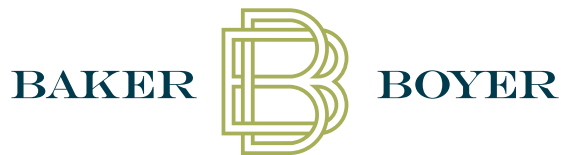


2018

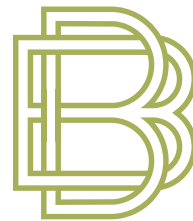
SECOND QUARTER REPORT



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

BOARD OF DIRECTORS

Megan F. Clubb, Chair	Mark H. Kajita
Peter Allen	J. Eric Kimball
Jon S. Bren	Kip Kontos
David B. Campbell	Charles H. Eglin
John R. Valaas	Dave Gordon



BAKER BOYER

FAMILY LEGACIES GROWN LOCALLY

Walla Walla Tri-Cities Yakima

Dear Baker Boyer Shareholder:

July 16, 2018

As we ended the 2nd quarter of 2018, our farmers in the valley prepared for harvest. This year there has been plenty of moisture to help grow the crop and provide strong yields. In addition, pricing has strengthened from the most recent prior years. As of the writing of this letter, soft white wheat delivered to Portland was pricing at \$5.90/bushel, whereas the same bushel was pricing at approximately \$5.00/bushel at the same time last year. This strong yield and increase in pricing will be a welcome relief to the farmers of the Walla Walla Valley.

The Bank itself continues to strengthen. Average loans on June 30, 2018 have increased by over 2% from the same time the year before. In addition, the average net interest margin has also increased by approximately 20 basis points. This combination has fueled growth in net interest income to \$10.2 million for the six months ending June 30, 2018, a 9.7% increase from the same time period in 2017.

In addition, non-interest income has also increased, spurred on once again by increases in both groups of the Asset Management Division. The Investment Management and Trust Group reported income of \$4.2 million for the six months ending June 30, 2018, a 9.9% increase in gross income from the same time period of 2017. The Investor Services Group reported \$0.6 million in gross income for the six months ending June 30, 2018, a 12.9% increase over that same time period in 2017.

The strength of both the Banking and Asset Management Divisions has led to a 10.2% increase in net income before taxes for the six months ending June 30, 2018 from the same time period in 2017. With the reduction of corporate income taxes enacted in 2018, net income after tax is up 18.8%.

As always, the management of Baker Boyer appreciates your loyalty to Baker Boyer and its management of the Bank. Please contact me if you have any further questions.

Sincerely,

Mark H. Kajita, CPA
President and CEO

Consolidated Balance Sheet - Average ytd

(Unaudited)

	June 30,		% Chg.
	2018	2017	
<i>(Dollars in Thousands)</i>			
ASSETS			
Cash and amounts due from banks	\$ 4,543	\$ 4,620	(1.7)
FFS and Int-bearing deposits at other financial institutions	122,206	93,819	30.3
Total Cash and Cash Equivalents	126,749	98,439	28.8
Investment securities:			
Available-for-sale, at fair value	176,323	213,437	(17.4)
Held-to-maturity at cost	1,300	1,292	0.6
Other investments, at cost	1,318	1,318	-
Total Investments	178,941	216,047	(17.2)
Loans	284,380	277,925	2.3
Allowance for credit losses	(6,243)	(6,137)	1.7
Net Loans	278,137	271,788	2.3
Bank premises and equipment, net	12,999	13,264	(2.0)
Accrued interest receivable	2,575	2,771	(7.1)
Other assets	3,865	4,103	(5.8)
TOTAL ASSETS	\$ 603,266	\$ 606,412	(0.5)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Noninterest bearing	\$ 168,644	\$ 165,623	1.8
Interest bearing	365,267	362,539	0.8
Total Deposits	533,911	528,162	1.1
Federal funds purchased and security repurchase agreements	15,588	24,281	(35.8)
Other borrowed funds	0	830	-
Accrued interest payable	17	21	(19.0)
Other liabilities	1,076	1,099	(2.1)
TOTAL LIABILITIES	550,592	554,393	(0.7)
SHAREHOLDERS' EQUITY			
Common stock (no par value, stated value \$3.125 per share)			
	6/30/18	6/30/17	
Shares authorized	4,000,000	4,000,000	
Shares issued and outstanding	1,292,840	1,298,366	0.1
Additional paid-in capital	404	768	(47.4)
Retained earnings	48,755	46,889	4.0
Accumulated other comprehensive income (loss)	(532)	320	(266.3)
TOTAL SHAREHOLDERS' EQUITY	52,674	52,019	1.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 603,266	\$ 606,412	(0.5)

Consolidated Statements of Income

(Unaudited)

	Six Months Ending June 30,		% Chg.
	2018	2017	
<i>(Dollars in Thousands, except per share amounts)</i>			
Interest and Dividend Income			
Loans, including fees	\$ 7,791	\$ 7,278	7.0
Federal funds sold and deposits at other financial institutions	993	508	95.5
Investment securities:			
Taxable	408	414	(1.4)
Tax-exempt	1,131	1,227	(7.8)
Other investment income and dividends	27	29	(6.9)
Total Interest and Dividend Income	10,350	9,456	9.5
Interest Expense			
Deposits	117	124	(5.6)
Federal funds purchased and security repurchase agreements	9	10	(10.0)
Other borrowed funds	0	5	-
Total Interest Expense	126	139	(9.4)
Net Interest Income	10,224	9,317	9.7
Provision for credit losses	0	2	(100.0)
Net Interest Income after Provision for Credit Losses	10,224	9,315	9.8
Non-Interest Income			
Trust and Investment Management fees	4,175	3,800	9.9
DS Baker Investment fees (brokerage)	648	574	12.9
Service charges on deposit accounts	362	424	(14.6)
Other service charges and fees	674	671	0.4
Other operating income	154	344	(55.2)
Total Non-Interest Income	6,013	5,813	3.4
Non-Interest Expense			
Salaries, wages, and other compensation	6,267	5,851	7.1
Retirement and employee benefits	2,073	1,942	6.7
Net occupancy expense	609	636	(4.2)
Furniture and equipment expense	282	246	14.6
Other operating expense	3,346	3,131	6.9
Total Non-Interest Expense	12,577	11,806	6.5
Income Before Income Taxes	3,660	3,322	10.2
Provision For Income Taxes	553	707	(21.8)
NET INCOME	\$ 3,107	\$ 2,615	18.8
Basic Earnings Per Common Share	\$ 2.42	\$ 2.03	19.3
Weighted Average Number of Shares Outstanding	1,282,866	1,288,196	