

<b>Form 5500</b> Department of the Treasury Internal Revenue Service  Department of Labor Employee Benefits Security Administration  Pension Benefit Guaranty Corporation	<b>Annual Return/Report of Employee Benefit Plan</b> This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code).  <p style="text-align: center;">▶ <b>Complete all entries in accordance with the instructions to the Form 5500.</b></p>	OMB Nos. 1210-0110 1210-0089  <div style="text-align: center; font-size: 1.5em; font-weight: bold;">2015</div>  <b>This Form is Open to Public Inspection</b>
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Part I	<b>Annual Report Identification Information</b>
For calendar plan year 2015 or fiscal plan year beginning <u>01/01/2015</u> and ending <u>12/31/2015</u>	
A	This return/report is for: <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div> <input type="checkbox"/> a multiemployer plan;         </div> <div> <input type="checkbox"/> a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions); or         </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div> <input checked="" type="checkbox"/> a single-employer plan;         </div> <div> <input type="checkbox"/> a DFE (specify) ____         </div> </div>
B	This return/report is: <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div> <input type="checkbox"/> the first return/report;         </div> <div> <input type="checkbox"/> the final return/report;         </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div> <input type="checkbox"/> an amended return/report;         </div> <div> <input type="checkbox"/> a short plan year return/report (less than 12 months).         </div> </div>
C	If the plan is a collectively-bargained plan, check here. .... ▶ <input type="checkbox"/>
D	Check box if filing under: <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div> <input type="checkbox"/> Form 5558;         </div> <div> <input type="checkbox"/> automatic extension;         </div> <div> <input type="checkbox"/> the DFVC program;         </div> </div> <div style="margin-top: 5px;"> <input type="checkbox"/> special extension (enter description)         </div>

Part II	<b>Basic Plan Information</b> —enter all requested information		
1a	Name of plan <u>SKAGIT BANK EMPLOYEES RETIREMENT PLAN</u>	1b	Three-digit plan number (PN) ▶ <u>002</u>
		1c	Effective date of plan <u>09/01/1986</u>
2a	Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>SKAGIT BANCORP, INC.</u>  <div style="display: flex; justify-content: space-between;"> <div><u>P.O. BOX 285</u> <u>BURLINGTON, WA 98233</u></div> <div><u>301 E. FAIRHAVEN</u> <u>BURLINGTON, WA 98233</u></div> </div>		
		2b	Employer Identification Number (EIN) <u>91-0681718</u>
		2c	Plan Sponsor's telephone number <u>360-755-0411</u>
		2d	Business code (see instructions) <u>522110</u>

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	07/12/2016	CARLA TUCKER
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE
Preparer's name (including firm name, if applicable) and address (include room or suite number)			Preparer's telephone number

<b>3a</b> Plan administrator's name and address <input type="checkbox"/> Same as Plan Sponsor SKAGIT BANCORP, INC.  P.O. BOX 285 BURLINGTON, WA 98233	<b>3b</b> Administrator's EIN 91-0681718
	<b>3c</b> Administrator's telephone number 360-755-0411
<b>4</b> If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:  <b>a</b> Sponsor's name	<b>4b</b> EIN  <b>4c</b> PN
<b>5</b> Total number of participants at the beginning of the plan year	<b>5</b> 229
<b>6</b> Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines <b>6a(1)</b> , <b>6a(2)</b> , <b>6b</b> , <b>6c</b> , and <b>6d</b> ).	
<b>a(1)</b> Total number of active participants at the beginning of the plan year.....	<b>6a(1)</b> 175
<b>a(2)</b> Total number of active participants at the end of the plan year .....	<b>6a(2)</b> 174
<b>b</b> Retired or separated participants receiving benefits.....	<b>6b</b> 1
<b>c</b> Other retired or separated participants entitled to future benefits.....	<b>6c</b> 49
<b>d</b> Subtotal. Add lines <b>6a(2)</b> , <b>6b</b> , and <b>6c</b> .....	<b>6d</b> 224
<b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	<b>6e</b> 0
<b>f</b> Total. Add lines <b>6d</b> and <b>6e</b> .....	<b>6f</b> 224
<b>g</b> Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	<b>6g</b> 222
<b>h</b> Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested .....	<b>6h</b> 5
<b>7</b> Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) .....	<b>7</b>
<b>8a</b> If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2E 2F 2G 2J 2K 2T 3D	
<b>b</b> If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:	
<b>9a</b> Plan funding arrangement (check all that apply) (1) <input type="checkbox"/> Insurance (2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts (3) <input checked="" type="checkbox"/> Trust (4) <input type="checkbox"/> General assets of the sponsor	<b>9b</b> Plan benefit arrangement (check all that apply) (1) <input type="checkbox"/> Insurance (2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts (3) <input checked="" type="checkbox"/> Trust (4) <input type="checkbox"/> General assets of the sponsor
<b>10</b> Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)	
<b>a Pension Schedules</b> (1) <input checked="" type="checkbox"/> <b>R</b> (Retirement Plan Information)  (2) <input type="checkbox"/> <b>MB</b> (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary  (3) <input type="checkbox"/> <b>SB</b> (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	<b>b General Schedules</b> (1) <input checked="" type="checkbox"/> <b>H</b> (Financial Information) (2) <input type="checkbox"/> <b>I</b> (Financial Information – Small Plan) (3) <input type="checkbox"/> <u>0</u> <b>A</b> (Insurance Information) (4) <input checked="" type="checkbox"/> <b>C</b> (Service Provider Information) (5) <input type="checkbox"/> <b>D</b> (DFE/Participating Plan Information) (6) <input type="checkbox"/> <b>G</b> (Financial Transaction Schedules)

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<b>Part III</b>	<b>Form M-1 Compliance Information (to be completed by welfare benefit plans)</b>
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**11a** If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

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**11b** Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

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**11c** Enter the Receipt Confirmation Code for the 2015 Form M-1 annual report. If the plan was not required to file the 2015 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code \_\_\_\_\_

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<b>SCHEDULE C</b> <b>(Form 5500)</b> Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	<b>Service Provider Information</b> This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ <b>File as an attachment to Form 5500.</b>	OMB No. 1210-0110
		<b>2015</b>
		<b>This Form is Open to Public Inspection.</b>

