

**BOARD OF DIRECTORS**

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**Rick Smith**  
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President & CEO

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**D. Thomas Ordeman**  
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President of Bryan Webber Farms, Inc.

**EXECUTIVE MANAGEMENT**

**Dave Wood**  
President & CEO

**SENIOR MANAGEMENT**

**Keith Lockhoven**  
Senior Vice President & Chief Financial Officer

**Cindy Howard**  
Vice President & Compliance Officer

**Joan Keukauf**  
Vice President & Senior Operations Officer

# Our Story.

*No one serves you better. And that's a promise.*

That's why we are mindful of the service you receive here on a consistent basis. At Willamette Community Bank, we daily recommit to offering you something more — a community banking experience in which:

- Everyone knows you by name
- No one is too busy to listen
- Decisions are made quickly
- Flexibility can be expected
- You get what you need when you need it everytime
- People bend over backwards to make you happy
- Your satisfaction is our top priority
- You always enjoy your experience

What's different about us is also what's so familiar. It's simply recognizing and honoring that instinctive desire to have even your unspoken wants and needs met. Extra attention. Eye contact. Understanding. Flexibility. Faster responses. Surprisingly better service. And an entire banking experience that just rings true.



**Willamette**  
COMMUNITY BANK

*Service like no other. We promise.*

[www.willamettecommunitybank.com](http://www.willamettecommunitybank.com)

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**Willamette**  
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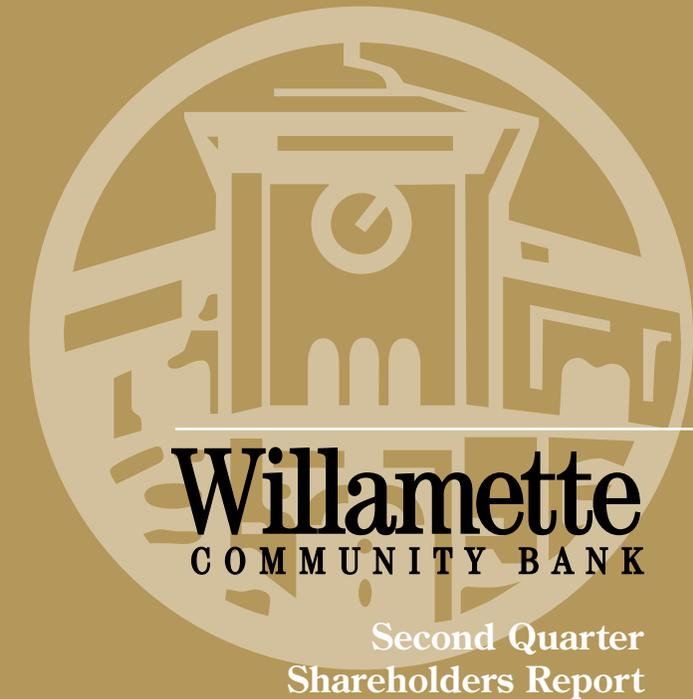
*Service like no other. We promise.*

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Albany, OR 97321  
541-926-9000

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**Lebanon Branch**  
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Lebanon, OR 97355  
541-258-7415

*This report contains forward looking statements within the meaning of Federal securities laws.*



**June 30, 2011**

Dear Shareholder, Client and Friend:

As your locally owned community bank, we reflect the successes and the struggles of our customers. This past quarter was one in which we found encouragement and solid evidence of their character, entrepreneurial spirit, and drive to find a way to succeed under any and all circumstances. We also found our entire team of bankers having that same spirit and determination, which led us to improved second quarter 2011 results and noticeable momentum as we move into the second half of 2011. Without question, our success reflects the tremendous effort made by our entire team.

Our Second Quarter (Q2) 2011 results were a product of our steadfast focus on five (5) key priorities: Maintain a quality diversified loan portfolio, lower funding costs, concentrate growing our business in four market niches, increase the number of business and consumer impressions thereby elevating brand awareness and most importantly, helping our customers succeed.

Through Q2 2011, several of our business fundamentals have moved in the right direction; loans, lower cost deposits, net interest margin and internal capital generation. Those fundamentals along with other financial highlights as follows:

- Total assets increased 2% vs. Q2 2010, expanding from \$79.1 million to \$80.4 million notably in loan growth. However, total assets Q1 2011 vs. Q2 2011 reflects a decrease of 5% in total assets or \$3.9 million reflected in *Cash and Due From Banks* given anticipated depositor withdrawals for investment in plant / equipment and infrastructure improvements.
- Total deposits increased \$1.3 million Q2 2011 vs. Q2 2010 or 2%. As noted above, deposit totals decreased \$4.1 million during Q2 2011 from quarter-ending March 2011 due to planned corporate and municipality withdrawals for business expansion and infrastructure improvements. Notwithstanding, we continued to have strong growth in consumer checking accounts due to ever increasing consumer charges/fees levied by larger financial institutions operating in our local markets.
- After tax net income through Q2 2011 of \$139 thousand or \$0.21 per common share vs. \$157 thousand Q2 2010 or \$0.24 per common share. Net income has been negatively impacted by continued low-yielding investment securities and below budget mortgage banking fee income, both of which have been off-set by a reduction in interest expense, the benefit of which began to appear Q2 2011. Non-interest expense, higher year-over-year by \$156

thousand, primarily due to increased employee compensation, data processing/technology, professional services and marketing.

