

**To our Shareholders:**

**December 31, 2014**

The fourth quarter of 2014 was marked by significant asset growth. The bank reached \$130.9 million in total assets led by deposit growth of over \$7 million. That represents a deposit growth rate of 10% from the year ago period. Commercial loan balances remained steady finishing the quarter at \$98 million.

Net income for the quarter was again impacted by reorganization costs in our mortgage business line. A small loss of \$1,161 was realized during the quarter as we continued the build-out of our new mortgage platform. We opened new mortgage loan production offices in Coeur d'Alene, ID, Boise, ID, Priest River, ID and Auburn, WA. Our entry into those markets has been positive as our overall origination volume has risen from a year-to-date average of \$11.8 million to \$20 million in December.

Net income for the year remains positive at \$149,028 and a growing commercial loan pipeline bodes well for a strong start to 2015. Mortgage rates have once again dropped to levels not seen since May 2013 which should lead to a positive influence on the housing market and mortgage refinance activity.

Our capital remains strong as our Tier 1 capital ratio is 11.08% as of the end of the year. 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**

**Lake Oswego**

**Grants Pass**

**Medford**

**Wilsonville**

**Vancouver, WA**

**Auburn, WA**

**Coeur d'Alene, ID**

**Boise, ID**

**Priest River, ID**



# QUARTERLY REPORT

December 31, 2014



BALANCE SHEET (Unaudited)

	December 31, 2014	December 31, 2013	Percent Change
<b>ASSETS</b>			
Cash & Due From Banks	\$ 8,455,603	\$ 15,047,553	
Investments	2,813,669	2,840,537	
Real Estate Loans	90,443,645	81,570,033	
Commercial Loans	6,433,711	5,376,970	
Installment Loans	124,139	414,656	
Agriculture Loans	2,614,982	180,160	
Unrealized Loan Fees	(151,927)	(134,661)	
Loan Loss Reserve	(1,418,635)	(1,461,737)	
	<u>98,045,915</u>	<u>85,945,421</u>	14.08%
Loans Available For Sale	15,280,049	7,409,445	
Premises & Equipment, Net	2,797,219	2,995,973	
Other Real Estate Owned	490,750	2,749,075	
Other Assets	3,005,586	2,642,103	
<b>TOTAL ASSETS</b>	<u>\$ 130,888,791</u>	<u>\$ 119,630,107</u>	9.41%
<b>LIABILITIES</b>			
Demand Deposits	\$ 16,773,790	\$ 14,750,240	
NOW Accounts	6,068,647	4,998,709	
Savings Accounts	2,454,788	2,037,236	
Money Market Accounts	36,272,355	38,653,027	
Time Deposits	49,574,430	40,069,999	
	<u>111,144,010</u>	<u>100,509,211</u>	10.58%
Borrowings	3,614,180	3,450,000	
Other Liabilities	1,632,030	1,398,950	
<b>TOTAL LIABILITIES</b>	<u>116,390,220</u>	<u>105,358,161</u>	10.47%
<b>STOCKHOLDERS' EQUITY</b>	14,498,571	14,271,946	1.59%
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 130,888,791</u>	<u>\$ 119,630,107</u>	9.41%

INCOME STATEMENT (Unaudited)

	Year-To-Date December 31, 2014	Three Months Ending December 31, 2014	Three Months Ending December 31, 2013	Percent Change
<b>INTEREST INCOME</b>				
Investment Income	\$ 24,985	\$ 5,844	\$ 14,028	
Commercial Loans	331,726	82,827	66,293	
Agriculture Loans	52,819	25,070	2,783	
Installment Loans	13,275	2,927	6,695	
Real Estate Loans	5,007,242	1,333,438	1,220,127	
Other Interest Income	24,199	5,588	3,161	
<b>TOTAL INTEREST INCOME</b>	<u>5,454,246</u>	<u>1,455,694</u>	<u>1,313,087</u>	10.86%
<b>INTEREST EXPENSE</b>				
Demand Deposit Accounts	6,957	1,424	1,236	
Money Market & Savings Accounts	75,987	18,958	19,941	
Certificate of Deposit Accounts	408,333	111,190	99,261	
Individual Retirement Accounts	60,075	13,629	17,110	
Borrowings	79,474	20,792	35,844	
<b>TOTAL INTEREST EXPENSE</b>	<u>630,826</u>	<u>165,993</u>	<u>173,392</u>	-4.27%
<b>NET INTEREST INCOME</b>	<u>4,823,420</u>	<u>1,289,701</u>	<u>1,139,695</u>	13.16%
Less: Provision for Loan Losses	-	-	-	
<b>NET INTEREST INCOME AFTER PROVISION</b>	<u>4,823,420</u>	<u>1,289,701</u>	<u>1,139,695</u>	13.16%
<b>NON-INTEREST INCOME</b>				
Service Charges	54,817	9,955	14,405	
Servicing Fees	802	197	204	
Broker Loan Fees	263,205	51,996	84,979	
Mortgage Banking Revenue	6,090,267	2,066,395	2,022,303	
Other Income	556,552	101,868	74,474	
<b>TOTAL NON-INTEREST INCOME</b>	<u>6,965,643</u>	<u>2,230,411</u>	<u>2,196,365</u>	1.55%
<b>NON-INTEREST EXPENSE</b>				
Salaries and Employee Benefits	7,812,164	2,477,873	2,089,460	
Occupancy	1,130,698	284,022	310,379	
Furniture and Fixtures	536,682	158,388	148,500	
Advertising and Promotions	244,402	72,186	70,195	
Misc Expense	1,826,116	531,480	650,637	
<b>TOTAL NON-INTEREST EXPENSE</b>	<u>11,550,062</u>	<u>3,523,949</u>	<u>3,269,171</u>	7.79%
<b>Income (loss) before Provision for Income Taxes</b>	239,001	-3,837	66,889	
Provision for Income Taxes	89,973	-2,676	19,088	
<b>NET INCOME</b>	<u>\$ 149,028</u>	<u>\$ (1,161)</u>	<u>\$ 47,801</u>	