

To our Shareholders:

June 30, 2019

The Company continued its string of robust earnings through the second quarter. Quarterly earnings reached \$3,555,250 which is a new record for the company. This is an increase of \$1,621,432, or 44%, over the year ago quarter. Good commercial loan growth of 16% and a 26% increase in mortgage originations contributed to the positive financial results.

Strong quarterly financial results pushed year-to-date net income to \$4,974,169. This is an increase of \$1,418,919, or 40%, over year-to-date net income at June 30, 2018. Quarterly return on average assets was 5.21% and quarterly return on average equity was 45.02%.

The Board of Directors declared a \$0.11 per share dividend that was paid July 15, 2019. Capital growth through retained earnings continues as our Tier 1 capital ratio remains strong at 12.40%.

As previously released, Ryan Dempster was appointed President as part of the Company's management succession plan. Over the last six months, I have prepared Mr. Dempster for my eventual retirement which will occur on August 1, 2019. I am very thankful for the long tenure I have enjoyed with the Company and look forward to continuing to serve as a member of the Board of Directors.

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

June 30, 2019



BALANCE SHEET (Unaudited)

	June 30, 2019	June 30, 2018	Percent Change
ASSETS			
Cash & Due From Banks	\$ 27,549,342	\$ 35,472,733	
Investments	-	-	
Real Estate Loans	151,544,604	128,428,107	
Commercial Loans	8,927,461	8,829,744	
Installment Loans	295,266	379,130	
Agriculture Loans	3,430,793	3,748,692	
Unrealized Loan Fees	(111,005)	(139,137)	
	<u>164,087,119</u>	<u>141,246,536</u>	16.17%
Loans Available For Sale	54,128,103	37,557,008	
Loan Loss Reserve	(1,671,688)	(1,471,458)	
Premises & Equipment, Net	2,625,864	2,721,677	
Other Real Estate Owned	-	1,174,228	
Other Assets	11,121,609	7,858,869	
TOTAL ASSETS	<u>\$ 257,840,349</u>	<u>\$ 224,559,593</u>	14.82%
LIABILITIES			
Demand Deposits	\$ 41,478,578	\$ 32,878,975	
NOW Accounts	20,744,371	16,004,621	
Savings Accounts	6,386,339	6,124,191	
Money Market Accounts	45,946,408	37,688,226	
Time Deposits	<u>101,433,425</u>	<u>100,502,958</u>	
Total Deposits	215,989,121	193,198,971	11.80%
Borrowings	925,880	1,090,503	
Other Liabilities	8,956,503	4,723,215	
TOTAL LIABILITIES	<u>225,871,504</u>	<u>199,012,689</u>	13.50%
STOCKHOLDERS' EQUITY	31,968,845	25,546,904	25.14%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 257,840,349</u>	<u>\$ 224,559,593</u>	14.82%

INCOME STATEMENT (Unaudited)

	Year-To-Date June 30, 2019	Three Months Ending June 30, 2019	Three Months Ending June 30, 2018	Percent Change
INTEREST INCOME				
Interest on Due From Banks	\$ 532,990	\$ 233,849	\$ 158,011	
Real Estate Loans	5,073,286	2,702,087	2,236,007	
Commercial Loans	267,814	129,323	129,789	
Installment Loans	9,470	4,739	4,317	
Agriculture Loans	86,258	40,004	45,822	
Other Interest Income	3,996	1,984	1,042	
TOTAL INTEREST INCOME	<u>5,973,814</u>	<u>3,111,986</u>	<u>2,574,988</u>	20.85%
INTEREST EXPENSE				
Demand Deposit Accounts	15,471	6,665	5,290	
Money Market & Savings Accounts	148,727	89,303	22,137	
Certificate of Deposit Accounts	911,876	469,831	357,104	
Individual Retirement Accounts	14,597	7,824	5,292	
Borrowings	28,868	18,117	12,600	
TOTAL INTEREST EXPENSE	<u>1,119,539</u>	<u>591,740</u>	<u>402,423</u>	47.04%
NET INTEREST INCOME	<u>4,854,275</u>	<u>2,520,246</u>	<u>2,172,565</u>	16.00%
Less: Provision for Loan Losses	190,000	-	-	
NET INTEREST INCOME AFTER PROVISION	<u>4,664,275</u>	<u>2,520,246</u>	<u>2,172,565</u>	16.00%
NON-INTEREST INCOME				
Service Charges	31,029	16,008	14,464	
Servicing Fees	785	255	529	
Broker Loan Fees	6,580	1,300	11,858	
Mortgage Banking Revenue	19,253,019	11,450,099	9,550,469	
Other Income	305,169	162,404	68,298	
TOTAL NON-INTEREST INCOME	<u>19,596,582</u>	<u>11,630,066</u>	<u>9,645,618</u>	20.57%
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	13,614,851	7,710,983	6,434,294	
Occupancy	849,405	437,815	385,281	
Furniture and Fixtures	529,605	293,750	268,997	
Advertising and Promotions	738,196	377,303	434,735	
Misc Expense	2,110,084	1,090,653	1,159,987	
TOTAL NON-INTEREST EXPENSE	<u>17,842,141</u>	<u>9,910,504</u>	<u>8,683,294</u>	14.13%
Income (loss) before Provision for Income Taxes	6,418,716	4,239,808	3,134,889	
Provision for Income Taxes	1,444,547	887,071	801,640	
NET INCOME	<u>\$ 4,974,169</u>	<u>\$ 3,352,737</u>	<u>\$ 2,333,249</u>	43.69%