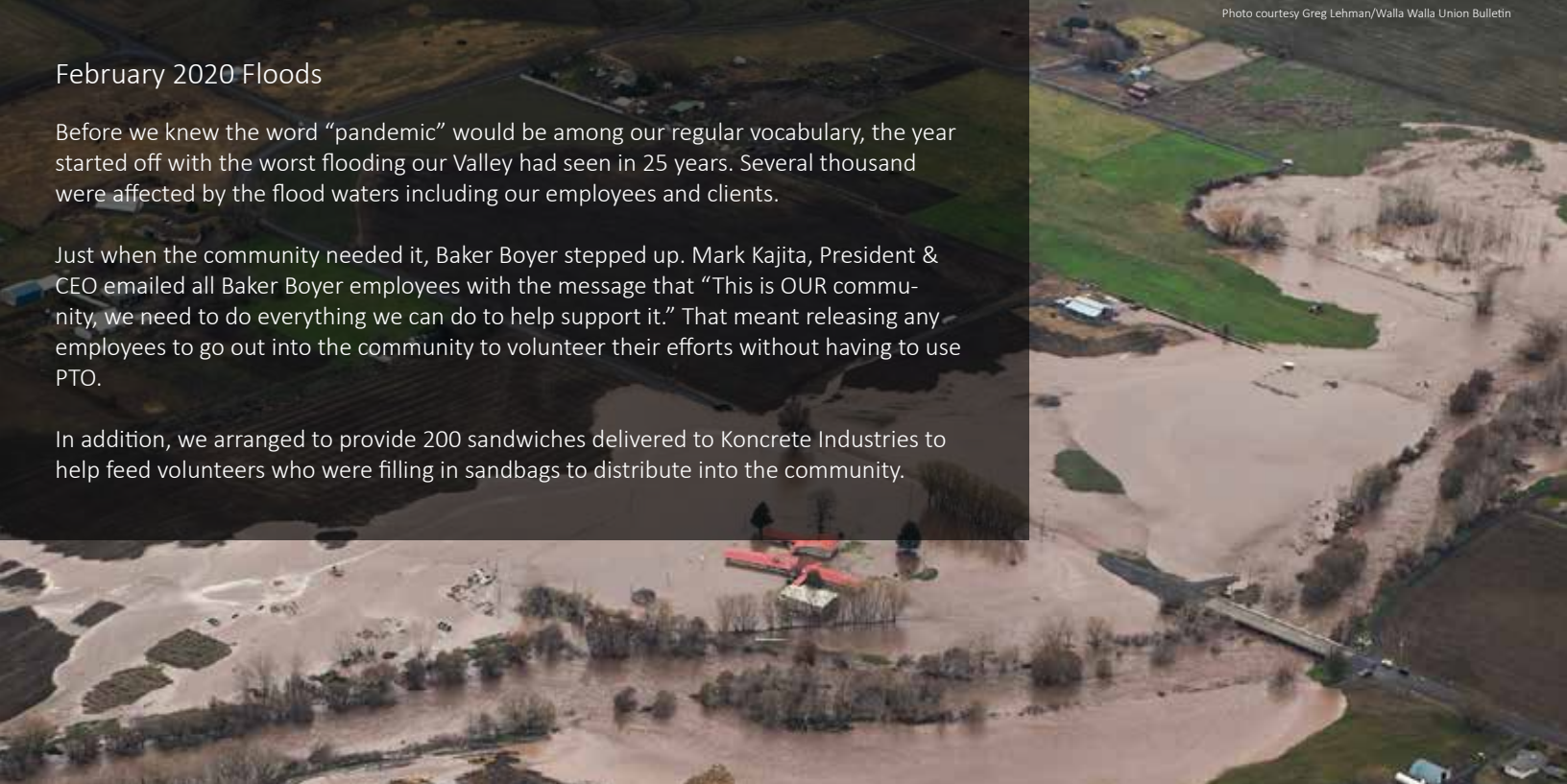
- Asset size of the Bank increased substantially, over 19%, from \$608 to \$726 million as of December 31, 2019 and 2020, respectively.
- Loan balance increased \$64 million ending at \$347 million at December 31, 2020. This equates to a 22.6% increase over the previous year. Paycheck Protection Program (PPP) loans contributed to the increase.
- Total assets under management increased by 7% from \$1.26 to \$1.35 billion as of December 31, 2019 and 2020, respectively.
- Cost of interest-bearing deposits fell to an average of 0.07% in 2020.
- Net charge off to average loans remained near zero at 0.02%

February 2020 Floods

Before we knew the word “pandemic” would be among our regular vocabulary, the year started off with the worst flooding our Valley had seen in 25 years. Several thousand were affected by the flood waters including our employees and clients.