For calendar plan year 2015 or fiscal plan year beginning 01/01/2015 and ending 12/31/2015

<b>A</b> Name of plan <u>SKAGIT BANK EMPLOYEES RETIREMENT PLAN</u>	<b>B</b> Three-digit plan number (PN) ▶ <u>002</u>
<b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 <u>SKAGIT BANCORP, INC.</u>	<b>D</b> Employer Identification Number (EIN) <u>91-0681718</u>

**Part I Service Provider Information (see instructions)**

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

**1 Information on Persons Receiving Only Eligible Indirect Compensation**

**a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No

**b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

<b>(b)</b> Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation	
<u>MATRIX TRUST COMPANY</u>	<u>2800 NORTH CENTRAL AVENUE, STE 900</u> <u>PHOENIX, AZ 85004</u>
<u>75-3182674</u>	

<b>(b)</b> Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation	
<u>NORTHWEST PLAN SERVICES, INC.</u>	<u>5446 CALIFORNIA AVENUE SW, STE 200</u> <u>SEATTLE, WA 98136</u>
<u>91-2090931</u>	

<b>(b)</b> Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation	
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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

NORTHWEST PLAN SERVICES, INC

5446 CALIFORNIA AVENUE SW  
SUITE 200  
SEATTLE, WA 98136

91-2090931

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
13 15 16 37 38 50 63 65 70	NONE	26029	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	0	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

**(a)** Enter name and EIN or address (see instructions)

MATRIX TRUST COMPANY

2800 NORTH CENTRAL AVENUE  
SUITE 900  
PHOENIX, AZ 85004

75-3182674

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
19 50 62	NONE	8594	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	0	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

**(a)** Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

<b>(b)</b> Service Code(s)	<b>(c)</b> Relationship to employer, employee organization, or person known to be a party-in-interest	<b>(d)</b> Enter direct compensation paid by the plan. If none, enter -0-.	<b>(e)</b> Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	<b>(f)</b> Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	<b>(g)</b> Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	<b>(h)</b> Did the service provider give you a formula instead of an amount or estimated amount?
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

**(a)** Enter name and EIN or address (see instructions)

<b>(b)</b> Service Code(s)	<b>(c)</b> Relationship to employer, employee organization, or person known to be a party-in-interest	<b>(d)</b> Enter direct compensation paid by the plan. If none, enter -0-.	<b>(e)</b> Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	<b>(f)</b> Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	<b>(g)</b> Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	<b>(h)</b> Did the service provider give you a formula instead of an amount or estimated amount?
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

**(a)** Enter name and EIN or address (see instructions)

<b>(b)</b> Service Code(s)	<b>(c)</b> Relationship to employer, employee organization, or person known to be a party-in-interest	<b>(d)</b> Enter direct compensation paid by the plan. If none, enter -0-.	<b>(e)</b> Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	<b>(f)</b> Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	<b>(g)</b> Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	<b>(h)</b> Did the service provider give you a formula instead of an amount or estimated amount?
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	



**4** Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

<b>(a)</b> Enter name and EIN or address of service provider (see instructions)	<b>(b)</b> Nature of Service Code(s)	<b>(c)</b> Describe the information that the service provider failed or refused to provide
<b>(a)</b> Enter name and EIN or address of service provider (see instructions)	<b>(b)</b> Nature of Service Code(s)	<b>(c)</b> Describe the information that the service provider failed or refused to provide
<b>(a)</b> Enter name and EIN or address of service provider (see instructions)	<b>(b)</b> Nature of Service Code(s)	<b>(c)</b> Describe the information that the service provider failed or refused to provide
<b>(a)</b> Enter name and EIN or address of service provider (see instructions)	<b>(b)</b> Nature of Service Code(s)	<b>(c)</b> Describe the information that the service provider failed or refused to provide
<b>(a)</b> Enter name and EIN or address of service provider (see instructions)	<b>(b)</b> Nature of Service Code(s)	<b>(c)</b> Describe the information that the service provider failed or refused to provide
<b>(a)</b> Enter name and EIN or address of service provider (see instructions)	<b>(b)</b> Nature of Service Code(s)	<b>(c)</b> Describe the information that the service provider failed or refused to provide

**Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)**  
(complete as many entries as needed)

<b>a</b> Name:	<b>b</b> EIN:
<b>c</b> Position:	
<b>d</b> Address:	<b>e</b> Telephone:

Explanation:

<b>a</b> Name:	<b>b</b> EIN:
<b>c</b> Position:	
<b>d</b> Address:	<b>e</b> Telephone:

Explanation:

<b>a</b> Name:	<b>b</b> EIN:
<b>c</b> Position:	
<b>d</b> Address:	<b>e</b> Telephone:

Explanation:

<b>a</b> Name:	<b>b</b> EIN:
<b>c</b> Position:	
<b>d</b> Address:	<b>e</b> Telephone:

Explanation:

<b>a</b> Name:	<b>b</b> EIN:
<b>c</b> Position:	
<b>d</b> Address:	<b>e</b> Telephone:

Explanation:

<b>SCHEDULE H</b> <b>(Form 5500)</b>  <small>Department of the Treasury Internal Revenue Service</small>  <small>Department of Labor Employee Benefits Security Administration</small>  <small>Pension Benefit Guaranty Corporation</small>	<b>Financial Information</b>  This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).  <b>► File as an attachment to Form 5500.</b>	OMB No. 1210-0110  <div style="border: 1px solid black; padding: 5px; font-size: 1.2em; font-weight: bold;">2015</div>  <b>This Form is Open to Public Inspection</b>
For calendar plan year 2015 or fiscal plan year beginning <u>01/01/2015</u> and ending <u>12/31/2015</u>		
<b>A</b> Name of plan <u>SKAGIT BANK EMPLOYEES RETIREMENT PLAN</u>		<b>B</b> Three-digit plan number (PN) <span style="float: right;">►</span> <u>002</u>
<b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 <u>SKAGIT BANCORP, INC.</u>		<b>D</b> Employer Identification Number (EIN) <u>91-0681718</u>

