

# 2020

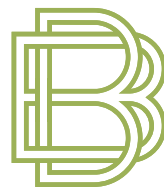
## FIRST QUARTER REPORT



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

### BOARD OF DIRECTORS

Megan F. Clubb, Chair	Mark H. Kajita
Jason H. Pratt	J. Eric Kimball
Jon S. Bren	Clifford "Kip" W. Kontos
David B. Campbell	Charles H. Eglin
Michael J. Mahoney	David B. Gordon



## BAKER BOYER

FAMILY LEGACIES GROWN LOCALLY

*Walla Walla. Tri-Cities Yakima.*

April 24, 2020

Dear Baker Boyer Shareholder:

Entering 2020, we saw a number of major developments in Eastern Washington and Oregon as well as in the nation. In early February, the Walla Walla Valley— from Milton-Freewater, Oregon to the Columbia River— was beset by a flood that tested the resolve of our community. This flood, although damaging to some small fields and farms, spared Downtown Walla Walla. Baker Boyer intervened and provided emergency lending to the City of Walla Walla in order to rebuild part of the City's water pipeline that was washed away during the flood. In addition, employees helped as first responders and volunteers for families, friends, and to our community. The community remains extremely grateful to all first responders as well as the U.S. Army Corps. of Engineers and the generosity of companies like Konen Rock Crushing and Koncrete Industries who helped get the community back on its feet.

The second event was the worldwide global pandemic known as COVID-19. Although the final impact of COVID-19 has yet to be written in the history books, the initial brunt of the pandemic was felt all over the world, and our communities were no different. Baker Boyer, like many banks, took part in the unprecedented \$350 billion Paycheck Protection Plan (PPP) administered by the Small Business Administration (SBA). On April 16, 2020, the initial phase of this plan was fully spent, and Baker Boyer assisted nearly 200 clients fund PPP loans for a total of nearly \$37 million. In addition, we continue to assist our communities by investing in charitable causes most in need during this pandemic, as well as continue to finance our clients through our own means.

Although, we believe this event may be longer than we had first been led to believe, the Bank is in a strong position to weather this crisis. As of the date of this letter, Baker Boyer has the largest capital balance, largest deposit base, strongest loan loss reserve in our history. We also have over \$250 million dollars in liquidity to assist our clients and our communities.

Through it all, Baker Boyer's net income has remained strong at \$1.4 million for the three months ending March 31, 2020, \$0.2 million above our budget for the same time period in 2020. Average year-to-date deposits were \$545 million on March 31, 2020, a 3.8% increase over the same date in 2019. Loan loss reserve is steady at \$6.3 million on March 31, 2020 and remains an extremely healthy 2.24% of total loans. Overall, Baker Boyer's strategy of diversifying our net income streams has made the Bank extremely resilient and able to assist our communities through COVID-19.

On a final note, I am extremely humbled to lead this extraordinary group of employees who make up the Baker Boyer Family. At this time, we are all working to service our clients with the professionalism, empathy, stability, and understanding they have come to expect. All the employees of Baker Boyer deserve a huge pat on the back, because they are the backbone of this historic company and our communities.

I wish you all a safe and healthy remainder of 2020. As always, if you have any questions, please feel free to contact me at Baker Boyer.

Sincerely,

Mark H. Kajita, CPA  
President and CEO

## Consolidated Balance Sheet - Average ytd

(Unaudited)