Just when the community needed it, Baker Boyer stepped up. Mark Kajita, President & CEO emailed all Baker Boyer employees with the message that “This is OUR community, we need to do everything we can do to help support it.” That meant releasing any employees to go out into the community to volunteer their efforts without having to use PTO.

In addition, we arranged to provide 200 sandwiches delivered to Koncrete Industries to help feed volunteers who were filling in sandbags to distribute into the community.



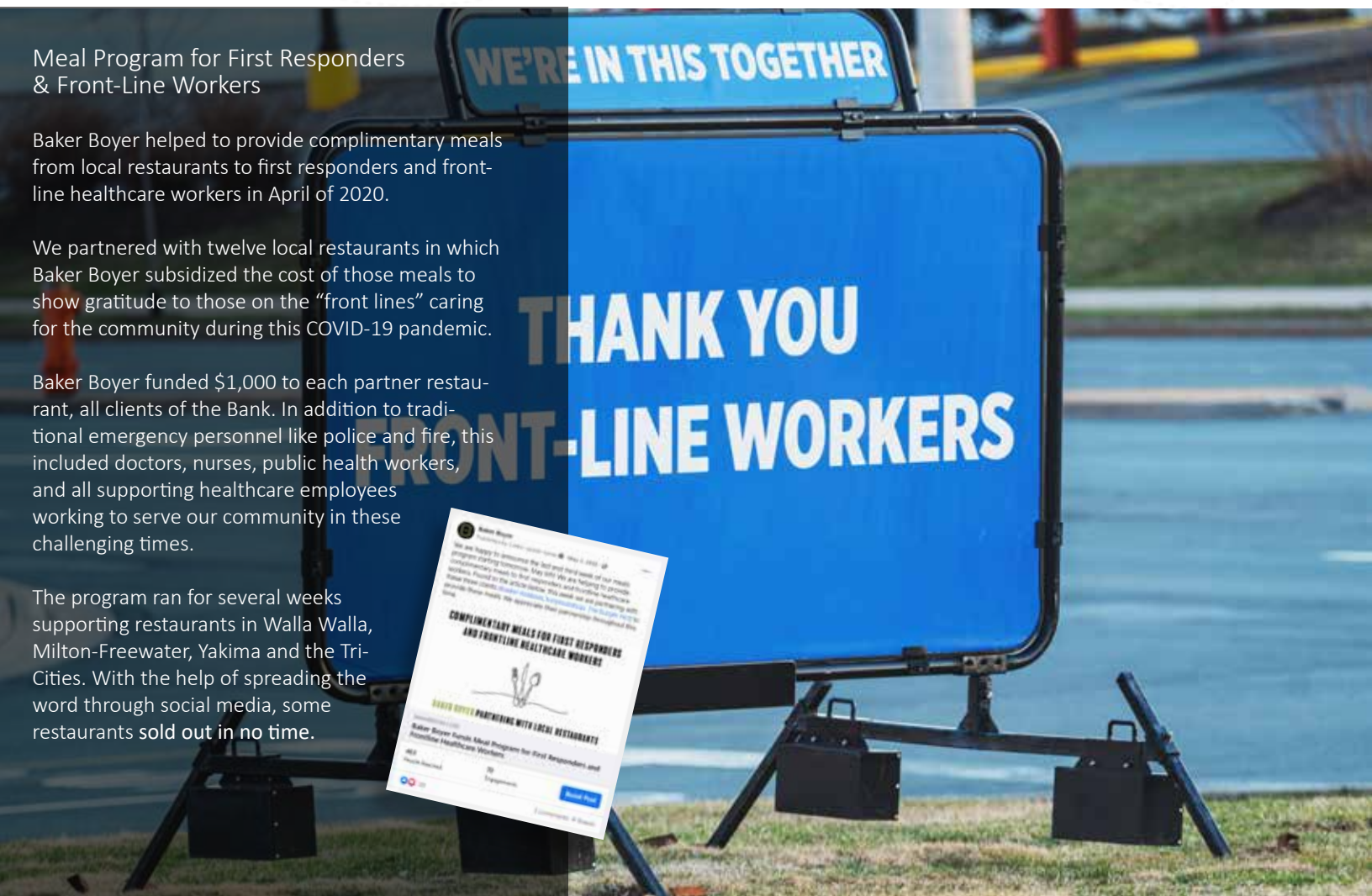
Meal Program for First Responders & Front-Line Workers