Part I	Asset and Liability Statement		(a) Beginning of Year	(b) End of Year
<b>1</b> Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. <b>Round off amounts to the nearest dollar.</b> MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.				
	<b>Assets</b>			
<b>a</b>	Total noninterest-bearing cash .....	<b>1a</b>		
<b>b</b>	Receivables (less allowance for doubtful accounts):			
	(1) Employer contributions .....	<b>1b(1)</b>	379331	427014
	(2) Participant contributions .....	<b>1b(2)</b>		
	(3) Other.....	<b>1b(3)</b>		
<b>c</b>	General investments:			
	(1) Interest-bearing cash (include money market accounts & certificates of deposit) .....	<b>1c(1)</b>	602782	609919
	(2) U.S. Government securities.....	<b>1c(2)</b>		
	(3) Corporate debt instruments (other than employer securities):			
	(A) Preferred .....	<b>1c(3)(A)</b>		
	(B) All other.....	<b>1c(3)(B)</b>		
	(4) Corporate stocks (other than employer securities):			
	(A) Preferred .....	<b>1c(4)(A)</b>		
	(B) Common .....	<b>1c(4)(B)</b>		
	(5) Partnership/joint venture interests .....	<b>1c(5)</b>		
	(6) Real estate (other than employer real property) .....	<b>1c(6)</b>		
	(7) Loans (other than to participants) .....	<b>1c(7)</b>		
	(8) Participant loans .....	<b>1c(8)</b>	257437	254317
	(9) Value of interest in common/collective trusts.....	<b>1c(9)</b>		
	(10) Value of interest in pooled separate accounts.....	<b>1c(10)</b>		
	(11) Value of interest in master trust investment accounts .....	<b>1c(11)</b>		
	(12) Value of interest in 103-12 investment entities .....	<b>1c(12)</b>		
	(13) Value of interest in registered investment companies (e.g., mutual funds).....	<b>1c(13)</b>	13377867	13880286
	(14) Value of funds held in insurance company general account (unallocated contracts).....	<b>1c(14)</b>		
	(15) Other .....	<b>1c(15)</b>		

**1d** Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities .....	<b>1d(1)</b>	746700	729000
(2) Employer real property .....	<b>1d(2)</b>		
<b>e</b> Buildings and other property used in plan operation .....	<b>1e</b>		
<b>f</b> Total assets (add all amounts in lines 1a through 1e) .....	<b>1f</b>	15364117	15900536

**Liabilities**

<b>g</b> Benefit claims payable .....	<b>1g</b>		
<b>h</b> Operating payables .....	<b>1h</b>	2213	2134
<b>i</b> Acquisition indebtedness .....	<b>1i</b>		
<b>j</b> Other liabilities .....	<b>1j</b>		
<b>k</b> Total liabilities (add all amounts in lines 1g through 1j) .....	<b>1k</b>	2213	2134

**Net Assets**

<b>l</b> Net assets (subtract line 1k from line 1f) .....	<b>1l</b>	15361904	15898402
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**Part II Income and Expense Statement**

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

**Income**

		(a) Amount	(b) Total
<b>a Contributions:</b>			
(1) Received or receivable in cash from: <b>(A)</b> Employers .....	<b>2a(1)(A)</b>	427013	
<b>(B)</b> Participants .....	<b>2a(1)(B)</b>	596026	
<b>(C)</b> Others (including rollovers) .....	<b>2a(1)(C)</b>	576026	
(2) Noncash contributions .....	<b>2a(2)</b>		
(3) Total contributions. Add lines <b>2a(1)(A)</b> , <b>(B)</b> , <b>(C)</b> , and line <b>2a(2)</b> .....	<b>2a(3)</b>		1599065
<b>b Earnings on investments:</b>			
(1) Interest:			
<b>(A)</b> Interest-bearing cash (including money market accounts and certificates of deposit) .....	<b>2b(1)(A)</b>	303	
<b>(B)</b> U.S. Government securities .....	<b>2b(1)(B)</b>		
<b>(C)</b> Corporate debt instruments .....	<b>2b(1)(C)</b>		
<b>(D)</b> Loans (other than to participants) .....	<b>2b(1)(D)</b>		
<b>(E)</b> Participant loans .....	<b>2b(1)(E)</b>	12048	
<b>(F)</b> Other .....	<b>2b(1)(F)</b>		
<b>(G)</b> Total interest. Add lines <b>2b(1)(A)</b> through <b>(F)</b> .....	<b>2b(1)(G)</b>		12351
(2) Dividends: <b>(A)</b> Preferred stock .....	<b>2b(2)(A)</b>		
<b>(B)</b> Common stock .....	<b>2b(2)(B)</b>	24871	
<b>(C)</b> Registered investment company shares (e.g. mutual funds) .....	<b>2b(2)(C)</b>	616623	
<b>(D)</b> Total dividends. Add lines <b>2b(2)(A)</b> , <b>(B)</b> , and <b>(C)</b> .....	<b>2b(2)(D)</b>		641494
(3) Rents .....	<b>2b(3)</b>		
(4) Net gain (loss) on sale of assets: <b>(A)</b> Aggregate proceeds .....	<b>2b(4)(A)</b>		
<b>(B)</b> Aggregate carrying amount (see instructions) .....	<b>2b(4)(B)</b>		
<b>(C)</b> Subtract line <b>2b(4)(B)</b> from line <b>2b(4)(A)</b> and enter result .....	<b>2b(4)(C)</b>		0
(5) Unrealized appreciation (depreciation) of assets: <b>(A)</b> Real estate .....	<b>2b(5)(A)</b>		
<b>(B)</b> Other .....	<b>2b(5)(B)</b>	222	
<b>(C)</b> Total unrealized appreciation of assets. Add lines <b>2b(5)(A)</b> and <b>(B)</b> .....	<b>2b(5)(C)</b>		222

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts .....	<b>2b(6)</b>		
(7) Net investment gain (loss) from pooled separate accounts .....	<b>2b(7)</b>		
(8) Net investment gain (loss) from master trust investment accounts .....	<b>2b(8)</b>		
(9) Net investment gain (loss) from 103-12 investment entities .....	<b>2b(9)</b>		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds) .....	<b>2b(10)</b>		-845525
<b>c</b> Other income .....	<b>2c</b>		
<b>d</b> Total income. Add all <b>income</b> amounts in column (b) and enter total .....	<b>2d</b>		1407607

