

To our Shareholders:

September 30, 2015

The third quarter of 2015 showed continued strong financial performance results. Net income for the quarter was \$514,508 which is a new record for our company. Year-to-date net income rose to \$1,429,929 which eclipses our previous full-year income record with three months remaining in the year. Return on assets for the year is strong at 1.26%.

Commercial loan growth led the way with commercial loan balances increasing to \$111.1 million which is a 13% increase over the year ago period. Total deposits are up 25% over last year's third quarter leading to total assets of \$149.5 million. Increasing local business optimism appears to be driving the growth in our commercial business lines. Our Tier 1 capital remains strong at 10.7%

Residential mortgage originations continued at a solid pace with a total of \$80.5 million for the quarter. Total residential mortgage originations of \$239.5 million so far this year suggests a sustainable housing rebound. Mortgage interest rates remain attractive and higher home prices are boosting inventory.

We are pleased to announce that we have two new directors joining our company. Bill McCall and Denise Schott have joined the Board and will be great additions.

Thank you for your referrals and continued support.

Neil D. Grossnicklaus
President and
Chief Executive Officer

Salem Headquarters Office

101 High Street NE
Salem, OR 97301
503-485-2222

Albany Branch

1970 SE 14th Avenue
Albany, OR 97322
541-926-6555

Keizer Branch

5140 River Road N
Keizer, OR 97303
503-393-0757

Silverton Branch

701A McClaine Street
Silverton, OR 97381
503-873-3449

Home Loan Centers

Bend

Eugene

Sherwood

Grants Pass

Medford

Wilsonville

Vancouver, WA

Federal Way, WA

Coeur d'Alene, ID

Boise, ID

Priest River, ID



QUARTERLY REPORT

SEPTEMBER 30, 2015



BALANCE SHEET (Unaudited)

	September 30, 2015	September 30, 2014	Percent Change
ASSETS			
Cash & Due From Banks	\$ 4,532,121	\$ 9,444,848	
Investments	1,826,018	2,834,001	
Real Estate Loans	103,417,520	92,065,098	
Commercial Loans	6,435,311	6,138,632	
Installment Loans	127,896	243,405	
Agriculture Loans	2,703,506	1,705,709	
Unrealized Loan Fees	(165,815)	(156,221)	
Loan Loss Reserve	(1,427,161)	(1,415,225)	
	<u>111,091,257</u>	<u>98,581,398</u>	12.69%
Loans Available For Sale	24,818,178	4,488,621	
Premises & Equipment, Net	2,735,311	2,813,805	
Other Real Estate Owned	1,588,066	498,684	
Other Assets	2,932,104	2,633,474	
TOTAL ASSETS	<u>\$ 149,523,055</u>	<u>\$ 121,294,831</u>	23.27%
LIABILITIES			
Demand Deposits	\$ 20,961,927	\$ 15,882,191	
NOW Accounts	6,399,049	5,712,343	
Savings Accounts	3,344,339	3,330,176	
Money Market Accounts	34,910,501	38,215,348	
Time Deposits	<u>64,326,587</u>	<u>40,944,047</u>	
	129,942,403	104,084,105	24.84%
Borrowings	1,508,331	1,662,950	
Other Liabilities	<u>2,068,306</u>	<u>1,068,059</u>	
TOTAL LIABILITIES	<u>133,519,040</u>	<u>106,815,114</u>	25.00%
STOCKHOLDERS' EQUITY	16,004,015	14,479,717	10.53%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 149,523,055</u>	<u>\$ 121,294,831</u>	23.27%

INCOME STATEMENT (Unaudited)

	Year-To-Date September 30, 2015	Three Months Ending September 30, 2015	Three Months Ending September 30, 2014	Percent Change
INTEREST INCOME				
Investment Income	\$ 12,350	\$ 1,837	\$ 6,131	
Commercial Loans	247,834	83,447	97,210	
Agriculture Loans	94,644	26,425	15,007	
Installment Loans	6,022	2,180	2,450	
Real Estate Loans	4,789,575	1,701,550	1,250,557	
Other Interest Income	12,923	6,012	7,246	
TOTAL INTEREST INCOME	<u>5,163,348</u>	<u>1,821,451</u>	<u>1,378,601</u>	32.12%
INTEREST EXPENSE				
Demand Deposit Accounts	4,730	1,714	-32,287	
Money Market & Savings Accounts	54,039	18,112	-130,111	
Certificate of Deposit Accounts	462,229	168,931	265,981	
Individual Retirement Accounts	32,729	10,359	46,446	
Borrowings	65,590	17,925	17,991	
TOTAL INTEREST EXPENSE	<u>619,317</u>	<u>217,041</u>	<u>164,374</u>	32.04%
NET INTEREST INCOME	<u>4,544,031</u>	<u>1,604,410</u>	<u>1,214,227</u>	32.13%
Less: Provision for Loan Losses	-	-	-	
NET INTEREST INCOME AFTER PROVISION	<u>4,544,031</u>	<u>1,604,410</u>	<u>1,214,227</u>	32.13%
NON-INTEREST INCOME				
Service Charges	29,222	10,520	15,151	
Servicing Fees	1,039	334	201	
Broker Loan Fees	184,364	54,324	29,381	
Mortgage Banking Revenue	10,224,622	3,314,210	1,070,446	
Other Income	396,336	101,955	112,458	
TOTAL NON-INTEREST INCOME	<u>10,835,583</u>	<u>3,481,343</u>	<u>1,227,637</u>	183.58%
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	9,506,654	3,074,001	1,704,149	
Occupancy	862,780	279,482	262,965	
Furniture and Fixtures	488,925	160,644	135,942	
Advertising and Promotions	235,003	74,263	52,404	
Misc Expense	1,997,339	725,320	408,761	
TOTAL NON-INTEREST EXPENSE	<u>13,090,701</u>	<u>4,313,710</u>	<u>2,564,221</u>	68.23%
Income (loss) before Provision for Income Taxes	<u>2,288,913</u>	<u>772,043</u>	<u>-122,357</u>	
Provision for Income Taxes	858,984	257,535	-30,464	
NET INCOME	<u>\$ 1,429,929</u>	<u>\$ 514,508</u>	<u>\$ (91,893)</u>	