Baker Boyer helped to provide complimentary meals from local restaurants to first responders and front-line healthcare workers in April of 2020.

We partnered with twelve local restaurants in which Baker Boyer subsidized the cost of those meals to show gratitude to those on the “front lines” caring for the community during this COVID-19 pandemic.

Baker Boyer funded \$1,000 to each partner restaurant, all clients of the Bank. In addition to traditional emergency personnel like police and fire, this included doctors, nurses, public health workers, and all supporting healthcare employees working to serve our community in these challenging times.

The program ran for several weeks supporting restaurants in Walla Walla, Milton-Freewater, Yakima and the Tri-Cities. With the help of spreading the word through social media, some restaurants sold out in no time.





Help for Our Schools

We know that schools are vital to the health of our communities, especially so during a pandemic, so we donated funds to several school systems in the Walla Walla and Yakima Valley.

Our donations helped in the aid of purchasing school supplies to help provide relief to families struggling because of the economic downturn caused by the COVID-19 pandemic.

In addition to school supplies, we even helped in the purchase of hand-washing stations to promote a safer and cleaner environment.

CHARITABLE GIVING - \$312,172

INCLUDING \$110,132 IN EMERGENCY PANDEMIC RELIEF

FOOD INSECURITY - \$47,000

LOW INCOME NEEDS - \$25,500

DOMESTIC VIOLENCE - \$11,500

HOMELESS SHELTERS - \$11,500

SCHOOL SUPPLIES- \$7,850

MENTAL HEALTH- \$6,782

All-In Washington Campaign

All in WA was a coordinated statewide effort that created a COVID-19 relief program to those organizations who were most impacted by the pandemic.

Through this campaign, there was an opportunity of the funds being matched up to 100%. Through our participation in this campaign, all donations we made were matched at the full 100% meaning organizations received double the gift!

\$123,764

ALL IN WA
MATCH

\$61,882

BAKER BOYER
DONATIONS



Digital Banking Rollout

2020 saw Baker Boyer's digital banking effort take a huge step forward.

Clients can now bank from almost anywhere more seamlessly with the upgraded Baker Boyer digital banking solution.

