

# 2020 THIRD QUARTER REPORT

Dear Baker Boyer Shareholder:

October 23, 2020

As I write this letter, Baker Boyer is entering the eighth month of pandemic protocol. Throughout all of this, we have been diligently working to find solutions to obstacles that COVID-19 has presented to both our clients as well as our employees. Whether that be new and innovative ways to interact with our clients to give them the Baker Boyer Experience or redeploying our workforce to a work from home status, the Bank has worked hard to meet the needs of all of our communities.

This task was made infinitely easier because of a decision made by the Board of Directors in 2019 to prepare for the future by investing heavily in human resources and information technology (IT). As I mentioned at the 2020 Shareholders Meeting held in May, the result would be lower net income in 2020 due to these investments. However, without those investments, Baker Boyer would not be in the resilient place it currently finds itself in. The preparation work we had performed in 2019 allowed us to deploy IT in a matter of months instead of years. This has led to reductions in other expenses that has left our overall YTD net income above our original budget for the nine months ending September 30, 2020.

Net income for the nine months ending September 30, 2020 was \$4.12 million, an improvement of 8.2% over what the Bank's budget was for the same time period. This is coupled with a strong increase in deposits to \$600.3 million as of September 30, 2020, or a 14.8% increase over our budget for the same date. This increase in deposits is a clear indication of the trust the communities have in Baker Boyer and our resiliency and reliability.

In addition, we continue to monitor our loan portfolio during COVID-19, and at present we are pleased to see that the clients we lend to have also proved to be resilient and flexible with their budgets during the pandemic. We continue to advise our clients on economic outlooks as well as financial implications for the next few months. Our overall goal is to give our clients the most flexibility we can, so that they enter the post COVID-19 environment as strong as possible.

Throughout all this, our employees continue to work with our communities to provide them the services they have come to expect from Baker Boyer. I am always humbled by the dedication of all employees to be flexible with clients and find them unique solutions to their obstacles. We truly believe that, "We are all in this together," and are all working hard to prepare our communities for the post-COVID-19 world.

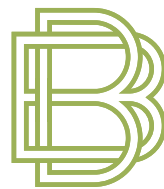
Sincerely,



Mark H. Kajita, CPA  
President and CEO



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**BAKER BOYER**

FAMILY LEGACIES GROWN LOCALLY

*Walla Walla. Tri-Cities. Yakima.*

## BOARD OF DIRECTORS

Megan F. Clubb, Chair

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

## Consolidated Balance Sheet - Average YTD

(Unaudited)

	Sept 30, 2020		% Chg.
	2020	2019	
<i>(Dollars in Thousands)</i>			
<b>ASSETS</b>			
Cash and amounts due from banks	\$ 6,904	\$ 4,682	47.5
FFS and Int-bearing deposits at other financial institutions	170,509	157,568	8.2
<b>Total Cash and Cash Equivalents</b>	<b>177,413</b>	<b>162,250</b>	<b>9.3</b>
Investment securities:			
Available-for-sale, at fair value	141,388	123,283	14.7
Held-to-maturity at cost	1,317	1,309	0.6
Other investments, at cost	1,351	1,350	0.1
<b>Total Investments</b>	<b>144,056</b>	<b>125,942</b>	<b>14.4</b>
Loans	311,378	287,699	8.2
Allowance for credit losses	(6,337)	(6,269)	1.1
<b>Net Loans</b>	<b>305,041</b>	<b>281,430</b>	<b>8.4</b>
Bank premises and equipment, net	19,729	13,600	45.1
Accrued interest receivable	2,260	2,400	(5.8)
Other assets	3,614	4,089	(11.6)
<b>TOTAL ASSETS</b>	<b>\$ 652,113</b>	<b>\$ 589,711</b>	<b>10.6</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits			
Noninterest bearing	\$ 203,995	\$ 168,020	21.4
Interest bearing	370,116	349,342	5.9
<b>Total Deposits</b>	<b>574,111</b>	<b>517,362</b>	<b>11.0</b>
Federal funds purchased and security repurchase agreements	17,006	13,800	23.2
Other borrowed funds	4	0	-
Accrued interest payable	25	48	(47.9)
Other liabilities	726	1,280	(43.3)
<b>TOTAL LIABILITIES</b>	<b>591,872</b>	<b>532,490</b>	<b>11.2</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common stock (no par value, stated value \$3.125 per share)			
	9/30/20	9/30/19	
Shares authorized	4,000,000	4,000,000	
Shares issued and			
outstanding	1,290,495	1,293,226	4,038
Additional paid-in capital	327	388	(15.7)
Retained earnings	54,322	52,512	3.4
Accumulated other comprehensive income (loss)	1,554	272	471.3
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>60,241</b>	<b>57,218</b>	<b>5.3</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 652,113</b>	<b>\$ 589,708</b>	<b>10.6</b>

## Consolidated Statements of Income

(Unaudited)

	Nine Months Ending Sept 30,		% Chg.
	2020	2019	
<i>(Dollars in Thousands, except per share amounts)</i>			
<b>Interest and Dividend Income</b>			
Loans, including fees	\$ 11,809	\$ 12,526	(5.7)
Federal funds sold and deposits at other financial institutions	2,191	2,873	(23.7)
Investment securities:			
Taxable	1,045	555	88.3
Tax-exempt	1,017	1,298	(21.6)
Other investment income and dividends	43	45	(4.4)
<b>Total Interest and Dividend Income</b>	<b>16,105</b>	<b>17,297</b>	<b>(6.9)</b>
<b>Interest Expense</b>			
Deposits	223	667	(66.6)
Federal funds purchased and security repurchase agreements	9	15	(40.0)
Other borrowed funds	0	0	-
<b>Total Interest Expense</b>	<b>232</b>	<b>682</b>	<b>(66.0)</b>
<b>Net Interest Income</b>	<b>15,873</b>	<b>16,615</b>	<b>(4.5)</b>
<b>Provision for credit losses</b>	12	14	(14.3)
<b>Net Interest Income after Provision for Credit Losses</b>	<b>15,861</b>	<b>16,601</b>	<b>(4.5)</b>
<b>Non-Interest Income</b>			
Trust and Investment Management fees	6,632	6,473	2.5
DS Baker Investment fees (brokerage)	543	732	(25.8)
Service charges on deposit accounts	415	519	(20.0)
Other service charges and fees	894	853	4.8
Other operating income	652	332	96.4
<b>Total Non-Interest Income</b>	<b>9,136</b>	<b>8,909</b>	<b>2.5</b>
<b>Non-Interest Expense</b>			
Salaries, wages, and other compensation	10,262	9,755	5.2
Retirement and employee benefits	3,390	3,156	7.4
Net occupancy expense	896	924	(3.0)
Furniture and equipment expense	355	506	(29.8)
Other operating expense	5,143	4,913	4.7
<b>Total Non-Interest Expense</b>	<b>20,046</b>	<b>19,254</b>	<b>4.1</b>
<b>Income Before Income Taxes</b>	<b>4,951</b>	<b>6,256</b>	<b>(20.9)</b>
<b>Provision For Income Taxes</b>	828	1,052	(21.3)
<b>NET INCOME</b>	<b>\$ 4,123</b>	<b>\$ 5,204</b>	<b>(20.8)</b>
<b>Basic Earnings Per Common Share</b>	<b>\$ 3.22</b>	<b>\$ 4.06</b>	<b>(20.7)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>1,281,324</b>	<b>1,282,829</b>	