

To our Shareholders:

June 30, 2018

I am pleased to report that company profitability continued to grow during the second quarter. Quarterly after tax net income reached \$2,333,249 which is an increase of \$909,142, or 64%, from the second quarter in 2017. These record earnings are the result of continued commercial loan growth, increased mortgage originations, and a reduction in federal tax rate.

Earnings per share for the quarter were \$1.03 compared to \$0.64 for the same quarter in 2017. Annualized return on assets improved to 4.22% from 3.07% in the year-ago quarter and return on equity grew to 38.30% up from 28.17% in 2017.

The Board of Directors approved a 2-for-1 stock split effective May 1, 2018. We hope to accomplish several goals with the stock split including a lowering of the share price, encouraging more transactions, and enhancing shareholder value. The Board of Directors also declared a \$0.10 per share cash dividend to be paid July 20, 2018. The dividend amount was adjusted to reflect the stock split with the increase in number of shares outstanding.

Total assets have reached \$224 million and our capital position continues to remain strong with a Tier 1 capital ratio of 11.38%. Please contact me at (503) 485-2222 if you have any questions. 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

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

JUNE 30, 2018



BALANCE SHEET (Unaudited)

	June 30, 2018	June 30, 2017	Percent Change
ASSETS			
Cash & Due From Banks	\$ 35,472,733	\$ 16,949,869	
Investments	-	-	
Real Estate Loans	128,428,107	121,525,738	
Commercial Loans	8,829,744	6,564,065	
Installment Loans	379,130	397,507	
Agriculture Loans	3,748,692	2,853,816	
Unrealized Loan Fees	(139,137)	(125,677)	
	<u>141,246,536</u>	<u>131,215,449</u>	7.64%
Loans Available For Sale	37,557,008	36,698,460	
Loan Loss Reserve	(1,471,458)	(1,445,063)	
Premises & Equipment, Net	2,721,677	2,607,604	
Other Real Estate Owned	1,174,228	1,461,960	
Other Assets	7,858,869	6,172,874	
TOTAL ASSETS	<u>\$ 224,559,593</u>	<u>\$ 193,661,153</u>	15.95%
LIABILITIES			
Demand Deposits	\$ 32,878,975	\$ 28,872,468	
NOW Accounts	16,004,621	12,718,803	
Savings Accounts	6,124,191	4,993,541	
Money Market Accounts	37,688,226	42,985,173	
Time Deposits	100,502,958	60,926,013	
Total Deposits	<u>193,198,971</u>	<u>150,495,998</u>	28.37%
Borrowings	1,090,503	18,748,265	
Other Liabilities	4,723,215	3,601,776	
TOTAL LIABILITIES	<u>199,012,689</u>	<u>172,846,039</u>	15.14%
STOCKHOLDERS' EQUITY	25,546,904	20,815,114	22.73%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 224,559,593</u>	<u>\$ 193,661,153</u>	15.95%

INCOME STATEMENT (Unaudited)

	Year-To-Date June 30, 2018	Three Months Ending June 30, 2018	Three Months Ending June 30, 2017	Percent Change
INTEREST INCOME				
Interest on Due From Banks	\$ 275,111	\$ 158,011	\$ 26,804	
Real Estate Loans	4,162,638	2,236,007	1,826,431	
Commercial Loans	243,316	129,789	90,868	
Installment Loans	9,259	4,317	5,596	
Agriculture Loans	87,550	45,822	23,326	
Other Interest Income	2,946	1,042	447	
TOTAL INTEREST INCOME	<u>4,780,820</u>	<u>2,574,988</u>	<u>1,973,472</u>	30.48%
INTEREST EXPENSE				
Demand Deposit Accounts	9,883	5,290	4,561	
Money Market & Savings Accounts	42,671	22,137	21,553	
Certificate of Deposit Accounts	664,297	357,104	161,393	
Individual Retirement Accounts	10,674	5,292	5,219	
Borrowings	25,204	12,600	24,144	
TOTAL INTEREST EXPENSE	<u>752,729</u>	<u>402,423</u>	<u>216,870</u>	85.56%
NET INTEREST INCOME	<u>4,028,091</u>	<u>2,172,565</u>	<u>1,756,602</u>	23.68%
Less: Provision for Loan Losses	-	-	-	
NET INTEREST INCOME AFTER PROVISION	<u>4,028,091</u>	<u>2,172,565</u>	<u>1,756,602</u>	23.68%
NON-INTEREST INCOME				
Service Charges	28,642	14,464	12,250	
Servicing Fees	1,086	529	287	
Broker Loan Fees	70,510	11,858	56,016	
Mortgage Banking Revenue	16,856,945	9,550,469	7,572,845	
Other Income	109,304	68,298	92,834	
TOTAL NON-INTEREST INCOME	<u>17,066,487</u>	<u>9,645,618</u>	<u>7,734,232</u>	24.71%
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	11,947,557	6,434,294	5,440,841	
Occupancy	739,146	385,281	381,934	
Furniture and Fixtures	493,917	268,997	247,046	
Advertising and Promotions	812,226	434,735	287,920	
Misc Expense	2,322,011	1,159,987	856,796	
TOTAL NON-INTEREST EXPENSE	<u>16,314,857</u>	<u>8,683,294</u>	<u>7,214,537</u>	20.36%
Income (loss) before Provision for Income Taxes	<u>4,779,721</u>	<u>3,134,889</u>	<u>2,276,297</u>	
Provision for Income Taxes	1,224,471	801,640	852,190	
NET INCOME	<u>\$ 3,555,250</u>	<u>\$ 2,333,249</u>	<u>\$ 1,424,107</u>	63.84%