- Credit quality continues to reflect resilience with no loan charge offs reported year-to-date which has supported a reduction in the allowance for credit losses. Absent significant deterioration either in our loan portfolio or economy, we expect future reserve releases. Non-performing loans to total assets continues to reflect industry leadership at a modest 0.65% ending Q2 2011. Past due loans over 30 days at 0.22% vs. 0.04% Q2 2010.
- Year-to-date 2011 financial performance has led to internal capital generation, producing a Tier 1 common and Tier 1 capital ratios of 8.5% and 10.8% respectively. Shareholder equity has increased year-over-year from \$7 million to \$7.2 million. We have a strong bias toward growing our capital account in order to support and expand our business. Noted year-to-date Return on Assets and Return on Equity 0.34% and 3.94% respectively.

Our year-to-date results demonstrate our company's ability to perform in a very challenging operating environment, including economic headwinds, regulatory oversight, reputation risk and competitive pressures. All these factors will continue to influence how we allocate resources, manage our operations and capitalize on opportunities for our future growth. Our results continue to show we have adhered to a disciplined business strategy and have made investments in our people.

As we approach the second half of 2011 we should reflect on the fact that we are a community and used in the context that is not simply another word for local. It's not a street address or a shared zip code. It's a relationship; a tie that binds neighbor to neighbor, business to business, friend to friend. We are not strangers, but neighbors. We depend on each other, so we invest in each other. And ultimately we succeed, and grow, together. We are so proud to be right here and serving this great Willamette Valley.

Dave Wood



President and CEO

## Statements of Financial Condition

	June 30	
	2011	2010
<b>ASSETS</b>		
Cash and due from banks	\$6,229,635	\$ 8,609,839
Certificates of deposit	—	1,225,000
Investment securities available for sale	14,059,918	9,982,689
Mortgage loans held for sale	—	148,662
Loans, net	57,378,714	56,156,488
Pacific Coast Bankers' Bank stock	100,000	100,000
Federal Home Loan Bank stock	50,500	50,500
Premises and equipment, net	1,892,625	1,928,384
Prepaid FDIC assessments	194,449	292,387
Accrued interest and other assets	518,356	557,124
<b>Total assets</b>	<b>\$80,424,198</b>	<b>\$79,051,073</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits:		
Demand	\$ 9,338,941	\$ 9,395,334
Interest-bearing demand	22,993,102	20,000,757
Money market	16,126,725	12,422,164
Savings	1,560,846	879,851
Time	23,067,965	29,093,110
<b>Total deposits</b>	<b>73,087,578</b>	<b>71,791,216</b>
Accrued interest and other liabilities	139,991	249,958
<b>Total liabilities</b>	<b>73,227,569</b>	<b>72,041,174</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, 668,147 shares issued and outstanding at June 30, 2011 and June 30, 2010	6,736,481	6,736,481
Retained earnings	348,074	175,503
Accumulated other comprehensive income	112,073	97,915
<b>Total shareholders' equity</b>	<b>7,196,629</b>	<b>7,009,899</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$80,424,198</b>	<b>\$79,051,073</b>
<b>Book value per share</b>	<b>\$ 10.77</b>	<b>\$ 10.49</b>

## Statements of Income

	Six Months ended June 30	
	2011	2010
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 1,823,534	\$ 1,805,192
Taxable interest on investment securities	162,564	188,281
Other interest income	8,712	11,879
<b>Total interest income</b>	<b>1,994,810</b>	<b>2,005,352</b>
<b>INTEREST EXPENSE</b>		
Deposits:		
Interest-bearing demand, money market and savings	219,264	259,628
Time	161,220	294,635
<b>Total interest expense</b>	<b>380,483</b>	<b>554,263</b>
Net interest income	1,614,326	1,451,088
Loan loss provision	39,000	62,000
Net interest income after loan loss provision	1,575,326	1,389,088
<b>NON-INTEREST INCOME</b>		
Service charges on deposit accounts	27,525	47,710
Mortgage banking income	31,881	40,327
Gains on sales & early redemptions-securities	942	44,043
Other	80,046	74,281
<b>Total non-interest income</b>	<b>140,394</b>	<b>206,361</b>
<b>NON-INTEREST EXPENSE</b>	<b>1,491,208</b>	<b>1,335,238</b>
Income before income taxes	224,512	260,211
Provision for income taxes	85,300	103,000
Net income	<b>\$ 139,212</b>	<b>\$ 157,211</b>
Basic earnings per common share	<b>\$ 0.21</b>	<b>\$ 0.24</b>
Diluted earnings per common share	n/a	n/a
Weighted average common shares outstanding:		
Basic	668,147	668,147
Diluted	n/a	n/a