Oregon Pacific Bancorp

OREGON PACIFIC BANCORP REPORTS SECOND QUARTER 2010 RESULTS

Florence, OR – Oregon Pacific Bancorp (OTCBB: ORPB), a bank holding company for Oregon Pacific Banking Company dba Oregon Pacific Bank (the Bank, together the Company), reports net income of $108,000, or $0.05 per diluted share for the second quarter of 2010 compared to a loss of $432,000, or $0.20 per diluted share for the same period in 2009. For 2010, the Company is reporting a cumulative net income of $211,000, or $0.10 per diluted share year-to-date. This compares to a loss of $425,000, or $0.19 per share for the first six months of 2009.

"The Company continues to rebound from the net operating loss of $1.7 million, or $0.79 per diluted share for the full year of 2009. This loss was primarily due to deterioration in the residential real estate development portfolio of the Bank. As stated in our 2009 annual report, the effects of the recession are evident in all of the communities served by Oregon Pacific Bank and, unfortunately, has also touched the lives of many of our clients and friends. The length of the recession overtook the reserves of some of our borrowers causing the Bank to set aside provisions for loan losses not historically seen by the Bank. However, by realizing the problems in the portfolio early and aggressively acknowledging the loss in potential collection from the sale of collateral, we believe we have isolated the majority of the losses to 2009. Real estate values appear to be stabilizing but until home buyers return to the market we can not be certain that additional reductions in collateral value may need to be taken to reduce the non-performing assets of the Bank. The Bank continues to maintain an adequate loan loss reserve of $3.33 million, or 2.7% of total loans outstanding at quarter end. Additionally, the Bank has excess reserves in the form of capital to absorb other unforeseen problems in the portfolio. It is important to note that Oregon Pacific Bank and Oregon Pacific Bancorp continue to be classified as "well-capitalized" by banking regulations. Total risk-based capital has improved from 12.2% to 12.9% at December 31, 2009 and June 30, 2010, respectively. This is well in excess of the 10% limit established by the regulators. We are rebuilding from an extraordinary year and look forward to continuing to serve our communities into the future," stated the Bank's President and Chief Executive Officer, Jim Clark.

Assets:
Total assets of $167.6 million at June 30, 2010 are up $3.0 million, or 1.8% from the beginning of the year. Cash and investments held at fair value by the Bank have increased $5.5 million, or 20.4% in the first half of the year, while loans have decreased a nominal $995,000, or 0.8% for the same period. Loan balances will continue to be reduced from normal loan payments or loans may move to non-performing as borrowers fail to perform. Past due loans that are still performing have decreased from $3.1 million (2.4% of total loans) to $1.4 million (1.1% of total loans), or a 54.2% reduction from December 31, 2009. The peak in past due loans occurred in July 2009 when $7.9 million (6.3% of the loans) was past due. Non-performing assets, loans no longer qualified as an earning asset for the bank due to past due payments or collateral deficiency, and other real estate owned ("OREO") have increased from $3.7 million (22.9% of risk-based capital) to $6.1 million (35.6% of risk-based capital) in the past six month period. Of this amount, approximately $1.7 million in loans have been restructured and are paying as agreed but cannot be reclassified as an earning asset until at least six months of payments are collected. The bank holds $2.6 million in OREO properties foreclosed upon by the Bank for non-payment of loans. Three properties represent 97.5% of that amount.

Mr. Clark continues by noting, "The economy continues to make investors cautious about purchasing properties which prevents the Bank from reducing their problem assets as fast as desired. Unfortunately, it is the lack of confidence in the economy that has kept businesses and individuals from requesting new loans. Oregon Pacific Bank continues to seek qualified loan opportunities in our communities. If loan demand does not show signs of improving, the Bank will use its excess liquidity to retire brokered deposits and Federal Home Loan Bank advances in the coming 24 months. This may cause a decline in the assets of the Bank but the Bank's net interest margin will improve with an expected improvement in profitability."

