

To our Shareholders:

December 31, 2017

Our company produced strong financial results in the fourth quarter which, on a pre-tax basis, is a 28% increase over last year. Due to the impact of the new tax legislation signed into law in late 2017, fourth quarter after-tax income had a slight decline of 1% from 2016 to \$945,033. It compares favorably to past years after a \$392,207 adjustment to our deferred tax asset as a result of the new law. The reduction of our effective Federal tax rate from 34% to 21% in 2018 will greatly benefit our bottom line going forward.

Earnings per share for the quarter were 85 cents and \$4.64 for the full year. Return on assets for the year rose to 2.69% compared to 2.54% in the year-ago period and return on equity reached 23.65% compared to 23.07% in 2016. A cash dividend of 15 cents per share was declared during the quarter and paid on January 16th.

Total assets ended 2017 at \$205 million which is a new high for the bank. Total deposits rose 15% over last year to end the quarter at \$176 million. Commercial loan balances rose 13% over last year to \$138 million which is an all-time high. Mortgage originations for the quarter were \$179 million which is an increase of 32% over 2016. Our capital position is growing with a Tier 1 capital ratio of 11.51%. If you have any questions please contact me at (503) 485-2222. Thank you for your continued support.

Neil D. Grossnicklaus
President and
Chief Executive Officer

Salem Headquarters Office

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Albany, OR 97322
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Keizer Branch

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Keizer, OR 97303
503-393-0757

Silverton Branch

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

Home Loan Centers

Bend, OR

Eugene, OR

Grants Pass, OR

Medford, OR

Portland, OR

Tualatin, OR

West Linn, OR

Newport, WA

Spokane, WA

Vancouver, WA

Coeur d'Alene, ID

Meridian, ID



QUARTERLY REPORT

DECEMBER 31, 2017



BALANCE SHEET (Unaudited)

	December 31, 2017	December 31, 2016	Percent Change
ASSETS			
Cash & Due From Banks	\$ 21,634,182	\$ 17,520,416	
Life Insurance	3,896,892	1,824,397	
Real Estate Loans	127,607,896	113,843,750	
Commercial Loans	7,563,118	5,750,895	
Installment Loans	338,411	390,455	
Agriculture Loans	3,790,292	3,152,396	
Unrealized Loan Fees	(125,001)	(130,801)	
Loan Loss Reserve	(1,450,178)	(1,439,948)	
Total Loans	137,724,538	121,566,747	13.29%
Loans Available For Sale	34,816,974	28,536,192	
Premises & Equipment, Net	2,610,320	2,637,180	
Other Real Estate Owned	1,221,960	1,536,005	
Other Assets	3,149,305	2,909,183	
TOTAL ASSETS	\$ 205,054,171	\$ 176,530,120	16.16%
LIABILITIES			
Demand Deposits	\$ 32,434,931	\$ 27,918,671	
NOW Accounts	14,403,535	12,066,511	
Savings Accounts	5,509,956	4,088,852	
Money Market Accounts	36,541,146	45,041,537	
Time Deposits	87,235,931	63,579,784	
Total Deposits	176,125,499	152,695,355	15.34%
Borrowings	1,170,302	1,324,713	
Other Liabilities	4,166,401	2,680,073	
TOTAL LIABILITIES	181,462,202	156,700,141	15.80%
STOCKHOLDERS' EQUITY	23,591,969	19,829,979	18.97%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 205,054,171	\$ 176,530,120	16.16%

INCOME STATEMENT (Unaudited)

	Year-To-Date December 31, 2017	Three Months Ending December 31, 2017	Three Months Ending December 31, 2016	Percent Change
INTEREST INCOME				
Investment Income	\$ -	\$ -	\$ 108	
Commercial Loans	389,490	104,155	83,724	
Agriculture Loans	110,134	36,822	22,793	
Installment Loans	22,196	5,404	6,494	
Real Estate Loans	7,546,555	2,020,289	1,760,184	
Other Interest Income	189,961	69,342	29,188	
TOTAL INTEREST INCOME	8,258,336	2,236,012	1,902,491	17.53%
INTEREST EXPENSE				
Demand Deposit Accounts	19,948	4,497	4,664	
Money Market & Savings Accounts	85,571	21,488	20,860	
Certificate of Deposit Accounts	786,825	259,484	190,733	
Individual Retirement Accounts	23,500	5,857	7,523	
Borrowings	102,656	17,553	14,195	
TOTAL INTEREST EXPENSE	1,018,500	308,879	237,975	29.79%
NET INTEREST INCOME	7,239,836	1,927,133	1,664,516	15.78%
Less: Provision for Loan Losses	-	-	-	
NET INTEREST INCOME AFTER PROVISION	7,239,836	1,927,133	1,664,516	15.78%
NON-INTEREST INCOME				
Service Charges	51,469	11,982	12,261	
Servicing Fees	1,261	367	282	
Broker Loan Fees	375,752	75,816	65,684	
Mortgage Banking Revenue	29,686,928	8,055,306	5,755,922	
Other Income	299,745	7,029	45,885	
TOTAL NON-INTEREST INCOME	30,415,155	8,150,500	5,880,034	38.61%
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	21,388,651	5,798,286	4,319,993	
Occupancy	1,491,222	410,543	324,029	
Furniture and Fixtures	917,165	223,981	203,890	
Advertising and Promotions	1,169,392	356,254	165,177	
Misc Expense	3,742,732	1,145,775	862,057	
TOTAL NON-INTEREST EXPENSE	28,709,162	7,934,839	5,875,146	35.06%
Income (loss) before Provision for Income Taxes	8,945,829	2,142,794	1,669,404	
Provision for Income Taxes	3,811,042	1,197,761	714,663	
NET INCOME	\$ 5,134,787	\$ 945,033	\$ 954,741	-1.02%