

BOARD OF DIRECTORS

Kerry Johnson
Chairman of the Board

Rick Smith
Vice Chairman

Dave Wood
President & CEO

Kent Hickam
Attorney

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President of Fisher Funeral Home

Betty Jo Smith
Agricultural- Grass Seed Grower

Selma I. Starns
Secretary / Retired CPA

Bryan Webber
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 Reukauf
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

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

Willamette
COMMUNITY BANK

Third Quarter
Shareholders Report

September 30, 2011

Dear Shareholder, Client and Friend:

Our Q3 2011 results brings emphasis to our stated 2011 key priorities: Quality and diversified loan portfolio; lower funding costs; concentrate on growing our business in four market niches; elevate brand awareness; and, helping our customers succeed by meeting their highest expectations through *Service Like No Other*.

We are pleased to report - After Tax Net Income - of \$300 thousand through Q3 2011 or \$0.45 per share vs. \$154 thousand or \$0.23 per share through Q3 2010. An earnings / earnings per share improvement of 95% and 96% respectively producing a year-to-date Return on Assets of .48% and Return on Equity of 5.60%. The increase in earnings per share has been driven by balance sheet growth, net interest margin improvement, strong asset quality and control over operating expenses.

Total assets ending Q3 2011 stood at \$81.6 million, an increase of \$1.5 million or 2% from Q3 2010. Total deposits were \$74.1 million, up \$1.3 million or 2% over the prior third quarter 2010. Deposit growth was moderate given our position not to match higher market time deposit rates for those single product customers only seeking a higher yield. We have not wavered from generating local market deposits and have significantly strengthened our very stable and favorable core deposit mix by increasing noninterest-bearing demand deposits, interest bearing demand, money market and savings deposits by 11% over Q3 2010.

In the current economic environment, it would be difficult to overstate the importance of our ability to deliver consistently superior asset quality in relation to our peers. Our year-to-date Charge-Offs are \$48.1 thousand or 0.08% of average loans; non-performing assets at quarter-end a modest .65% to total assets. With ample funds and without portfolio issues, we are a very dependable source of business and consumer lending for our communities served, responding quickly to qualified loan requests. While we continue to aggressively manage loan quality with

the expectation of positive economic growth at some point in the future, we also know that in the current environment loan growth must be driven by market share gains rather than increased economic activity.

Our Q3 2011 shareholder equity grew to \$7.3 million and tangible book value per share of \$10.88. This compares to shareholder equity of \$7.0 million and tangible book value per share of \$10.51 ending Q3 2010. Our bias still remains growing our capital account in order to support and expand our ability to accommodate larger customers and business prospects.

In order to take advantage of future growth opportunities, communicating the value of our brand remains a top priority. Therefore, we plan to reinforce and expand the *Service Like No Other* brand experience through a variety of website enhancements currently in process, including: The future ability for new customers to open consumer checking and savings accounts, at their convenience, through our website; a major upgrade to our on-line banking capabilities thereby adding more convenient features; and, an expanded / consumer friendly home loan application process with an added home page daily home mortgage rate feature, again, all internet based through our website designed to meet the needs of a broader customer base.

The contributions and support of our dedicated employee team and our distinguished Board of Directors - and you, our loyal customers and valued shareholders - are vital as we move forward to achieve our goals for ongoing success and profitability. We look forward to reporting our progress to you at the end of the fourth quarter.

Kindest Regards,



Dave Wood
President and CEO

Statements of Financial Condition

	September 30	
	2011	2010
ASSETS		
Cash and due from banks	\$5,879,300	\$ 7,316,299
Certificates of deposit	—	1,225,000
Investment securities available for sale	14,664,388	11,170,885
Loans, net	58,240,432	56,763,119
Mortgage loans held for sale	—	683,607
Pacific Coast Bankers' Bank (PCBB) stock	100,000	100,000
Federal Home Loan Bank (FHLB) stock	50,500	50,500
Premises and equipment, net	1,856,076	1,930,031
Prepaid FDIC assessments	181,355	269,631
Accrued interest and other assets	594,353	554,211
Total assets	\$81,566,404	\$80,063,283
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Demand	\$10,969,169	\$10,068,126
Interest-bearing demand	22,428,089	21,893,048
Money market	16,305,899	13,696,859
Savings	2,108,556	995,695
Time	22,320,965	26,182,799
Total deposits	74,132,678	72,836,527
Accrued interest and other liabilities	165,371	205,732
Total liabilities	74,298,049	73,042,259
SHAREHOLDERS' EQUITY		
Common stock, 668,147 shares issued and outstanding at September 30, 2011 and September 30, 2010	6,736,481	6,736,481
Retained earnings	508,821	171,955
Accumulated other comprehensive income	23,053	112,588
Total shareholders' equity	7,268,355	7,021,024
Total liabilities and shareholders' equity	\$81,566,404	\$80,063,283
Book value per share	\$ 10.88	\$ 10.51

Statements of Income

	Nine Months ended September 30	
	2011	2010
INTEREST INCOME		
Interest and fees on loans	\$ 2,751,159	\$ 2,751,289
Taxable interest on investment securities	243,137	272,690
Other interest income	9,976	17,527
Total interest income	3,004,272	3,041,506
INTEREST EXPENSE		
Deposits:		
Interest-bearing demand, money market and savings	318,973	404,178
Time	228,705	417,898
Total interest expense	547,678	822,076
Net interest income	2,456,594	2,219,430
Loan loss provision	19,000	173,000
Net interest income after loan loss provision	2,437,594	2,406,430
NON-INTEREST INCOME		
Service charges on deposit accounts	44,134	59,664
Mortgage banking income	56,772	80,071
Gains on sales & early redemptions-securities	942	44,743
Other	115,299	105,507
Total non-interest income	217,147	289,985
NON-INTEREST EXPENSE		
Income before income taxes	479,558	255,663
Provision for income taxes	179,600	102,000
Net income	\$ 299,958	\$ 153,663
Basic earnings per common share	\$ 0.45	\$ 0.23
Diluted earnings per common share	n/a	n/a
Weighted average common shares outstanding:		
Basic	668,147	668,147
Diluted	n/a	n/a