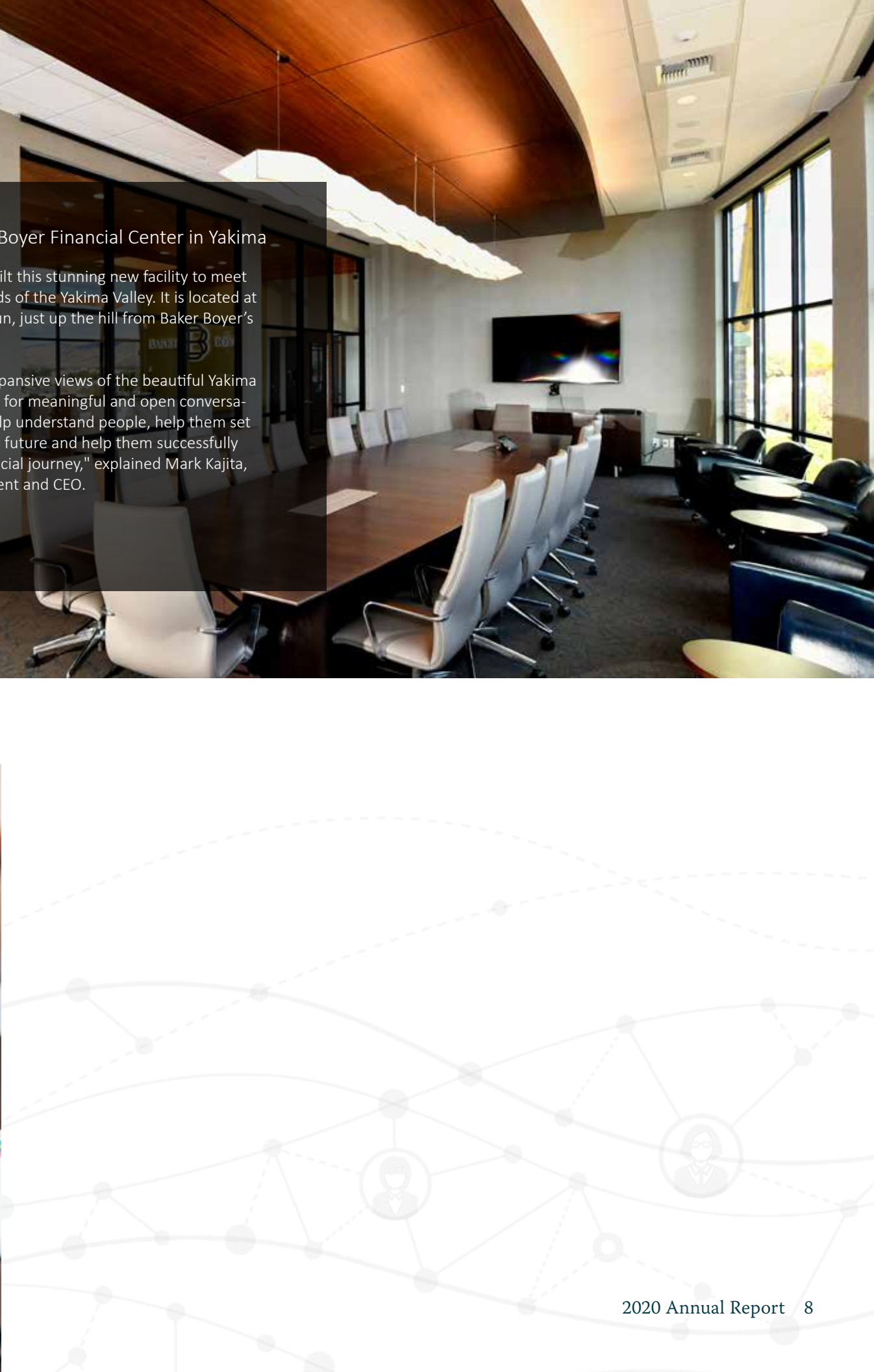
They can manage accounts, deposit checks, pay bills, pay people-to-people, and transfer money as well as create budgets, categorize spending, track cash flow, and more.



Our New Baker Boyer Financial Center in Yakima

Baker Boyer has built this stunning new facility to meet the expanding needs of the Yakima Valley. It is located at 921 Seattle Slew Run, just up the hill from Baker Boyer's current facility.

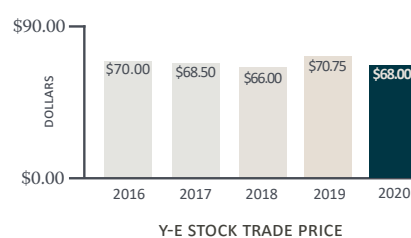
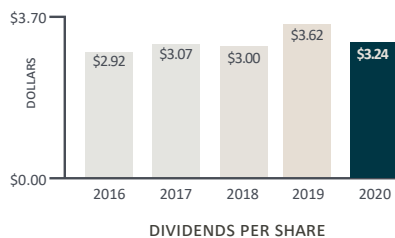
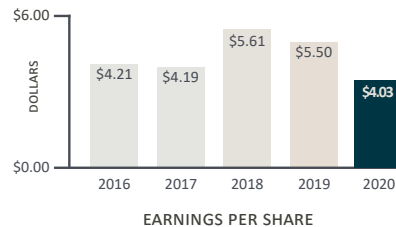
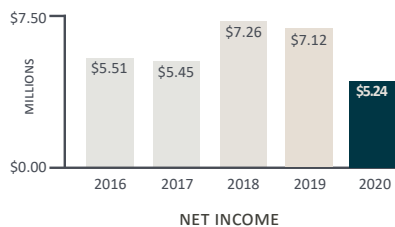
"The rooms and expansive views of the beautiful Yakima Valley are designed for meaningful and open conversations, so we can help understand people, help them set the course for their future and help them successfully navigate their financial journey," explained Mark Kajita, Baker Boyer President and CEO.