**Expenses**

<b>e</b> Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers .....	<b>2e(1)</b>	836486	
(2) To insurance carriers for the provision of benefits .....	<b>2e(2)</b>		
(3) Other .....	<b>2e(3)</b>		
(4) Total benefit payments. Add lines <b>2e(1)</b> through <b>(3)</b> .....	<b>2e(4)</b>		836486
<b>f</b> Corrective distributions (see instructions) .....	<b>2f</b>		
<b>g</b> Certain deemed distributions of participant loans (see instructions) .....	<b>2g</b>		
<b>h</b> Interest expense .....	<b>2h</b>		
<b>i</b> Administrative expenses: (1) Professional fees .....	<b>2i(1)</b>	34623	
(2) Contract administrator fees .....	<b>2i(2)</b>		
(3) Investment advisory and management fees .....	<b>2i(3)</b>		
(4) Other .....	<b>2i(4)</b>		
(5) Total administrative expenses. Add lines <b>2i(1)</b> through <b>(4)</b> .....	<b>2i(5)</b>		34623
<b>j</b> Total expenses. Add all <b>expense</b> amounts in column (b) and enter total .....	<b>2j</b>		871109

**Net Income and Reconciliation**

<b>k</b> Net income (loss). Subtract line <b>2j</b> from line <b>2d</b> .....	<b>2k</b>		536498
<b>l</b> Transfers of assets:			
(1) To this plan .....	<b>2l(1)</b>		
(2) From this plan .....	<b>2l(2)</b>		

**Part III Accountant's Opinion**

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unqualified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

**b** Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)?

☐ Yes ☒ No

**c** Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: VSH, PLLC

(2) EIN: 45-4122247

**d** The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

**Part IV Compliance Questions**

**4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

	Yes	No	N/A	Amount
<b>a</b> Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.) .....		<input checked="" type="checkbox"/>		
<b>b</b> Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.) .....		<input checked="" type="checkbox"/>		

	Yes	No	N/A	Amount
<b>c</b> Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X		
<b>d</b> Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)		X		
<b>e</b> Was this plan covered by a fidelity bond?	X			5000000
<b>f</b> Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X		
<b>g</b> Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X		
<b>h</b> Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X		
<b>i</b> Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	X			
<b>j</b> Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)		X		
<b>k</b> Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?		X		
<b>l</b> Has the plan failed to provide any benefit when due under the plan?		X		
<b>m</b> If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)		X		
<b>n</b> If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.				
<b>o</b> Did the plan trust incur unrelated business taxable income?				
<b>p</b> Were in-service distributions made during the plan year?				

**5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?

If "Yes," enter the amount of any plan assets that reverted to the employer this year. ☐ Yes ☒ No Amount:

**5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

**5c** If the plan is a defined benefit plan, is it covered under the PBGC insurance program (see ERISA section 4021)? .... ☐ Yes ☐ No ☐ Not determined

## Part V Trust Information

**6a** Name of trust

**6b** Trust's EIN

**6c** Name of trustee or custodian

**6d** Trustee's or custodian's telephone number

<div>SCHEDULE R (Form 5500)  Department of the Treasury Internal Revenue Service  Department of Labor Employee Benefits Security Administration  Pension Benefit Guaranty Corporation</div>		<div>Retirement Plan Information</div> <div>This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).</div> <div>► File as an attachment to Form 5500.</div>		<div>OMB No. 1210-0110</div> <div>2015</div> <div>This Form is Open to Public Inspection.</div>	
For calendar plan year 2015 or fiscal plan year beginning 01/01/2015 and ending 12/31/2015					
A Name of plan SKAGIT BANK EMPLOYEES RETIREMENT PLAN				B Three-digit plan number (PN) ►	002
C Plan sponsor's name as shown on line 2a of Form 5500 SKAGIT BANCORP, INC.				D Employer Identification Number (EIN) 91-0681718	
Part I Distributions					
All references to distributions relate only to payments of benefits during the plan year.					
1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....				1	0
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):  EIN(s): 75-3182674 91-1345021					
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.					
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....				3	
Part II Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)					
4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A If the plan is a defined benefit plan, go to line 8.					
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.					
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived) .....				6a	
b Enter the amount contributed by the employer to the plan for this plan year .....				6b	
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....				6c	
If you completed line 6c, skip lines 8 and 9.					
7 Will the minimum funding amount reported on line 6c be met by the funding deadline? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A					
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A					
Part III Amendments					
9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box. <input type="checkbox"/> Increase <input type="checkbox"/> Decrease <input type="checkbox"/> Both <input type="checkbox"/> No					
Part IV ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.					
10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? <input type="checkbox"/> Yes <input type="checkbox"/> No					
11 a Does the ESOP hold any preferred stock? <input type="checkbox"/> Yes <input type="checkbox"/> No					
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) <input type="checkbox"/> Yes <input type="checkbox"/> No					
12 Does the ESOP hold any stock that is not readily tradable on an established securities market? <input type="checkbox"/> Yes <input type="checkbox"/> No					
For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.				Schedule R (Form 5500) 2015 v. 150123	

**Part V Additional Information for Multiemployer Defined Benefit Pension Plans**

**13** Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_



**14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

<b>a</b> The current year .....	<b>14a</b>	
<b>b</b> The plan year immediately preceding the current plan year .....	<b>14b</b>	
<b>c</b> The second preceding plan year .....	<b>14c</b>	

**15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

<b>a</b> The corresponding number for the plan year immediately preceding the current plan year .....	<b>15a</b>	
<b>b</b> The corresponding number for the second preceding plan year .....	<b>15b</b>	

**16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

<b>a</b> Enter the number of employers who withdrew during the preceding plan year .....	<b>16a</b>	
<b>b</b> If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers .....	<b>16b</b>	

**17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

### Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

**18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

**19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

- a** Enter the percentage of plan assets held as:  
 Stock: \_\_\_\_\_% Investment-Grade Debt: \_\_\_\_\_% High-Yield Debt: \_\_\_\_\_% Real Estate: \_\_\_\_\_% Other: \_\_\_\_\_%
- b** Provide the average duration of the combined investment-grade and high-yield debt:  
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more
- c** What duration measure was used to calculate line 19(b)?  
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): \_\_\_\_\_

