

2020

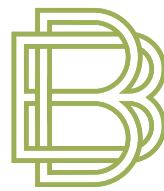
SECOND QUARTER REPORT



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BOARD OF DIRECTORS

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



BAKER BOYER

FAMILY LEGACIES GROWN LOCALLY

Walla Walla. Tri-Cities. Yakima.

Dear Baker Boyer Shareholder:

July 24, 2020

The first six months of 2020 has challenged so many communities in the US, Eastern Washington and Oregon are no different. COVID-19 has left many scared and fearful for what the future will bring. One thing they can rely on is that Baker Boyer can offer them hope and a vision of how we will assist our communities not only survive the Pandemic, but also thrive after it has passed.

To that end, Baker Boyer has teamed with companies, charities, and government agencies to provide financial support and financing where needed. Whether our donations are to food banks, partnerships with local restaurants for "Food to First Responders," or working with the Walla Walla School District to provide supplies to kids for the Fall, Baker Boyer is supporting local businesses and families in need.

So far in 2020, Baker Boyer completed the onboarding and financing of over \$44 million in SBA's Paycheck Protection Program (PPP) loans. This money was instantly put to work in our communities to support the financing of employee expenses throughout our footprint.

All of our efforts have not gone unnoticed. The professionalism and service we provide our communities along with the stability and safety the Bank provides, resulted in a historic increase in deposits as well as interest in new lending relationships. Total deposits as of June 30, 2020 are \$598.6 million, a staggering \$84.4 million increase over the same date in 2019. In addition, equity has increased to \$61.1 million on June 30, 2020, a 6.0% increase over the same date in 2019.

Through it all, Baker Boyer's net income has remained strong at \$2.64 million for the first six months ending June 30, 2020, a 10.7% increase over our budget for the same time period. Additionally, the diversification of our loan portfolio continues to add stability and provide the Bank valuable risk management. Although we understand that our loan portfolio will not be unscathed by the Pandemic, the loan loss reserve continues to remain strong at 1.91%.

Baker Boyer's strategy of diversifying our net income streams continues to make the Bank extremely resilient. Revenue from the Asset Management Division is reported at \$4.7 million for the first six months ending June 30, 2020. This revenue was on par with the same time period in 2019.

Overall, the Bank continues to be strong. We are prepared to weather through the Pandemic and assist our communities strengthen after it is over. The communities we serve have also rallied around the Bank and voted their support through increases in deposits to historic levels. Baker Boyer pledges to remain the reliable financial institution it has always been, now and in the future. 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)

	June 30, 2020		% Chg.
	2020	2019	
<i>(Dollars in Thousands)</i>			
ASSETS			
Cash and amounts due from banks	\$ 8,136	\$ 4,771	70.5
FFS and Int-bearing deposits at other financial institutions	172,219	155,017	11.1
Total Cash and Cash Equivalents	180,355	159,788	12.9
Investment securities:			
Available-for-sale, at fair value	138,988	129,228	7.6
Held-to-maturity at cost	1,316	1,308	0.6
Other investments, at cost	1,349	1,350	(0.1)
Total Investments	141,653	131,886	7.4
Loans	299,830	285,365	5.1
Allowance for credit losses	(6,332)	(6,262)	1.1
Net Loans	293,498	279,103	5.2
Bank premises and equipment, net	18,872	13,348	41.4
Accrued interest receivable	2,151	2,422	(11.2)
Other assets	3,836	4,172	(8.1)
TOTAL ASSETS	\$ 640,365	\$ 590,719	8.4
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Noninterest bearing	\$ 198,195	\$ 168,315	17.8
Interest bearing	366,598	350,571	4.6
Total Deposits	564,793	518,886	8.8
Federal funds purchased and security repurchase agreements	15,022	13,975	7.5
Other borrowed funds	5	1	400.0
Accrued interest payable	26	44	(40.9)
Other liabilities	827	1,044	(20.8)
TOTAL LIABILITIES	580,673	533,950	8.8
SHAREHOLDERS' EQUITY			
Common stock (no par value, stated value \$3.125 per share)			
	6/30/20	6/30/19	
Shares authorized	4,000,000	4,000,000	
Shares issued and outstanding	1,296,863	1,295,935	(0.1)
Additional paid-in capital	408	414	(1.4)
Retained earnings	54,121	52,313	3.5
Accumulated other comprehensive income (loss)	1,121	(6)	(18,783.3)
TOTAL SHAREHOLDERS' EQUITY	59,692	56,769	5.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 640,365	\$ 590,719	8.4

Consolidated Statements of Income

(Unaudited)

	Six Months Ending June 30,		% Chg.
	2020	2019	
<i>(Dollars in Thousands, except per share amounts)</i>			
Interest and Dividend Income			
Loans, including fees	\$ 7,778	\$ 8,253	(5.8)
Federal funds sold and deposits at other financial institutions	1,588	1,878	(15.4)
Investment securities:			
Taxable	724	389	86.1
Tax-exempt	685	891	(23.1)
Other investment income and dividends	32	32	-
Total Interest and Dividend Income	10,807	11,443	(5.6)
Interest Expense			
Deposits	159	418	(62.0)
Federal funds purchased and security repurchase agreements	6	10	(40.0)
Other borrowed funds	0	0	-
Total Interest Expense	165	428	(61.4)
Net Interest Income	10,642	11,015	(3.4)
Provision for credit losses	8	8	-
Net Interest Income after Provision for Credit Losses	10,634	11,007	(3.4)
Non-Interest Income			
Trust and Investment Management fees	4,378	4,253	2.9
DS Baker Investment fees (brokerage)	361	496	(27.2)
Service charges on deposit accounts	285	340	(16.2)
Other service charges and fees	595	554	7.4
Other operating income	404	194	108.2
Total Non-Interest Income	6,023	5,837	3.2
Non-Interest Expense			
Salaries, wages, and other compensation	6,856	6,417	6.8
Retirement and employee benefits	2,338	2,148	8.8
Net occupancy expense	600	612	(2.0)
Furniture and equipment expense	249	327	(23.9)
Other operating expense	3,452	3,442	0.3
Total Non-Interest Expense	13,495	12,946	4.2
Income Before Income Taxes	3,162	3,898	(18.9)
Provision For Income Taxes	518	625	(17.1)
NET INCOME	\$ 2,644	\$ 3,273	(19.2)
Basic Earnings Per Common Share	\$ 2.06	\$ 2.55	(19.2)
Weighted Average Number of Shares Outstanding	1,283,229	1,282,989	