Liabilities:
We appreciate that our depositors find Oregon Pacific Bank a safe place to hold their deposits. With the permanent increase in FDIC insurance to $250,000 for a personal or business account and an additional $250,000 for deposits held in an IRA account, investing with your community bank is a safe and prudent idea. Any branch employee would be happy to explain how these benefits apply to your situation.

Our deposits at June 30, 2010 of $135.1 million are up $12.3 million, or 10.0% when compared to $122.8 million one year ago. A portion of the increase is $4.5 million of brokered deposits acquired at favorable rates to replace $4.0 million of maturing borrowings from the Federal Home Loan Bank in March and $1.0 million of maturing brokered deposits in April.

Earnings:
Net income of $211,000 for the first half of 2010 was a tremendous improvement from the $1.30 million loss in the second half of 2009 which was primarily attributable to the reduction of the loan loss provision expense to $661,000 from $2.96 million in the final two quarters of 2009. Non-interest expenses also decreased 4.1% in spite of increased OREO expenses and valuation adjustments related to OREO properties.

Net interest income, the difference between income earned on loans and securities from interest paid on deposits and borrowings, showed a $66,000, or 1.8%, increase for the six months ended June 30, 2010 over the same period ended December 31, 2009. So even though non-accrual loans increased during that period, the Bank was able to lower its cost of funds at a faster pace than the loss in interest, and we anticipate improvement as non-performing assets decline.

Written Agreement:
On August 2, 2010, the Bank entered into a written agreement with the Federal Reserve Bank of San Francisco and the Oregon Division of Finance and Corporate Securities (together, the “Regulators”), which requires the Company to take certain measures to improve its safety and soundness. Under the written agreement, the Company is required to develop and submit for approval, a plan to maintain sufficient capital, improve earnings and increase asset quality, more specifically improving the quality of the loan portfolio at the Bank. The written agreement is available on the Federal Reserve Board web site and we encourage any interested investor to review the document. The Company has taken steps towards complying with all of the requirements of the written agreement, the first of which was returning the Bank to profitability which has improved our capital levels. In light of the written agreement, Oregon Pacific Bancorp anticipates raising additional capital through a private placement of stock to include a significant investment by the board and executive officers of the Bank and qualified investors.

“The written agreement is a direct reflection of the $1.7 million net operating loss we suffered in 2009 that has previously been discussed. Our performance in 2010 reflects that we continue to show core operating profits even while we reserve over $100,000 per month to cover declines in collateral values and any problem loans that may arise. The Regulators are behaving cautiously in carefully watching our performance in 2010. The additional capital being raised will act as a further reserve above our already well-capitalized rating. While the economy is stagnant the additional funds will be there in case there is a need to support unforeseen losses; when the economy is moving again the capital can be used to grow our branch network through new locations or acquisition of another bank. We will continue to keep our clients and investors informed on our progress in satisfying the written agreement and our plans for the future. Maintaining the goodwill we enjoy is an important part of our commitment to the communities we serve,” stated the Bank’s President and Chief Executive Officer, Jim Clark.

