

**To our Shareholders:**

**June 30, 2017**

Our strong start to 2017 accelerated into the second quarter. Net income for the quarter was \$1,424,107 which is a 36% increase over the same period last year. Earnings per share for the quarter reached \$1.28 which is up 31% over a year ago. Annualized return on assets rose to 3.07% compared to 2.04% in the year-ago period and return on equity reached 28.17% compared to 19.67% in the year ago period. A cash dividend of 15 cents per share was declared during the quarter and paid on July 14th.

Total assets topped \$193.7 million and commercial loan balances rose 19% to \$131 million. Commercial loans are increasing as a result of the improving economy and the addition of a new commercial loan officer. Demand deposit growth was 8% while total deposits increased 3% to \$150.5 million.

Our mortgage business line originated record volume in the quarter even as rates rose slightly in the past year. The bank generated \$164.5 million in new loan volume in the second quarter which is an increase of 34% over 2016. Home purchase loan volume remains strong as the millennial generation enters the market and in-migration to the Pacific Northwest continues.

Our capital position remains strong with a Tier 1 capital ratio of 10.75%. Thank you for your 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**

Ashland, OR

Bend, OR

Eugene, OR

Grants Pass, OR

Medford, OR

Portland, OR

Tualatin, OR

Wilsonville, OR

Spokane, WA

Vancouver, WA

Coeur d'Alene, ID

Meridian, ID

Nampa, ID

Priest River, ID



# QUARTERLY REPORT

JUNE 30, 2017



# BALANCE SHEET (Unaudited)

	June 30, 2017	June 30, 2016	Percent Change
<b>ASSETS</b>			
Cash & Due From Banks	\$ 16,949,869	\$ 16,852,789	
Investments	-	57,777	
Real Estate Loans	121,525,738	101,994,471	
Commercial Loans	6,564,065	5,952,531	
Installment Loans	397,507	131,916	
Agriculture Loans	2,853,816	2,665,861	
Unrealized Loan Fees	(125,677)	(176,068)	
	<u>131,215,449</u>	<u>110,568,711</u>	18.67%
Loans Available For Sale	36,698,460	37,244,871	
Loan Loss Reserve	(1,445,063)	(1,434,833)	
Premises & Equipment, Net	2,607,604	2,653,560	
Other Real Estate Owned	1,461,960	1,588,066	
Other Assets	6,172,874	5,204,070	
<b>TOTAL ASSETS</b>	<u>\$ 193,661,153</u>	<u>\$ 172,735,011</u>	12.11%
<b>LIABILITIES</b>			
Demand Deposits	\$ 28,872,468	\$ 26,646,014	
NOW Accounts	12,718,803	10,314,677	
Savings Accounts	4,993,541	4,353,032	
Money Market Accounts	42,985,173	36,662,848	
Time Deposits	<u>60,926,013</u>	<u>68,120,173</u>	
Total Deposits	150,495,998	146,096,744	3.01%
Borrowings	18,748,265	5,399,385	
Other Liabilities	<u>3,601,776</u>	<u>3,229,599</u>	
<b>TOTAL LIABILITIES</b>	<u>172,846,039</u>	<u>154,725,728</u>	11.71%
<b>STOCKHOLDERS' EQUITY</b>	20,815,114	18,009,283	15.58%
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 193,661,153</u>	<u>\$ 172,735,011</u>	12.11%

# INCOME STATEMENT (Unaudited)

	Year-To-Date June 30, 2017	Three Months Ending June 30, 2017	Three Months Ending June 30, 2016	Percent Change
<b>INTEREST INCOME</b>				
Investment Income	\$ -	\$ -	\$ 756	
Commercial Loans	171,646	90,868	94,191	
Agriculture Loans	45,081	23,326	24,668	
Installment Loans	11,251	5,596	1,892	
Real Estate Loans	3,490,488	1,826,431	1,743,751	
Other Interest Income	<u>73,854</u>	<u>27,251</u>	<u>15,082</u>	
<b>TOTAL INTEREST INCOME</b>	3,792,320	1,973,472	1,880,340	4.95%
<b>INTEREST EXPENSE</b>				
Demand Deposit Accounts	9,885	4,561	2,924	
Money Market & Savings Accounts	42,869	21,553	17,484	
Certificate of Deposit Accounts	332,349	161,393	188,566	
Individual Retirement Accounts	12,220	5,219	8,104	
Borrowings	<u>37,644</u>	<u>24,144</u>	<u>16,204</u>	
<b>TOTAL INTEREST EXPENSE</b>	434,967	216,870	233,282	-7.04%
<b>NET INTEREST INCOME</b>	3,357,353	1,756,602	1,647,058	6.65%
Less: Provision for Loan Losses	-	-	-	
<b>NET INTEREST INCOME AFTER PROVISION</b>	3,357,353	1,756,602	1,647,058	6.65%
<b>NON-INTEREST INCOME</b>				
Service Charges	24,988	12,250	9,501	
Servicing Fees	600	287	297	
Broker Loan Fees	185,879	56,016	80,940	
Mortgage Banking Revenue	12,850,953	7,572,845	5,288,991	
Other Income	<u>179,712</u>	<u>92,834</u>	<u>105,918</u>	
<b>TOTAL NON-INTEREST INCOME</b>	13,242,132	7,734,232	5,485,647	40.99%
<b>NON-INTEREST EXPENSE</b>				
Salaries and Employee Benefits	9,660,762	5,440,841	4,168,495	
Occupancy	725,596	381,934	311,108	
Furniture and Fixtures	454,384	247,046	188,174	
Advertising and Promotions	503,157	287,920	109,748	
Misc Expense	<u>1,690,834</u>	<u>856,796</u>	<u>708,825</u>	
<b>TOTAL NON-INTEREST EXPENSE</b>	13,034,733	7,214,537	5,486,350	31.50%
<b>Income (loss) before Provision for Income Taxes</b>	3,564,752	2,276,297	1,646,355	
Provision for Income Taxes	<u>1,332,603</u>	<u>852,190</u>	<u>596,219</u>	
<b>NET INCOME</b>	<u>\$ 2,232,149</u>	<u>\$ 1,424,107</u>	<u>\$ 1,050,136</u>	35.61%