

To our Shareholders:

March 31, 2019

I am pleased to report our company has continued the success from the prior year and started the new year strong. First quarter after tax net income was \$1,621,432 which is a 33% increase from the same quarter a year ago. Quarterly earnings per share grew to \$0.71, quarterly return on assets increased to 2.64% and return on equity was 21.94%. The bank's assets grew 22% to \$264 million which is a new high. Healthy business conditions in our primary markets were positive factors to our asset growth.

Loan growth in the first quarter was also significant. Commercial loan totals increased 8% during the quarter and finished at \$165 million. Mortgage originations reached \$160 million and a recent decrease in mortgage rates should position us well going into the Spring home buying season.

The Board of Directors declared a \$1.00 per share special cash dividend that was paid March 15, 2019 and also declared a 10% increase in our quarterly dividend to \$0.11 per share. This dividend was paid on April 15, 2019. Capital growth through retained earnings continues as our Tier 1 capital ratio remains strong at 10.82%.

Thank you for your continued support.

Neil D. Grossnicklaus
Chief Executive Officer

Salem Headquarters Office

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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

Yakima, WA

Coeur d'Alene, ID

Meridian, ID



QUARTERLY REPORT

MARCH 31, 2019



BALANCE SHEET (Unaudited)

	March 31, 2019	March 31, 2018	Percent Change
ASSETS			
Cash & Due From Banks	\$ 50,690,431	\$ 43,006,224	
Real Estate Loans	154,312,573	128,767,978	
Commercial Loans	9,167,333	8,163,968	
Installment Loans	332,539	344,483	
Agriculture Loans	3,331,568	3,553,168	
Loan Loss Reserve	(1,669,130)	(1,452,736)	
Unrealized Loan Fees	(123,888)	(145,885)	
	<u>165,350,995</u>	<u>139,230,976</u>	18.76%
Loans Available For Sale	35,097,337	23,882,093	
Premises & Equipment, Net	2,643,656	2,652,357	
Other Real Estate Owned	-	1,204,050	
Other Assets	10,636,935	7,496,615	
TOTAL ASSETS	<u>\$ 264,419,354</u>	<u>\$ 217,472,315</u>	21.59%
LIABILITIES			
Demand Deposits	\$ 38,812,158	\$ 30,779,660	
NOW Accounts	20,889,812	16,808,639	
Savings Accounts	7,013,538	6,095,398	
Money Market Accounts	64,953,562	42,303,641	
Time Deposits	95,554,401	93,022,245	
	<u>227,223,471</u>	<u>189,009,583</u>	20.22%
Borrowings	976,417	1,130,753	
Other Liabilities	7,614,768	4,136,423	
TOTAL LIABILITIES	<u>235,814,656</u>	<u>194,276,759</u>	21.38%
STOCKHOLDERS' EQUITY	28,604,698	23,195,556	23.32%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 264,419,354</u>	<u>\$ 217,472,315</u>	21.59%

INCOME STATEMENT (Unaudited)

	Three Months Ending March 31, 2019	Three Months Ending March 31, 2018	Percent Change
INTEREST INCOME			
Interest on Due From Banks	\$ 299,141	\$ 117,100	
Real Estate Loans	2,371,199	1,926,631	
Commercial Loans	138,491	113,527	
Installment Loans	4,731	4,942	
Agriculture Loans	46,254	41,728	
Other Interest Income	2,012	1,904	
TOTAL INTEREST INCOME	<u>2,861,828</u>	<u>2,205,832</u>	29.74%
INTEREST EXPENSE			
Demand Deposit Accounts	8,806	4,593	
Money Market & Savings Accounts	59,424	20,534	
Certificate of Deposit Accounts	442,045	307,193	
Individual Retirement Accounts	6,773	5,382	
Borrowings	10,751	12,604	
TOTAL INTEREST EXPENSE	<u>527,799</u>	<u>350,306</u>	50.67%
NET INTEREST INCOME	<u>2,334,029</u>	<u>1,855,526</u>	25.79%
Less: Provision for Loan Losses	190,000	-	
NET INTEREST INCOME AFTER PROVISION	<u>2,144,029</u>	<u>1,855,526</u>	15.55%
NON-INTEREST INCOME			
Service Charges	15,021	14,178	
Servicing Fees	530	557	
Broker Loan Fees	5,280	58,652	
Mortgage Banking Revenue	7,802,920	7,306,476	
Other Income	142,765	41,006	
TOTAL NON-INTEREST INCOME	<u>7,966,516</u>	<u>7,420,869</u>	7.35%
NON-INTEREST EXPENSE			
Salaries and Employee Benefits	5,903,868	5,513,263	
Occupancy	411,590	353,865	
Furniture and Fixtures	235,855	224,920	
Advertising and Promotions	360,893	377,491	
Misc Expense	1,019,431	1,162,024	
TOTAL NON-INTEREST EXPENSE	<u>7,931,637</u>	<u>7,631,563</u>	3.93%
Income (loss) before Provision for Income Taxes	2,178,908	1,644,832	
Provision for Income Taxes	557,476	422,831	
NET INCOME	<u>\$ 1,621,432</u>	<u>\$ 1,222,001</u>	32.69%