### Part VII IRS Compliance Questions

<b>20a</b> Is the plan a 401(k) plan? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>20b</b> If "Yes," how does the 401(k) plan satisfy the nondiscrimination requirements for employee deferrals and employer matching contributions (as applicable) under sections 401(k)(3) and 401(m)(2)? .....	<input type="checkbox"/> Design-based safe harbor method	<input type="checkbox"/> ADP/ACP test
<b>20c</b> If the ADP/ACP test is used, did the 401(k) plan perform ADP/ACP testing for the plan year using the "current year testing method" for nonhighly compensated employees (Treas. Reg sections 1.401(k)-2(a)(2)(ii) and 1.401(m)-2(a)(2)(ii))? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>21a</b> Check the box to indicate the method used by the plan to satisfy the coverage requirements under section 410(b): .....	<input type="checkbox"/> Ratio percentage test	<input type="checkbox"/> Average benefit test
<b>21b</b> Does the plan satisfy the coverage and nondiscrimination tests of sections 410(b) and 401(a)(4) by combining this plan with any other plans under the permissive aggregation rules? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>22a</b> Has the plan been timely amended for all required tax law changes? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> N/A
<b>22b</b> Date the last plan amendment/restatement for the required tax law changes was adopted ____/____/____. Enter the applicable code _____. (See instructions for tax law changes and codes).		
<b>22c</b> If the plan sponsor is an adopter of a pre-approved master and prototype (M&P) or volume submitter plan that is subject to a favorable IRS opinion or advisory letter, enter the date of that favorable letter ____/____/____ and the letter's serial number _____.		
<b>22d</b> If the plan is an individually-designed plan and received a favorable determination letter from the IRS, enter the date of the plan's last favorable determination letter ____/____/____.		
<b>23</b> Is the Plan maintained in a U.S. territory (i.e., Puerto Rico (if no election under ERISA section 1022(i)(2) has been made), American Samoa, Guam, the Commonwealth of the Northern Mariana Islands or the U.S. Virgin Islands)? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No

**SKAGIT BANK EMPLOYEES' RETIREMENT PLAN**

**Financial Statements  
And Independent Auditors' Report  
With Supplemental Information**

December 31, 2015 and 2014

## **Skagit Bank Employees' Retirement Plan**

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## **INDEPENDENT AUDITORS' REPORT**

To the trustees  
Skagit Bank Employees' Retirement Plan

We have audited the accompanying financial statements of Skagit Bank Employees' Retirement Plan (the Plan), which comprise the statement of net assets available for benefits as of December 31, 2015, and the related statement of changes in net assets available for benefits for the year ended December 31, 2015, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Skagit Bank Employees' Retirement Plan as of December 31, 2015, and the changes in net assets available for benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Report on Supplemental Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule on page 12, referred to as "supplemental information" as of December 31, 2015, is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### *Other Matter – 2014 Financial Statements*

The financial statements and supplemental information of Skagit Bank Employees' Retirement Plan as of and for the year ended December 31, 2014, were audited by other auditors whose report dated June 11, 2015, expressed an unmodified opinion on those statements.

VSH PLLC

Bellingham, Washington  
June 30, 2016

**SKAGIT BANK EMPLOYEES' RETIREMENT PLAN**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Investments, at fair value		
Cash (money market fund)	\$ 609,919	\$ 602,782
Participant-directed registered investment companies		
(mutual funds)	13,880,286	13,377,867
Shares of Skagit Bancorp, Inc. common stock	<u>729,000</u>	<u>746,700</u>
Total investments, at fair value	<u>15,219,205</u>	<u>14,727,349</u>
Receivables		
Employer contributions	427,014	379,331
Notes receivable from participants	<u>254,317</u>	<u>257,437</u>
Total receivables	<u>681,331</u>	<u>636,768</u>
<b>TOTAL ASSETS</b>	15,900,536	15,364,117
<b>LIABILITY</b>		
Accrued administrative expenses	<u>2,134</u>	<u>2,213</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<u><u>\$ 15,898,402</u></u>	<u><u>\$ 15,361,904</u></u>

*See independent auditors' report and accompanying notes to the financial statements*

**SKAGIT BANK EMPLOYEES' RETIREMENT PLAN**  
**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**  
For the Year Ended December 31, 2015

	<u>2015</u>	<u>2014</u>
<b>ADDITIONS TO NET ASSETS ATTRIBUTED TO</b>		
Investment income (loss)		
Interest and dividends	\$ 641,494	\$ 534,057
Net (depreciation) appreciation in fair value of investments	<u>(845,303)</u>	<u>371,449</u>
Total investment (loss) income	(203,809)	905,506
Less investment expenses	<u>(8,593)</u>	<u>(8,022)</u>
Net investment (loss) income	(212,402)	897,484
 Interest income on notes receivable from participants	 <u>12,351</u>	 <u>11,716</u>
 Contributions		
Participants	596,025	508,157
Rollovers	576,026	1,565
Employer	<u>427,014</u>	<u>379,331</u>
Total contributions	<u>1,599,065</u>	<u>889,053</u>
 <b>TOTAL ADDITIONS</b>	 <u>1,399,014</u>	 <u>1,798,253</u>
 <b>DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO</b>		
Benefits paid to participants and beneficiaries	836,486	658,319
Administrative expenses	<u>26,030</u>	<u>24,810</u>
Total deductions	<u>862,516</u>	<u>683,129</u>
 <b>NET INCREASE</b>	 536,498	 1,115,124
 <b>NET ASSETS AVAILABLE FOR BENEFITS, beginning of year</b>	 <u>15,361,904</u>	 <u>14,246,780</u>
 <b>NET ASSETS AVAILABLE FOR BENEFITS, end of year</b>	 <u><u>\$ 15,898,402</u></u>	 <u><u>\$ 15,361,904</u></u>

See independent auditors' report and accompanying notes to the financial statements

**SKAGIT BANK EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**NOTE 1. PLAN DESCRIPTION**

The following description of the Skagit Bank Employees' Retirement Plan (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

**General** - The Plan is a defined contribution plan, adopted August 13, 1986, and restated January 1, 2002, and again on November 1, 2009, to provide retirement benefits to the employees of Skagit Bancorp, Inc. (the Bank). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The purpose of the Plan is to enable employees to save for retirement.