	March 31,		% Chg.
	2020	2019	
<i>(Dollars in Thousands)</i>			
<b>ASSETS</b>			
Cash and amounts due from banks	\$ 5,497	\$ 4,707	16.8
FFS and Int-bearing deposits at other financial institutions	180,502	154,555	16.8
<b>Total Cash and Cash Equivalents</b>	<b>185,999</b>	<b>159,262</b>	<b>16.8</b>
Investment securities:			
Available-for-sale, at fair value	129,734	136,306	(4.8)
Held-to-maturity at cost	1,315	1,307	0.6
Other investments, at cost	1,348	1,353	(0.4)
<b>Total Investments</b>	<b>132,397</b>	<b>138,966</b>	<b>(4.7)</b>
Loans	281,095	285,255	(1.5)
Allowance for credit losses	(6,359)	(6,258)	1.6
<b>Net Loans</b>	<b>274,736</b>	<b>278,997</b>	<b>(1.5)</b>
Bank premises and equipment, net	17,961	13,322	34.8
Accrued interest receivable	2,954	3,031	(2.5)
Other assets	2,675	3,300	(18.9)
<b>TOTAL ASSETS</b>	<b>\$ 616,722</b>	<b>\$ 596,878</b>	<b>3.3</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits			
Noninterest bearing	\$ 184,818	\$ 172,591	7.1
Interest bearing	360,107	352,239	2.2
<b>Total Deposits</b>	<b>544,925</b>	<b>524,830</b>	<b>3.8</b>
Federal funds purchased and security repurchase agreements	11,414	14,788	(22.8)
Other borrowed funds	5	0	-
Accrued interest payable	28	40	(30.0)
Other liabilities	959	1,055	(9.1)
<b>TOTAL LIABILITIES</b>	<b>557,331</b>	<b>540,713</b>	<b>3.1</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common stock (no par value, stated value \$3.125 per share)			
	3/31/20	3/31/19	
Shares authorized	4,000,000	4,000,000	
Shares issued and			
outstanding	1,296,563	1,296,753	4,043
Additional paid-in capital	391	401	(2.5)
Retained earnings	53,931	51,940	3.8
Accumulated other comprehensive income (loss)	1,026	(221)	(564.3)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>59,391</b>	<b>56,165</b>	<b>5.7</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 616,722</b>	<b>\$ 596,878</b>	<b>3.3</b>

## Consolidated Statements of Income

(Unaudited)

	Three Months Ending March 31,		% Chg.
	2020	2019	
<i>(Dollars in Thousands, except per share amounts)</i>			
<b>Interest and Dividend Income</b>			
Loans, including fees	\$ 3,856	\$ 4,101	(6.0)
Federal funds sold and deposits at other financial institutions	897	937	(4.3)
Investment securities:			
Taxable	339	209	62.2
Tax-exempt	346	460	(24.8)
Other investment income and dividends	19	18	5.6
<b>Total Interest and Dividend Income</b>	<b>5,457</b>	<b>5,725</b>	<b>(4.7)</b>
<b>Interest Expense</b>			
Deposits	91	193	(52.8)
Federal funds purchased and security repurchase agreements	3	4	(25.0)
Other borrowed funds	0	0	-
<b>Total Interest Expense</b>	<b>94</b>	<b>197</b>	<b>(52.3)</b>
<b>Net Interest Income</b>	<b>5,363</b>	<b>5,528</b>	<b>(3.0)</b>
<b>Provision for credit losses</b>	<b>3</b>	<b>2</b>	<b>50.0</b>
<b>Net Interest Income after Provision for Credit Losses</b>	<b>5,360</b>	<b>5,526</b>	<b>(3.0)</b>
<b>Non-Interest Income</b>			
Trust and Investment Management fees	2,294	2,090	9.8
DS Baker Investment fees (brokerage)	213	252	(15.5)
Service charges on deposit accounts	167	169	(1.2)
Other service charges and fees	278	257	8.2
Other operating income	93	105	(11.4)
<b>Total Non-Interest Income</b>	<b>3,045</b>	<b>2,873</b>	<b>6.0</b>
<b>Non-Interest Expense</b>			
Salaries, wages, and other compensation	3,392	3,092	9.7
Retirement and employee benefits	1,222	1,068	14.4
Net occupancy expense	306	320	(4.4)
Furniture and equipment expense	138	138	-
Other operating expense	1,641	1,678	(2.2)
<b>Total Non-Interest Expense</b>	<b>6,699</b>	<b>6,296</b>	<b>6.4</b>
<b>Income Before Income Taxes</b>	<b>1,706</b>	<b>2,103</b>	<b>(18.9)</b>
<b>Provision For Income Taxes</b>	<b>283</b>	<b>343</b>	<b>(17.5)</b>
<b>NET INCOME</b>	<b>\$ 1,423</b>	<b>\$ 1,760</b>	<b>(19.1)</b>
<b>Basic Earnings Per Common Share</b>	<b>\$ 1.11</b>	<b>\$ 1.37</b>	<b>(19.2)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>1,282,797</b>	<b>1,281,814</b>	