FINANCIAL HIGHLIGHTS

(Unaudited, Dollars in Thousands Except Per Share Amounts)

| YEAR-TO-DATE | 12/31/20 | 12/31/19 | % CHANGE |
|---|-----------|-----------|----------|
| Net Income | \$5,235 | \$7,117 | (26.4) |
| Cash Dividends Paid | 4,191 | 4,686 | (10.6) |
| Return on Average Assets | 0.79% | 1.20% | |
| Return on Average Shareholders' Equity | 8.65% | 12.38% | |
| Weighted Average Number of Shares Outstanding | 1,285,712 | 1,282,903 | |
| PER SHARE | 12/31/20 | 12/31/19 | % CHANGE |
| Earnings | \$4.03 | \$5.50 | (26.7) |
| Cash Dividends Paid | 3.24 | 3.62 | (10.5) |
| Book Value | 47.39 | 45.65 | 3.8 |
| AT YEAR END | 12/31/20 | 12/31/19 | % CHANGE |
| Total Assets | \$725,679 | \$608,064 | 19.3 |
| Total Loans | 347,137 | 283,177 | 22.6 |
| Allowance for Credit Losses | (6,351) | (6,387) | (0.6) |
| Total Investment Securities | 188,133 | 123,654 | 52.1 |
| Interest Bearing Deposits at Other Financial Institutions | 162,973 | 178,537 | (8.7) |
| Total Deposits | 647,515 | 537,432 | 20.5 |
| Total Shareholders' Equity | 61,237 | 59,019 | 3.8 |
| DAILY AVERAGE FOR THE YEAR | 12/31/20 | 12/31/19 | % CHANGE |
| Assets | \$665,152 | \$595,536 | 11.7 |
| Loans - Net | 311,522 | 280,872 | 10.9 |
| Investment Securities | 149,482 | 123,594 | 20.9 |
| Interest Bearing Deposits at Other Financial Institutions | 171,618 | 165,909 | 3.4 |
| Deposits | 586,142 | 522,471 | 12.2 |
| Shareholders' Equity | 60,506 | 57,500 | 5.2 |



FIVE YEAR HIGHLIGHTS

(Unaudited)

| PER SHARE | 2020 | 2019 | 2018 | 2017 | 2016 |
|----------------------|--------|--------|--------|--------|--------|
| Earnings* | \$4.03 | \$5.50 | \$5.61 | \$4.19 | \$4.21 |
| Cash dividends | 3.24 | 3.62 | 3.00 | 3.07 | 2.92 |
| Book value, year-end | 47.39 | 45.65 | 42.71 | 40.39 | 39.46 |

| FOR THE YEAR (dollars in thousands) | 2020 | 2019 | 2018 | 2017 | 2016 |
|-------------------------------------|---------|---------|---------|---------|---------|
| Net income | \$5,235 | \$7,117 | \$7,262 | \$5,449 | \$5,507 |
| Cash dividends | 4,191 | 4,686 | 3,882 | 3,984 | 3,807 |

