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Kerry Johnson
Chairman of the Board

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Vice Chairman

Dave Wood
President & CEO

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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

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

For stock purchase and sale information contact:

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Service like no other. We promise.

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

Willamette
COMMUNITY BANK

Second Quarter
Shareholders Report

June 30, 2010

To Our Owners:

For the first two quarters of 2010 Willamette Community Bank earned a net after-tax profit of \$157 thousand (before tax of \$260 thousand), or \$.24 per share as compared to second quarter 2009 net after tax profit of \$14 thousand, or \$.02 per share. Revenue increased 14.7% year-over-year to \$2,212 thousand. Total assets and total deposits rose 20.7% and 22.7% respectively over 2nd quarter 2009. Though the economy continues to present challenges, and we've yet to see consumers and businesses resume past level of spending and borrowing, our Team at Willamette Community Bank still found opportunities to serve the financial needs of customers. We continue to build deeper relationships, while transitioning from providing high quality customer service to being *recognized* for providing a great customer experience through *service like no other*. We have not, however, lost sight of the prudent operating and risk principles that have allowed our Company to successfully navigate an uncertain economy and unprecedented changes in the financial services industry.

Financial Highlights:

- 2nd quarter year-to-date results report pre-tax profit of \$260 thousand compared to \$20 thousand through the 2nd quarter 2009. This increase is the result of total revenue rising 14.7% (primarily interest and fees on loans) while containing operating expenses to a single digit 3.8% (interest expense and operating overhead). Contributing to our improvement in revenue growth quarter-over-quarter has been an 10.6% increase in net loans from \$50,761 thousand to \$56,156 thousand. A key factor in our ability to keep operating overhead to single digits has been the continued success of *Operation Streamline* wherein all major expense components have been analyzed and processes in place to either reduce or eliminate along with the continued conversion of customers to on-line banking and receiving electronic statements in lieu of paper statements.
- Non-interest expense for the 2nd quarter year-to-date was \$1,335 thousand compared to \$1,228 thousand through the 2nd quarter 2009. Increase in operating expenses primarily attributed to increases in salaries and benefit costs, and data processing expense.
- Non-interest income 2010 year-to-date of \$206 thousand vs. \$121 thousand 2nd quarter 2009, for an increase of 70.2%. Noted increases in deposit service charges, securities gain on sale and interchange income.

- Significant growth year-over-year in deposits, reporting an increase of 22.6%; advancing from \$58,532 thousand to \$71,791 thousand. Noted increase in business deposits and NOW account categories. It's important to point out that core demand deposits have increased from 10.6% of total deposits 2nd quarter 2009 to 13.1% 2nd quarter 2010.
- Net loan growth of 10.6%, from 2nd quarter 2009 of \$50,761 thousand to \$56,156 thousand 2nd quarter 2010 remains positive. Accordingly, our loan loss provision has increased from \$606 thousand to \$675 thousand or 1.19% of gross loans. We ended 2nd quarter 2010 with one loan over 30 day past due representing or .04% of gross loans with non-performing loans to total loans of .15%. Additionally, we have \$59 thousand in *other real estate owned* representing 0.07% of total assets.
- Our institution remains Well Capitalized with a Tier 1 Capital Ratio of 11% and Total Capital Ratio of 12.1%. Total Shareholder Equity has increased 7.1% from \$6,546 thousand June 30, 2009 to \$7,010 thousand June 30, 2010.

The second half of 2010 will remain as challenging as the first half of this year; perhaps even more so. Our economy could well be headed for a double-dip recession given continued high un-employment numbers, retraction of government stimulus, softened commodity prices and continued number of foreclosed properties selling at distressed prices. Regardless of challenges each of us face, Willamette Community Bank will continue to thrive and support our communities served because our business model remains focused on prudent underwriting, portfolio diversification and stable deposit funding.

We thank our team members; they continue to produce extraordinary results. We thank our customers who continue to entrust us with more of their business and our communities for allowing us to serve them. Finally, to our shareholders, thank you for your continued support and confidence.



Dave Wood
President & CEO

Statements of Financial Condition

	June 30	
	2010	2009
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 8,609,839	\$ 2,428,810
Federal funds sold	-	-
Total cash and cash equivalents	8,609,839	2,428,810
Certificates of deposit	1,225,000	980,000
Investment securities available for sale	9,982,689	8,439,636
Mortgage loans held for sale	142,662	-
Loans, net	56,156,488	50,760,570
Pacific Coast Bankers' Bank (PCBB) stock	100,000	100,000
Federal Home Loan Bank (FHLB) stock	50,500	50,500
Premises and equipment, net	1,928,384	1,992,866
Other real estate owned	59,472	301,837
Prepaid FDIC assessments	292,387	-
Accrued interest and other assets	497,652	431,613
Total assets	\$79,051,073	\$65,485,832
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Demand	\$ 9,395,334	\$ 6,197,378
Interest-bearing demand	20,000,757	8,722,956
Money market	12,422,164	10,297,367
Savings	879,851	634,408
Time	29,093,110	32,679,445
Total deposits	71,791,216	58,531,554
Borrowings	-	189,094
Accrued interest and other liabilities	249,958	219,529
Total liabilities	72,041,174	58,940,177
SHAREHOLDERS' EQUITY		
Common stock, 668,147 shares issued and outstanding at June 30, 2010 and June 30, 2009	6,736,481	6,736,481
Retained earnings (accumulated deficit)	175,503	(193,375)
Accumulated other comprehensive income	97,914	2,549
Total shareholders' equity	7,009,899	6,545,655
Total liabilities and shareholders' equity	\$79,051,073	\$65,485,832
Book value per share	\$ 10.49	\$ 9.80

Statements of Income

	Six Months ended June 30	
	2010	2009
INTEREST INCOME		
Interest and fees on loans	\$1,805,192	\$1,614,270
Interest on federal funds sold	-	1,447
Taxable interest on investment securities	188,281	174,125
Other interest income	11,879	17,335
Total interest income	2,005,352	1,807,177
INTEREST EXPENSE		
Deposits:		
Interest-bearing demand, money market and savings	259,627	103,496
Time	294,635	486,161
Borrowing	1	2,970
Total interest expense	554,263	592,627
Net interest income	1,451,088	1,214,550
Loan loss provision	62,000	88,000
Net interest income after loan loss provision	1,389,088	1,126,550
NON-INTEREST INCOME		
Service charges on deposit accounts	47,710	31,928
Mortgage banking income	40,327	90,832
Gains on sales and early redemptions - securities	44,043	7,517
(Loss) on other real estate owned	-	(38,163)
Other	74,282	28,528
Total non-interest income	206,361	120,642
NON-INTEREST EXPENSE		
Income before income taxes	260,211	19,511
Provision for income taxes	103,000	6,000
Net income	\$ 157,211	\$ 13,511
Basic earnings per common share	\$ 0.24	\$ 0.02
Diluted earnings per common share	n/a	n/a
Weighted average common shares outstanding:		
Basic	668,147	668,147
Diluted	n/a	n/a