Effective April 23, 2014, the Plan was amended to change its name from Skagit State Bank Employees' Retirement Plan as a result of the Bank's name change from Skagit State Bank to Skagit Bank.

**Eligibility** - All employees age nineteen or older who have completed three months of service are eligible to participate in the employee salary deferral portion of the Plan, except for summer help, temporary part-time help, and employees represented by a collective bargaining agreement. Eligible employees may enter the employee salary deferral portion of the Plan on the first day of any month that coincides with, or follows, the date on which they satisfy the eligibility requirements.

All employees, except summer help, temporary part-time help, and employees represented by a collective bargaining agreement, age nineteen or older who have completed six months of service, are eligible to join the employer matching and profit-sharing portions of the Plan. Eligible participants enter the employer matching and profit-sharing portions of the Plan on the first entry date (January 1, April 1, July 1, or October 1) which coincides with, or follows, the date on which they satisfy the eligibility requirements. For employer matching and profit-sharing contributions, an eligible participant must be employed on December 31 and have completed 1,000 hours of service during the plan year to receive such employer contributions. However, participants who terminate prior to December 31 because of retirement, disability, or death are eligible for all employer contributions.

**Contributions** - Participants may elect to contribute a portion of their eligible compensation into the Plan on a tax-deferred basis. The participant's contribution may not exceed limits established by the Internal Revenue Service. Contributions withheld from participants are deposited by the Bank into the Plan as soon as practicable. Effective July 1, 2012, the Plan was amended to allow Roth 401(k) deferrals.

The Bank matches 100% of each participant's elected contributions up to 4% of their annual, total eligible compensation. At the discretion of the Bank's board of directors, additional annual profit-sharing contributions may be made to the Plan and are allocated to eligible participants based upon annual participant eligible earnings. For the years ended December 31, 2015 and 2014, the additional annual profit-sharing contribution was 2% of participants' total annual, eligible compensation.

**Participant accounts** - Separate accounts are maintained for each participant's contributions and allocated share of plan income, expenses, employer contributions and forfeitures. Plan income and expenses are allocated based upon eligible participants' account balances. Employer contributions are allocated to eligible participants based upon annual participant eligible earnings. Profit-sharing forfeitures of terminated employees' nonvested accounts are used first to pay plan administrative expenses and then to reduce employer matching contributions.



**SKAGIT BANK EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**NOTE 1. PLAN DESCRIPTION**, (continued)

**Forfeited accounts** - Nonvested portions of a participant's forfeited account arising from employer matching and profit-sharing contributions are used first to pay plan administrative expenses and then to reduce employer matching contributions. In 2015 and 2014, \$13,852 and \$16,607, respectively, of unallocated, forfeited, nonvested, nonparticipant-directed amounts were used to pay plan administrative expenses and then were used to reduce employer matching contributions in 2015 and 2014 by \$15,248 and \$985, respectively. There was no balance of unallocated forfeited, nonvested, nonparticipant-directed amounts at December 31, 2015 and 2014.

**Vesting** - Participants are immediately 100% vested in their salary deferral contributions plus actual earnings thereon. Vesting in the remainder of their accounts is based upon years of service. An employee must complete 1,000 hours during a vesting computation period in order to receive credit for one year of service. Employer matching and profit-sharing contributions vest as follows:

<u>Years of Vesting Service</u>	<u>Vesting Percentage</u>
Less than 2	0 %
2	20 %
3	40 %
4	60 %
5	80 %
6 or more	100 %

Full vesting is also attained regardless of years of service if the participant (a) reaches normal retirement age or early retirement age, if allowed, (b) is terminated due to disability or death, or (c) if the Plan is fully or partially terminated.

**Investment options** - The plan trustees establish the investment options. A participant may direct contributions to any of the available investment options other than Skagit Bancorp, Inc. common stock, which is no longer an investment option. Participants may change their investment options at any time. The Plan offered seventeen and eighteen investment options at December 31, 2015 and 2014, respectively.

**Payment of benefits** - Upon termination of service due to retirement, disability, or death, a participant or beneficiary(ies) may elect to receive their vested account balance in a lump-sum payment or ratable monthly, quarterly, or annual installment payments over a fixed period not to exceed the life expectancy of the participant and/or the participant's beneficiary(ies). For termination of service due to other reasons, a participant shall receive their vested account balance in a lump-sum payment.

**Administration** - The Plan is administered by the plan trustees appointed by the board of directors of the Bank as provided under the terms of the Plan. Mike Janicki and Dan Peth are the plan trustees.

**Administrative and investment expenses** - Certain administrative functions and duties are performed by employees of the plan sponsor (the Bank) at no cost to the Plan. Plan administrative expenses are partially paid by the Plan and the plan sponsor. Such costs include accounting, auditing, legal, and other plan administrative expenses. Plan administrative and investment expenses paid by the Plan in 2015 and 2014 totaled \$34,623 and \$32,832, respectively. Plan administrative expenses paid by the plan sponsor totaled \$48,806 and \$45,105 in 2015 and 2014, respectively. These administrative expenses will not be reimbursed by the Plan.

*See independent auditors' report*

**SKAGIT BANK EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**NOTE 1. PLAN DESCRIPTION**, (continued)

**Participant loans (notes receivable from participants)** are made at the discretion of the plan trustees. Loan transactions are treated as a transfer to (from) the participant's investment fund (from) to the participant's loan fund. Participants may borrow from their investment fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Loan terms range from 1 - 30 years and are available for any reasonable purpose. Participants may only have two outstanding loans at one time. The loans are secured by the participant's account and bear interest at various rates ranging from 4.25% to 5.25%. Principal and interest are paid ratably through semi-monthly payroll deductions, with payments ranging from \$22 to \$463. A loan is in default if any scheduled payment remains unpaid beyond the last day of the calendar quarter following the calendar quarter in which the participant missed the scheduled payment.

**Plan termination** - Although it has not expressed any intent to do so, the Bank has the right to discontinue its contributions at any time and terminate the Plan, subject to the provisions of ERISA, by giving written notice to the plan trustees. In the event of plan termination, participants will become 100% vested in all of their accounts. Any unallocated assets of the Plan shall be allocated to participant accounts and distributed in such a manner as the Bank may determine.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash (money market fund)** - The Plan maintains its cash in a money market fund that exceeds federal insured limits during the year. The Plan has not experienced any losses in this account, and the trustees do not believe it is exposed to any significant credit risk.