| PERFORMANCE MEASURES | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|-------|--------|--------|--------|-------|
| Return on average assets | 0.79% | 1.20% | 1.21% | 0.90% | 0.95% |
| Return on average equity | 8.65 | 12.38 | 13.62 | 10.35 | 10.63 |
| Yield on average earning assets - fully taxable equivalent | 3.47 | 4.17 | 3.84 | 3.57 | 3.55 |
| Average cost of interest bearing liabilities | 0.07 | 0.23 | 0.10 | 0.07 | 0.08 |
| Net interest margin - fully taxable equivalent | 3.43 | 4.02 | 3.77 | 3.52 | 3.50 |
| Average equity to average assets ratio | 8.38 | 9.49 | 9.32 | 8.60 | 8.60 |
| Dividend payout ratio | 80.06 | 65.84 | 53.46 | 73.11 | 69.13 |
| Net (recoveries) charge-offs to average loans | 0.02 | (0.04) | (0.01) | (0.06) | 0.20 |
| Year-end ratio of allowance for credit losses to total loans | 1.83 | 2.26 | 2.18 | 2.17 | 2.16 |

| EMPLOYMENT | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|------|------|------|------|------|
| Number of Full-Time Equivalent Employees at Year-End | 188 | 203 | 175 | 179 | 176 |

*Earnings per share are calculated on the net weighted average number of shares outstanding. The weighted average number of shares outstanding was:

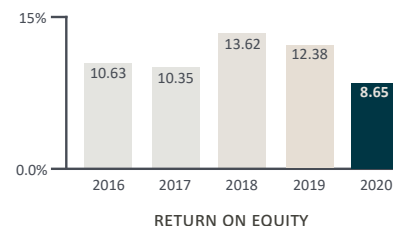
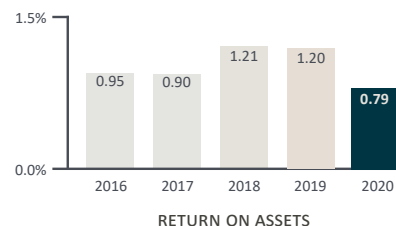
2020: 1,285,712

2019: 1,282,903

2018: 1,282,006

2017: 1,287,109

2016: 1,295,977



AVERAGE DAILY BALANCE SHEETS

(Unaudited. Dollars in Thousands)

| ASSETS | 2020 | 2019 |
|---|------------------|------------------|
| Cash and amounts due from banks | \$6,293 | \$4,666 |
| Interest-bearing deposits at other financial institutions | 171,618 | 165,909 |
| Securities available for sale, at fair value | 146,813 | 120,934 |
| Securities held to maturity, at cost | 1,318 | 1,310 |
| Other investments, at cost | 1,351 | 1,350 |
| Loans | 317,871 | 287,176 |
| Allowance for credit losses | (6,349) | (6,304) |
| Net Loans | 311,522 | 280,872 |
| Premises and equipment, net | 20,346 | 14,120 |
| Accrued interest receivable | 2,405 | 2,417 |
| Other assets | 3,486 | 3,958 |
| Total Assets | \$665,152 | \$595,536 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Deposits | | |
| Demand, non-interest-bearing | \$210,835 | \$171,817 |
| Savings and interest-bearing demand | 343,550 | 315,676 |
| Time | 31,757 | 34,978 |
| Total Deposits | 586,142 | 522,471 |
| Securities sold under agreement to repurchase | 17,715 | 14,299 |
| Accrued interest payable | 24 | 46 |
| Other liabilities | 765 | 1,220 |
| Total Liabilities | 604,646 | 538,036 |
| SHAREHOLDERS' EQUITY | | |
| Common Stock (no par value, stated value \$3.125 per share) | 4,036 | 4,045 |
| Additional paid-in capital | 281 | 368 |
| Retained earnings | 54,467 | 52,681 |
| Accumulated other comprehensive income | 1,722 | 406 |
| Total Shareholders' Equity | 60,506 | 57,500 |
| Total Liabilities and Shareholders' Equity | \$665,152 | \$595,536 |

AUDITOR & STOCK INFORMATION

INDEPENDENT PUBLIC ACCOUNTANTS AND AUDITORS

Moss Adams, LLP - 601 West Riverside, Suite 1800, Spokane, WA 99201-0663 | (509) 747-2600

MARKET MAKERS FOR BAKER BOYER BANCORP STOCK

Jefferies Group, Inc – 520 Madison Avenue, New York, NY 10022 | (212) 284-2300

VIRTU Financial, Inc – 165 Broadway, New York, NY 10006 | (646) 682-6000

Monroe Financial Partners, Inc – 100 N Riverside Plaza, Suite 1620, Chicago, IL 60606 | (312) 327-2530