OREGON PACIFIC BANCORP & SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS	JUNE 30, 2010	DECEMBER 31, 2009	JUNE 30, 2009	% Change 1H10 vs. 2H09	% Change 1H10 vs. 1H09
Cash and cash equivalents	$ 2,679,839	$ 3,011,135	$ 3,216,804	-11.0%	-6.4%
Interest-bearing deposits in banks	15,771,307	13,273,577	10,475,252	18.8%	26.7%
Available-for-sale securities, at fair value	13,094,789	9,742,903	8,351,929	34.4%	16.7%
Restricted equity securities	1,023,650	1,023,650	1,023,650	0.0%	0.0%
Loans, net	121,040,326	122,319,922	123,656,512	-1.0%	-1.1%
Premises & equipment, net	7,091,026	7,232,453	7,453,525	-2.0%	-3.0%
Other real estate owned	2,662,130	2,911,281	1,735,285	-8.6%	67.8%
Accrued interest and other assets	4,266,281	5,129,952	3,543,838	-16.8%	44.8%
Total assets	$167,629,348	$164,644,873	$159,456,795	1.8%	3.3%
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits	$135,145,806	$129,077,627	$122,815,595	4.7%	5.1%
Repurchase agreements	3,571,486	2,766,656	2,540,924	29.1%	8.9%
Federal Home Loan Bank borrowings	9,765,306	13,792,806	13,820,306	-29.2%	-0.2%
Junior Subordinated Debentures	4,124,000	4,124,000	4,124,000	0.0%	0.0%
Accrued interest and other liabilities	3,210,380	3,377,874	3,347,216	-5.0%	0.9%
Total liabilities	155,816,978	153,138,963	146,648,041	1.7%	4.4%
Stockholders' equity	11,812,370	11,505,910	12,808,754	2.7%	-10.2%
Total liabilities and stockholders' equity	$167,629,348	$164,644,873	$159,456,795	1.8%	3.3%
Shares outstanding at end-of-period	2,190,974	2,189,973	2,186,652		
Book value per share	$ 5.39	$ 5.25	$ 5.86		
Allowance for loan losses to total loans	2.67%	2.40%	2.21%		
Non-performing assets (non-accr. loans & ORE(	$ 6,063,234	$ 3,690,096	$ 5,759,225		
Bank Total risk-based capital ratio	12.87%	12.17%	13.57%		
Bank Tier 1 risk-based ratio	11.60%	10.91%	12.31%		
Bank Tier 1 leverage ratio	9.14%	9.17%	10.48%		

OREGON PACIFIC BANK & SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Six Months Ended			% Change	% Change
	30-Jun-10	31-Dec-09	30-Jun-09	1H10 vs. 2H09	1H10 vs. 1H09
INTEREST INCOME					
Interest and fees on loans	$4,295,714	$ 4,342,490	$4,495,874	-1.1%	-4.5%
Interest on investment securities:	190,002	181,068	204,570	4.9%	-7.1%
Interest on deposits in banks	24,115	28,456	19,518	-15.3%	23.6%
Total interest income	4,509,831	4,552,014	4,719,962	-0.9%	-4.5%
INTEREST EXPENSE					
Interest-bearing demand deposits	70,980	81,085	122,756	-12.5%	-42.2%
Savings deposits	31,623	32,078	29,294	-1.4%	8.0%
Time deposits	460,060	518,728	613,553	-11.3%	-25.0%
Other borrowings	302,831	341,799	368,415	-11.4%	-17.8%
Total interest expense	865,494	973,690	1,134,018	-11.1%	-23.7%
Net interest income	3,644,337	3,578,324	3,585,944	1.8%	1.6%
PROVISION FOR LOAN LOSSES	660,859	2,956,183	1,454,325	-77.6%	-54.6%
Net interest income after provision for loan losses	2,983,478	622,141	2,131,619	379.6%	40.0%
NONINTEREST INCOME	963,129	982,027	1,005,228	-1.9%	-4.2%
NONINTEREST EXPENSE	3,612,762	3,715,703	3,872,226	-2.8%	-6.7%
OREO VALUATION ADJUSTMENTS & GAINS/(LOSSES) ON SALES - NET	(80,085)	(165,435)	(29,370)	-51.6%	172.7%
INCOME BEFORE INCOME TAXES	253,760	(2,276,970)	(764,749)	-111.1%	-133.2%
PROVISION FOR INCOME TAXES	42,358	(976,714)	(339,294)	-104.3%	-112.5%
NET INCOME (LOSS)	$ 211,402	$(1,300,256)	$ (425,455)	-116.3%	-149.7%
Earnings (loss) per diluted share	$ 0.10	$ (0.60)	$ (0.19)		
Return on average equity	3.6%	-10.1%	-6.5%		
Return of average assets	0.3%	-1.1%	-0.5%		
Efficiency ratio	80.3%	85.1%	85.0%		