**Basis of accounting** - The financial statements of the Plan are prepared on the accrual-basis method of accounting.

**Use of estimates** - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**Investment valuation and income recognition** - The Plan's investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest and dividend income is recorded on the accrual-basis method of accounting, with dividends recorded on the ex-dividend date. Net realized and unrealized appreciation in fair value of investments includes the Plan's gains and losses on investments bought and sold as well as held during the year.

**SKAGIT BANK EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**Notes receivable from participants** - Loans to participants are reported at their unpaid principal balances plus any accrued but unpaid interest. Delinquent participant loans, if any, are reclassified as distributions (benefit payments) based on the terms of the plan agreement.

**Benefit payments** - The Plan recognizes benefit payments in the period they are actually paid.

**Reclassifications** - Certain prior year amounts have been reclassified to conform to current year presentation.

**Subsequent events** - The Plan has evaluated subsequent events through June 30, 2016, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in these financial statements.

**NOTE 3. INVESTMENTS**

Investments representing 5% or more of the Plan's net assets available for benefits consist of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Vanguard Value Index Admiral Fund	\$ 2,111,132	\$ 2,254,564
PIMCO Total Return Institutional Fund	1,907,331	1,631,676
Vanguard 500 Index Admiral Fund	1,679,858	1,497,294
Vanguard Mid Cap Index Admiral Fund	1,439,152	758,182 *
Mainstay Large Cap Growth I Fund	1,121,006	1,095,250
Vanguard Short Term Bond Index Admiral Fund	904,145	746,847 *

\* These investments are listed for comparison purposes as they are less than 5% of total net assets available for benefits as of December 31, 2014.

During 2015 and 2014, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated \$845,303 and appreciated \$371,449, respectively, as follows:

	<u>2015</u>	<u>2014</u>
Registered investment companies (mutual funds)	\$ (845,525)	\$ 356,201
Skagit Bancorp, Inc. common stock	<u>222 *</u>	<u>15,248 *</u>
Net realized and unrealized (depreciation)		
appreciation in fair value of investments	<u>\$ (845,303)</u>	<u>\$ 371,449</u>

\* Party-in-interest, nonparticipant directed

**SKAGIT BANK EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**NOTE 4. FAIR VALUE MEASUREMENTS**

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investment assets measured at fair value:

**Cash (money market funds)** - Stated at cost plus accrued interest, which approximates their fair value

**Registered investment companies (mutual funds)** - Valued at the net asset value (NAV) of shares held by the Plan at year end

**Skagit Bancorp, Inc. common stock** - Valued at estimated market price based upon recent purchases and sales of such stock with unrelated third parties

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**SKAGIT BANK EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**NOTE 4. FAIR VALUE MEASUREMENTS, (continued)**

The following tables set forth, by level within the fair value hierarchy, the Plan's investment assets at fair value:

Investment Assets at Fair Value as of December 31, 2015			
	Level 1	Level 2	Total
Registered investment companies			
Bond funds	\$ 3,905,396	\$ -	\$ 3,905,396
Value funds	2,682,455	-	2,682,455
Growth funds	1,748,319	-	1,748,319
Blend funds	3,341,986	-	3,341,986
International stock funds	1,296,052	-	1,296,052
Money market fund	609,919	-	609,919
Commodities fund	338,020	-	338,020
Real estate fund	568,058	-	568,058
Shares of Skagit Bancorp, Inc.			
Common stock (party-in-interest)	-	729,000 *	729,000
	<u>\$ 14,490,205</u>	<u>\$ 729,000</u>	<u>\$ 15,219,205</u>

Investment Assets at Fair Value as of December 31, 2014			
	Level 1	Level 2	Total
Registered investment companies			
Bond funds	\$ 3,354,713	\$ -	\$ 3,354,713
Value funds	2,933,050	-	2,933,050
Growth funds	2,455,243	-	2,455,243
Blend funds	2,479,752	-	2,479,752
International stock funds	1,228,230	-	1,228,230
Money market fund	602,782	-	602,782
Real estate fund	637,357	-	637,357
Commodities fund	289,522	-	289,522
Shares of Skagit Bancorp, Inc.			
Common stock (party-in-interest)	-	746,700 *	746,700
	<u>\$ 13,980,649</u>	<u>\$ 746,700</u>	<u>\$ 14,727,349</u>

\* Nonparticipant-directed

**SKAGIT BANK EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**NOTE 5. FEDERAL INCOME TAX STATUS**

The Internal Revenue Service has determined and informed the plan sponsor by a letter dated November 8, 2002, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving that determination letter, the plan administrator and the Plan's tax counsel believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the IRC, and therefore, believe that the Plan is qualified and the related trust is tax-exempt. The Plan sponsor believes the Plan is no longer subject to income tax examinations for years prior to 2012.

**NOTE 6. RISK AND UNCERTAINTIES**

The Plan invests in various registered investment companies (mutual funds) and Skagit Bancorp, Inc. common stock. Registered investment companies (mutual funds) and Skagit Bancorp, Inc. common stock are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain registered investment companies (mutual funds) and Skagit Bancorp, Inc. common stock, it is at least reasonably possible that changes in the fair values of registered investment companies (mutual funds) and Skagit Bancorp, Inc. common stock will occur in the near-term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

## **SUPPLEMENTAL INFORMATION**

**SKAGIT BANK EMPLOYEES' RETIREMENT PLAN**  
**EIN: 91-0681718    PLAN NO. 002**  
**SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR) - FORM 5500**  
December 31, 2015