BNY Mellon | Pershing – 1 Pershing Plaza, Jersey City, NJ 07399 | (800) 445-4467

UBS Capital Markets, LP – 480 Washington Boulevard, Jersey City, NJ 07310 | (201) 318-5900

Wedbush Securities – 1000 Wilshire Blvd, Los Angeles, CA 90017 | (213) 688-8000

DIRECT CONTACTS FOR STOCK REPURCHASES

Mark Hess, Executive Vice President/Chief Operating Officer | (509) 526-1315

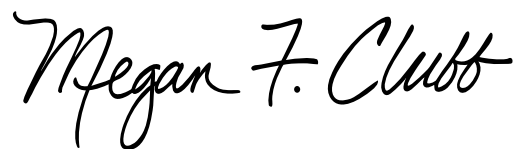
Mark H. Kajita, President/Chief Executive Officer | (509) 526-1412

CORPORATE AND INVESTOR INFORMATION

Baker Boyer Bancorp is a Washington corporation registered under the Bank Holding Company Act of 1956 as a bank holding company. The Company's shares are not registered under the Securities Exchange Act of 1934. As of April 1994, the Company's shares were listed on the Over-The-Counter (OTC) Bulletin Board under the symbol BBBK. As of December 31, 2020, there were 1,292,976 shares of common stock issued and outstanding. General shareholder account inquiries should be directed to the Company's Chief Operating Officer at the following address and telephone number:

Mark Hess, Executive Vice President/Chief Operating Officer
7 West Main Street, PO Box 2175, Walla Walla, WA 99362
(509) 525-2000 | (800) 234-7923

I, the undersigned, hereby attest to the correctness of information contained in the Annual Report of Baker Boyer Bancorp and its wholly-owned subsidiary, Baker Boyer National Bank. This Annual Report is also furnished to customers of Bancorp pursuant to the requirements of the Federal Deposit Insurance Corporation (FDIC) to provide an annual disclosure statement. This Annual Report has not been reviewed for accuracy or relevance by the FDIC.



Chair of the Board
Baker Boyer Bancorp

Member FDIC



1 MEGAN F. CLUBB

Chair, Baker Boyer Bancorp,
Retired, President and CEO,
Baker Boyer National Bank
Walla Walla, WA
Member of the Executive
Compensation Committee

2 MARK H. KAJITA, CPA

President and CEO
Baker Boyer National Bank
Walla Walla, WA

3 JON S. BREN

Secretary to the Board of Directors
Retired Board Director,
Baker Boyer National Bank
Walla Walla, WA

4 J. ERIC KIMBALL, CPA

Certified Public Accountant
Owner, J. Eric Kimball CPA
Walla Walla, WA
Member of the Audit Committee

5 JASON H. PRATT

Director of Supportability,
Microsoft
Seattle, WA
Member of the Audit Committee

6 CHARLES H. EGLIN

Building Contractor,
Owner Tri-Ply Construction
Yakima, WA
Chairman of the Audit Committee

7 DAVID B. CAMPBELL

Farming, Construction and Energy Systems,
Retired
Walla Walla, WA
Chairman of the Executive
Compensation Committee

8 DAVID B. GORDON

Retired General Manager,
Northwest Grain Growers
Walla Walla, WA
Member of the Executive
Compensation Committee

9 MICHAEL MAHONEY

Senior Managing Director,
Falcon Point Capital, LLC
San Francisco, CA
Member of the Executive
Compensation Committee

10 CLIFFORD "KIP" W. KONTOS

Captain, Alaska Airlines
Walla Walla, WA
Member of the Executive
Compensation Committee



