

2021

SECOND QUARTER REPORT



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BOARD OF DIRECTORS

Megan F. Clubb, Chair

Russell S. Colombo	J. Eric Kimball
Charles B. Eglin	Clifford "Kip" W. Kontos
David B. Gordon	Michael J. Mahoney
Martha C. Huber	Jason H. Pratt
Mark H. Kajita	



BAKER BOYER

FAMILY LEGACIES GROWN LOCALLY

Walla Walla. Tri-Cities. Yakima.

Dear Baker Boyer Shareholder:

July 26, 2021

As we close the books for the second quarter of 2021, we have a lot for which to be grateful. We have recently seen the ebbing of the COVID-19 virus, a pickup in the overall economy, and the resiliency of our clients and the communities we serve.

Although 2021 has seen the same historically low-interest rates that were first witnessed during the great recession, we have also seen one of the biggest rebounds in economic activity as well as a growing and vibrant equities market. All of these things have led to a strong sense of consumer confidence and optimism that can be seen throughout the nation.

Baker Boyer's strong financial balance sheet reflects the transitional time period we are in. Baker Boyer's primary lines of business are showing strong returns. The revenue from our loan portfolio (which includes interest and fees from the Paycheck Protection Program), is reporting a \$530,000 increase (6.8%) in interest revenue for the six months ending June 30, 2021, over the same time period in 2020. In addition, the Asset Management Division has reported a \$680,000 increase (14.3%) in fee revenue for the six months ending June 30, 2021, over the same time period in 2020. The only revenue area that has significantly lagged has been the interest on our investment securities which has been hit hard by the lower interest rates witnessed in the bond markets. Net income for the first six months of 2021 is being reported at \$2.2 million, a 15.2% decrease from the first six months of 2020, but close to what we had budgeted for the first six months of 2021.

The strength of the Bank's overall loan portfolio and the continued strength in fee income of the Asset Management Division bodes well for our future. As interest rates rise, the investment security interest revenue will once again increase to show higher net incomes in the future. While we can't say when the Federal Reserve will definitively raise interest rates again, we are confident that the strength of our underlying primary business lines and balance sheet will bolster our net income when it does.

I mentioned in prior letters that it takes an entire team to keep the Bank strong during unprecedented times. Your team of Baker Boyer employees continue to work hard to grow income in our primary business lines while keeping our asset quality levels high. We are proud to do so as we are in this together - with our shareholders and our communities.

Thank you again for your continued support of this Legacy. If you have any questions, please contact me and I will be glad to answer them. Have a safe and happy summer.

Sincerely,



Mark H. Kajita, CPA
President and CEO

Consolidated Balance Sheet - Average ytd

(Unaudited)

	June 30, 2021		% Chg.
	2021	2020	
ASSETS			
	<i>(Dollars in Thousands)</i>		
Cash and amounts due from banks	\$ 5,933	\$ 8,136	(27.1)
FFS and Int-bearing deposits at other financial institutions	152,498	172,219	(11.5)
Total Cash and Cash Equivalents	158,431	180,355	(12.2)
Investment securities:			
Available-for-sale, at fair value	215,260	138,988	54.9
Held-to-maturity at cost	1,324	1,316	0.6
Other investments, at cost	1,438	1,349	6.6
Total Investments	218,022	141,653	53.9
Loans			
Loans	358,803	299,830	19.7
Allowance for credit losses	(6,362)	(6,332)	0.5
Net Loans	352,441	293,498	20.1
Bank premises and equipment, net			
Bank premises and equipment, net	22,546	18,872	19.5
Accrued interest receivable	2,759	2,151	28.3
Other assets	3,017	3,836	(21.4)
TOTAL ASSETS	\$ 757,216	\$ 640,365	18.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Noninterest bearing	\$ 258,320	\$ 198,195	30.3
Interest bearing	414,277	366,598	13.0
Total Deposits	672,597	564,793	19.1
Federal funds purchased and security repurchase agreements			
Federal funds purchased and security repurchase agreements	22,924	15,022	52.6
Other borrowed funds	0	5	(100.0)
Accrued interest payable	18	26	(30.8)
Other liabilities	965	827	16.7
TOTAL LIABILITIES	696,504	580,673	19.9
SHAREHOLDERS' EQUITY			
Common stock (no par value, stated value \$3.125 per share)			
	6/30/21	6/30/20	
Shares authorized	4,000,000	4,000,000	
Shares issued and outstanding	1,295,986	1,296,863	4,051 / 4,042 / 0.2
Additional paid-in capital	253	408	(38.0)
Retained earnings	55,022	54,121	1.7
Accumulated other comprehensive income (loss)	1,386	1,121	23.6
TOTAL SHAREHOLDERS' EQUITY	60,712	59,692	1.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 757,216	\$ 640,365	18.2

Consolidated Statements of Income

(Unaudited)

	Six Months Ending June 30,		
	2021	2020	% Chg.
Interest and Dividend Income	<i>(Dollars in Thousands, except per share amounts)</i>		
Loans, including fees	\$ 8,308	\$ 7,778	6.8
Federal funds sold and deposits at other financial institutions	687	1,588	(56.7)
Investment securities:			
Taxable	756	724	4.4
Tax-exempt	599	685	(12.6)
Other investment income and dividends	33	32	3.1
Total Interest and Dividend Income	10,383	10,807	(3.9)
Interest Expense			
Deposits	109	159	(31.4)
Federal funds purchased and security repurchase agreements	6	6	-
Other borrowed funds	0	0	-
Total Interest Expense	115	165	(30.3)
Net Interest Income	10,268	10,642	(3.5)
Provision for credit losses	0	8	(100.0)
Net Interest Income after Provision for Credit Losses	10,268	10,634	(3.4)
Non-Interest Income			
Trust and Investment Management fees	5,017	4,378	14.6
DS Baker Investment fees (brokerage)	402	361	11.4
Service charges on deposit accounts	251	285	(11.9)
Other service charges and fees	662	595	11.3
Other operating income	189	404	(53.2)
Total Non-Interest Income	6,521	6,023	8.3
Non-Interest Expense			
Salaries, wages, and other compensation	7,184	6,856	4.8
Retirement and employee benefits	2,385	2,338	2.0
Net occupancy expense	789	600	31.5
Furniture and equipment expense	284	249	14.1
Other operating expense	3,470	3,452	0.5
Total Non-Interest Expense	14,112	13,495	4.6
Income Before Income Taxes	2,677	3,162	(15.3)
Provision For Income Taxes	435	518	(16.0)
NET INCOME	\$ 2,242	\$ 2,644	(15.2)
Basic Earnings Per Common Share	\$ 1.75	\$ 2.06	(15.0)
Weighted Average Number of Shares Outstanding	1,279,955	1,283,229	