

To our Shareholders:

June 30, 2015

We are pleased to report that the second quarter of 2015 showed continued strong financial performance results for our company. Net income for the quarter was \$444,197 which is significantly higher than the year-ago period. Year-to-date net income rose to \$915,421 led by solid commercial loan growth and steady residential real estate loan originations.

Commercial loan growth continued as our business customers showed increased optimism about economic conditions leading to more borrowing to finance expansion. Total loans are up 13% over the second quarter of 2014. Total deposits are up 24% over last year's second quarter helping total assets rise to \$160 million.

Residential mortgage originations continued at a steady pace with a total of \$84.4 million for the quarter. New application volume is increasing as overall sales are up over historical levels. Mortgage interest rates remain attractive and higher home prices are helping to provide more home listings to help alleviate tight supply.

Our capital remains strong as our Tier 1 capital ratio is 9.63% as of the end of the quarter. 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

JUNE 30, 2015



BALANCE SHEET (Unaudited)

	June 30, 2015	June 30, 2014	Percent Change
ASSETS			
Cash & Due From Banks	\$ 6,368,283	\$ 10,738,135	
Investments	617,367	1,813,919	
Real Estate Loans	100,335,672	88,403,426	
Commercial Loans	5,518,476	6,212,087	
Installment Loans	127,135	130,685	
Agriculture Loans	2,646,494	1,120,573	
Unrealized Loan Fees	(164,829)	(151,792)	
	<u>108,462,948</u>	<u>95,714,979</u>	13.32%
Loans Available For Sale	38,946,932	5,633,788	
Loan Loss Reserve	(1,423,750)	(1,407,954)	
Premises & Equipment, Net	2,783,949	2,860,988	
Other Real Estate Owned	339,379	1,711,284	
Other Assets	4,604,419	3,505,627	
TOTAL ASSETS	<u>\$ 160,699,527</u>	<u>\$ 120,570,766</u>	33.28%
LIABILITIES			
Demand Deposits	\$ 20,349,540	\$ 16,307,347	
NOW Accounts	6,421,668	5,614,449	
Savings Accounts	2,915,965	2,419,267	
Money Market Accounts	34,460,107	36,925,093	
Time Deposits	<u>63,840,313</u>	<u>41,955,825</u>	
Total Deposits	127,987,593	103,221,981	23.99%
Borrowings	15,555,447	1,661,405	
Other Liabilities	<u>1,681,770</u>	<u>1,144,549</u>	
TOTAL LIABILITIES	<u>145,224,810</u>	<u>106,027,935</u>	36.97%
STOCKHOLDERS' EQUITY	15,474,717	14,542,831	6.41%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 160,699,527</u>	<u>\$ 120,570,766</u>	33.28%

INCOME STATEMENT (Unaudited)

	Year-To-Date June 30, 2015	Three Months Ending June 30, 2015	Three Months Ending June 30, 2014	Percent Change
INTEREST INCOME				
Investment Income	\$ 10,513	\$ 5,014	\$ 6,404	
Commercial Loans	164,387	81,731	75,341	
Agriculture Loans	68,219	32,837	8,745	
Installment Loans	3,842	2,150	1,535	
Real Estate Loans	3,088,025	1,668,383	1,233,308	
Other Interest Income	6,911	3,085	4,513	
TOTAL INTEREST INCOME	<u>3,341,897</u>	<u>1,793,200</u>	<u>1,329,846</u>	34.84%
INTEREST EXPENSE				
Demand Deposit Accounts	3,016	1,551	2,374	
Money Market & Savings Accounts	35,927	17,919	18,615	
Certificate of Deposit Accounts	293,298	159,830	93,150	
Individual Retirement Accounts	22,370	10,865	15,483	
Borrowings	47,665	25,959	17,991	
TOTAL INTEREST EXPENSE	<u>402,276</u>	<u>216,124</u>	<u>147,613</u>	46.41%
NET INTEREST INCOME	<u>2,939,621</u>	<u>1,577,076</u>	<u>1,182,233</u>	33.40%
Less: Provision for Loan Losses	-	-	-	
NET INTEREST INCOME AFTER PROVISION	<u>2,939,621</u>	<u>1,577,076</u>	<u>1,182,233</u>	33.40%
NON-INTEREST INCOME				
Service Charges	18,702	9,325	16,493	
Servicing Fees	705	513	203	
Broker Loan Fees	130,040	59,945	90,942	
Mortgage Banking Revenue	6,910,412	3,417,471	1,558,165	
Other Income	<u>294,381</u>	<u>166,398</u>	<u>254,131</u>	
TOTAL NON-INTEREST INCOME	<u>7,354,240</u>	<u>3,653,652</u>	<u>1,919,934</u>	90.30%
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	6,432,653	3,275,329	1,878,259	
Occupancy	583,298	284,097	306,709	
Furniture and Fixtures	328,281	152,850	119,372	
Advertising and Promotions	160,740	95,529	49,347	
Misc Expense	<u>1,272,019</u>	<u>665,277</u>	<u>469,986</u>	
TOTAL NON-INTEREST EXPENSE	<u>8,776,991</u>	<u>4,473,082</u>	<u>2,823,673</u>	58.41%
Income (loss) before Provision for Income Taxes	<u>1,516,870</u>	<u>757,646</u>	<u>278,494</u>	
Provision for Income Taxes	601,449	313,449	96,113	
NET INCOME	<u>\$ 915,421</u>	<u>\$ 444,197</u>	<u>\$ 182,381</u>	143.55%