JOSHUA ALLINGTON
Executive Vice President,
Chief Banking Officer
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ROB BLETHEN, CFP®
Executive Vice President
D.S. Baker Advisors
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VESNA DODGE, JD, CTFA
Executive Vice President
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Executive Vice President,
Chief Technology Officer
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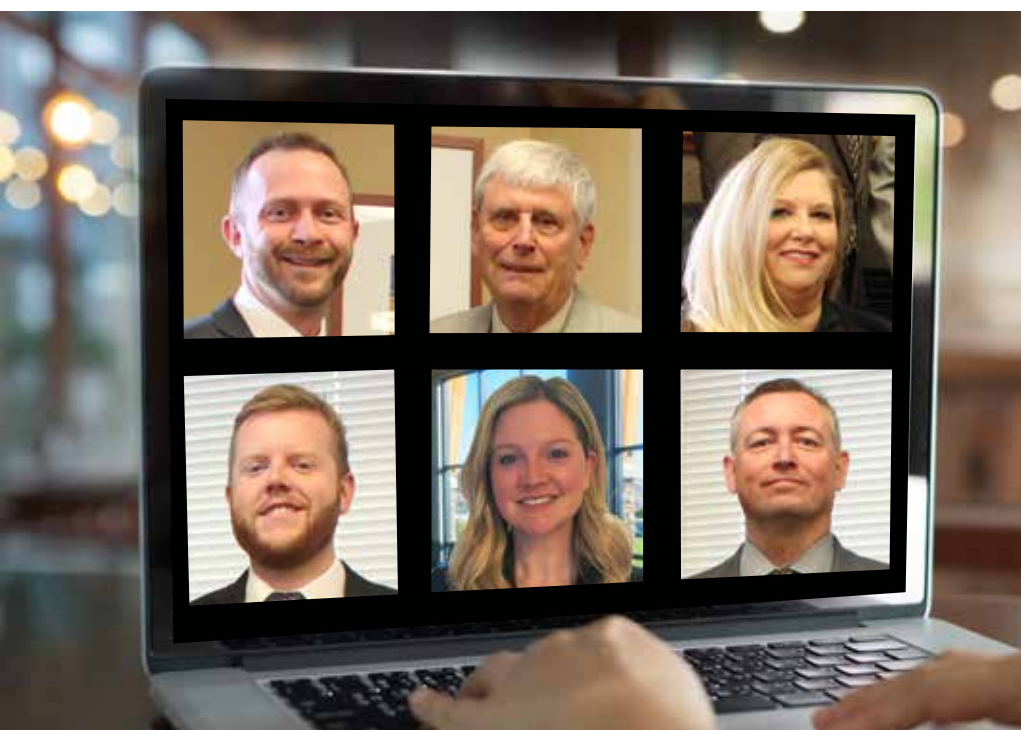
MARK A. HESS, CFA
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Administration
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MARK H. KAJITA, CPA
Chair of the Executive Committee
President & CEO
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Strategic Plan Director
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JESSICA LONG
Assistant Vice President
Executive Project Manager
Senior Executive Assistant
Secretary of the Executive Committee
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JOLENE RIGGS
Executive Vice President
Chief Financial Officer
riggsj@bakerboyer.com



THE CONTINUITY AND ADVISORY COMMITTEE (CAC)

Members are: (from left to right) Top: Brian Bush, Dorsey F. Baker (former Board Member and mentor), Elizabeth A. Hill. Bottom, Riley B. Clubb, Rebecca J. Olson and Nathan B. Campbell

THE CONTINUITY AND ADVISORY COMMITTEE EDUCATION TEAM

Members are: (not pictured) Amy Hess, Tom Campbell and Tessa Kimball

OUR LOCATIONS

HEADQUARTERS

7 W. MAIN STREET
WALLA WALLA, WA 99362

EASTGATE BRANCH

1931 E. ISAACS
WALLA WALLA, WA 99362

PLAZA BRANCH

1530 PLAZA WAY
WALLA WALLA, WA 99362

MILTON-FREEWATER BRANCH

320 N. COLUMBIA
MILTON-FREEWATER, OR 97862

WHEATLAND VILLAGE BRANCH

1500 S. CATHERINE STREET
WALLA WALLA, WA 99362

KENNEWICK OFFICE

1149 N. EDISON STREET
KENNEWICK, WA 99336

YAKIMA OFFICE

921 SEATTLE SLEW RUN
YAKIMA, WA 98908