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date and Rate of Interest	(d) Cost**	(e) Current Value
	Vanguard Value Index Admiral Fund	Registered Investment Company	**	\$ 2,111,132
	PIMCO Total Return Institutional Fund	Registered Investment Company	**	1,907,331
	Vanguard 500 Index Admiral Fund	Registered Investment Company	**	1,679,858
	Vanguard Mid Cap Index Admiral Fund	Registered Investment Company	**	1,439,152
	Mainstay Large Cap Growth I Fund	Registered Investment Company	**	1,121,006
	Vanguard Short Term Bond Index Admiral Fund	Registered Investment Company	**	904,145
*	Skagit Bancorp Inc. Common Stock	Common Stock	\$ 267,300	729,000
	Harbor International Institutional Fund	Registered Investment Company	**	697,117
	Vanguard Small Cap Growth Index Adm Fund	Registered Investment Company	**	627,313
	Vanguard Prime Money Market Fund	Money Market Fund	**	609,919
	American Funds Euro Pacific Growth R5 Fund	Registered Investment Company	**	598,935
	DFA US Small Cap Value I Fund	Registered Investment Company	**	571,323
	Virtus Real Estate Securities A Fund	Registered Investment Company	**	568,058
	Vanguard Inflation Protection Securities Adm Fund	Registered Investment Company	**	563,756
	Loomis Sayles Bond Institutional	Registered Investment Company	**	530,164
	PIMCO Commodity Real Return Strategy Institutional	Registered Investment Company	**	338,020
	Parametric Emerging Markets Institutional Fund	Registered Investment Company	**	165,387
	Vanguard Small Cap Index Admiral Fund	Registered Investment Company	**	57,589
*	Participant loans	Semi-monthly payments of \$22 - \$463, including interest at 4.25% to 5.25%; maturing through June 2033	0	254,317
				<u>*** \$ 15,473,522</u>

\* Denotes a party-in-interest

\*\* Cost information is omitted under the ERISA regulations as these investments are participant-directed.

\*\*\* This schedule of assets does not include \$427,014 of employer contributions receivable at December 31, 2015.

See independent auditors' report



**SKAGIT BANK EMPLOYEES' RETIREMENT PLAN**  
**EIN: 91-0681718    PLAN NO. 002**  
**SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR) - FORM 5500**  
December 31, 2014

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date and Rate of Interest	(d) Cost**	(e) Current Value
	Vanguard Value Index Admiral Fund	Registered Investment Company	**	\$ 2,254,564
	PIMCO Total Return Institutional Fund	Registered Investment Company	**	1,631,676
	Vanguard 500 Index Admiral Fund	Registered Investment Company	**	1,497,294
	Mainstay Large Cap Growth I Fund	Registered Investment Company	**	1,095,250
	Vanguard Mid Cap Index Admiral Fund	Registered Investment Company	**	758,182
	Vanguard Short Term Bond Index Admiral Fund	Registered Investment Company	**	746,847
*	Skagit Bancorp Inc. Common Stock	Common Stock	\$ 273,790	746,700
	Neuberger Berman Genesis Investment Fund	Registered Investment Company	**	718,965
	DFA US Small Cap Value I Fund	Registered Investment Company	**	678,486
	Harbor International Institutional Fund	Registered Investment Company	**	662,193
	Vanguard Small Cap Growth Index Adm Fund	Registered Investment Company	**	641,028
	Virtus Real Estate Securities A Fund	Registered Investment Company	**	637,357
	Vanguard Prime Money Market Fund	Money Market Fund	**	602,782
	American Funds Euro Pacific Growth R5 Fund	Registered Investment Company	**	566,037
	Loomis Sayles Bond Institutional	Registered Investment Company	**	519,079
	Vanguard Inflation Protection Securities Adm Fund	Registered Investment Company	**	457,111
	PIMCO Commodity Real Return Strategy Institutional	Registered Investment Company	**	289,522
	Parametric Emerging Markets Institutional Fund	Registered Investment Company	**	153,239
	Vanguard Small Cap Index Admiral Fund	Registered Investment Company	**	71,037
*	Participant loans	Semi-monthly payments of \$12 - \$463, including interest at 4.25% to 5.25%; maturing through June 2033	0	257,437
			***	<u>\$ 14,984,786</u>

\* Denotes a party-in-interest

\*\* Cost information is omitted under the ERISA regulations as these investments are participant-directed.

\*\*\* This schedule of assets does not include \$379,331 of employer contributions receivable at December 31, 2014.

See independent auditors' report

**SKAGIT BANK EMPLOYEES' RETIREMENT PLAN**  
**EIN: 91-0681718    PLAN NO. 002**  
**SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR) - FORM 5500**  
December 31, 2015

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date and Rate of Interest	(d) Cost**	(e) Current Value
	Vanguard Value Index Admiral Fund	Registered Investment Company	**	\$ 2,111,132
	PIMCO Total Return Institutional Fund	Registered Investment Company	**	1,907,331
	Vanguard 500 Index Admiral Fund	Registered Investment Company	**	1,679,858
	Vanguard Mid Cap Index Admiral Fund	Registered Investment Company	**	1,439,152
	Mainstay Large Cap Growth I Fund	Registered Investment Company	**	1,121,006
	Vanguard Short Term Bond Index Admiral Fund	Registered Investment Company	**	904,145
*	Skagit Bancorp Inc. Common Stock	Common Stock	\$ 267,300	729,000
	Harbor International Institutional Fund	Registered Investment Company	**	697,117
	Vanguard Small Cap Growth Index Adm Fund	Registered Investment Company	**	627,313
	Vanguard Prime Money Market Fund	Money Market Fund	**	609,919
	American Funds Euro Pacific Growth R5 Fund	Registered Investment Company	**	598,935
	DFA US Small Cap Value I Fund	Registered Investment Company	**	571,323
	Virtus Real Estate Securities A Fund	Registered Investment Company	**	568,058
	Vanguard Inflation Protection Securities Adm Fund	Registered Investment Company	**	563,756
	Loomis Sayles Bond Institutional	Registered Investment Company	**	530,164
	PIMCO Commodity Real Return Strategy Institutional	Registered Investment Company	**	338,020
	Parametric Emerging Markets Institutional Fund	Registered Investment Company	**	165,387
	Vanguard Small Cap Index Admiral Fund	Registered Investment Company	**	57,589
*	Participant loans	Semi-monthly payments of \$22 - \$463, including interest at 4.25% to 5.25%; maturing through June 2033	0	254,317
				<u>*** \$ 15,473,522</u>

\* Denotes a party-in-interest

\*\* Cost information is omitted under the ERISA regulations as these investments are participant-directed.

\*\*\* This schedule of assets does not include \$427,014 of employer contributions receivable at December 31, 2015.

See independent auditors' report