

**To our Shareholders:  
September 30, 2018**

I am pleased to report that our strong earnings from the first half of the year continued through the third quarter. Quarterly after tax net income was \$2,410,129 which is an increase of \$452,524, or 23%, from the third quarter in 2017. Earnings per share for the quarter also grew to \$1.06 from \$0.88 in year ago quarter, and annualized return on assets and return on equity were 3.42% and 29.71%, respectively.

Earnings have improved as a result of increased commercial and residential lending and a reduction in the federal corporate tax rate. Assets grew 15% to \$235 million driven by a \$34.8 million year-over-year increase in total deposits. Mortgage lending increased \$26 million from the same quarter last year and commercial loan balances are \$9.2 million greater than last year.

The Board of Directors declared a \$0.10 per share cash dividend that was paid October 15, 2018. Capital growth through retained earnings continues to be sufficient to offset our asset growth as our Tier 1 capital ratio remains strong at 11.83%.

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**

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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**

**SEPTEMBER 30, 2018**



BALANCE SHEET (Unaudited)

	September 30, 2018	September 30, 2017	Percent Change
<b>ASSETS</b>			
Cash & Due From Banks	\$ 44,211,394	\$ 24,227,538	
Investments	3,844,657	1,901,942	
Real Estate Loans	134,829,332	127,477,891	
Commercial Loans	9,956,631	7,791,936	
Installment Loans	375,084	380,122	
Agriculture Loans	3,791,057	3,931,703	
Unrealized Loan Fees	(176,265)	(121,641)	
Loan Loss Reserve	(1,474,015)	(1,447,621)	
<b>Total Loans</b>	<b>147,301,824</b>	<b>138,012,390</b>	6.73%
Loans Available For Sale	33,345,861	32,058,628	
Premises & Equipment, Net	2,719,613	2,611,077	
Other Real Estate Owned	-	1,461,960	
Other Assets	4,087,044	3,986,589	
<b>TOTAL ASSETS</b>	<b>\$ 235,510,393</b>	<b>\$ 204,260,124</b>	15.30%
<b>LIABILITIES</b>			
Demand Deposits	\$ 35,102,429	\$ 30,715,769	
NOW Accounts	16,690,154	14,315,811	
Savings Accounts	6,191,200	5,050,148	
Money Market Accounts	42,447,966	41,483,074	
Time Deposits	100,477,420	74,463,022	
<b>Total Deposits</b>	<b>200,909,169</b>	<b>166,027,824</b>	21.01%
Borrowings	1,049,959	11,390,535	
Other Liabilities	5,694,080	4,123,328	
<b>TOTAL LIABILITIES</b>	<b>207,653,208</b>	<b>181,541,687</b>	14.38%
<b>STOCKHOLDERS' EQUITY</b>	<b>27,857,185</b>	<b>22,718,437</b>	22.62%
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 235,510,393</b>	<b>\$ 204,260,124</b>	15.30%

INCOME STATEMENT (Unaudited)

	Year-To-Date September 30, 2018	Three Months Ending September 30, 2018	Three Months Ending September 30, 2017	Percent Change
<b>INTEREST INCOME</b>				
Investment Income	\$ 475,532	\$ 200,421	\$ 44,985	
Commercial Loans	376,195	(3,786,443)	113,689	
Agriculture Loans	136,568	(106,748)	28,231	
Installment Loans	14,406	5,147	5,541	
Real Estate Loans	6,442,736	6,355,186	2,035,778	
Other Interest Income	4,936	1,990	1,780	
<b>TOTAL INTEREST INCOME</b>	<b>7,450,373</b>	<b>2,669,553</b>	<b>2,230,004</b>	19.71%
<b>INTEREST EXPENSE</b>				
Demand Deposit Accounts	15,217	5,334	5,566	
Money Market & Savings Accounts	66,202	23,531	21,214	
Certificate of Deposit Accounts	1,102,571	438,274	194,992	
Individual Retirement Accounts	4,164	(6,510)	5,423	
Borrowings	35,332	10,128	47,459	
<b>TOTAL INTEREST EXPENSE</b>	<b>1,223,486</b>	<b>470,757</b>	<b>274,654</b>	71.40%
<b>NET INTEREST INCOME</b>	<b>6,226,887</b>	<b>2,198,796</b>	<b>1,955,350</b>	12.45%
Less: Provision for Loan Losses	-	-	-	
<b>NET INTEREST INCOME AFTER PROVISION</b>	<b>6,226,887</b>	<b>2,198,796</b>	<b>1,955,350</b>	12.45%
<b>NON-INTEREST INCOME</b>				
Service Charges	42,562	13,920	14,499	
Servicing Fees	1,650	564	294	
Broker Loan Fees	80,180	9,670	114,057	
Mortgage Banking Revenue	27,068,043	10,211,098	8,780,669	
Other Income	196,686	87,382	113,004	
<b>TOTAL NON-INTEREST INCOME</b>	<b>27,389,121</b>	<b>10,322,634</b>	<b>9,022,523</b>	14.41%
<b>NON-INTEREST EXPENSE</b>				
Salaries and Employee Benefits	18,664,074	6,716,517	5,929,603	
Occupancy	1,121,673	382,527	355,083	
Furniture and Fixtures	787,818	293,901	238,800	
Advertising and Promotions	1,208,942	396,716	309,981	
Misc Expense	3,798,975	1,476,964	906,123	
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>25,581,482</b>	<b>9,266,625</b>	<b>7,739,590</b>	19.73%
<b>Income (loss) before Provision for Income Taxes</b>	<b>8,034,526</b>	<b>3,254,805</b>	<b>3,238,283</b>	
Provision for Income Taxes	2,069,147	844,676	1,280,678	
<b>NET INCOME</b>	<b>\$ 5,965,379</b>	<b>\$ 2,410,129</b>	<b>\$ 1,957,605</b>	23.12%