

Board of Directors

Robert King	Chairman of the Board Owner, R&R King Logging
Marteen Wick	Vice Chair of the Board Owner, Kitchen Klutter
Tricia Benetti	Owner, Benetti's Restaurant
A.J. Brauer, MD	Physician, retired
Lydia Brackney	Educator, retired
James Clark	President and CEO, Oregon Pacific Bank
Doug Feldkamp	President, Umpqua Dairy
Thomas Grove	Retired President/CEO, Oregon Pacific Bank
Jon Thompson	Owner, KCST Radio Station
Richard Yecny	CFO, PeaceHealth Siuslaw Region

Bank Executive Officers

James Clark	President and CEO
Joanne Forsberg	EVP, Chief Financial Officer
Ron Green	EVP, Chief Credit Officer

Main Office

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Coos Bay Branch

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Safeway Branch

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Financial Center

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Roseburg Branch

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DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

This report contains a number of forward-looking statements about our anticipated business operations and financial performance. Statements in this report that relate to future plans, events and circumstances are provided to describe management's intentions and expectations based on currently available information, and readers should not construe these statements as assurances or guarantees. As with any predictions, these statements are inherently difficult to make with any degree of assurance, and actual results may differ materially and adversely from management's expectations described herein. Likewise, management's plans described in this report may not come to pass because unforeseen events may force management to deviate from its expressed intentions. Forward-looking statements often can be identified by the use of predictive or prospective terms such as "expect," "anticipate," "believe," "plan," "intend," and words of similar construction or meaning.



Oregon
Pacific Bank

We're In Good Company

Oregon Pacific Bank is a wholly owned subsidiary of Oregon Pacific Bancorp. Stock is traded Over-the-Counter Bulletin Board under symbol ORBP

Oregon Pacific Bancorp

**Consolidated
Statement of
Condition**

December 31, 2009

Dear Shareholder:

At the most recent board meeting held January 16, 2010, the Board of Directors of Oregon Pacific Bancorp, the holding company for Oregon Pacific Bank, took the difficult step of temporarily suspending the payment of quarterly dividends. This brought to an end a 24.5 year history of consecutive quarterly dividend payments. The Board of Directors and management believe that due to the continued decline in the economy, stresses placed on the banking industry by government assessments in combination with our need to reserve for potentially problem loans, this suspension in dividend is a prudent step in maintaining a healthy bank into the future. It is important to note that Oregon Pacific Bancorp and Oregon Pacific Bank continue to be ranked as "Well Capitalized" by banking regulations. Though the risk based capital ratio has declined from 13.93% to 12.61% at December 31, 2009 and 2009 respectively, it is still well in excess of the 10.00% standard set by regulations. This level of reserves allows the Bank to absorb unforeseen credit deterioration and to support growth in the loan portfolio.

To prudently recognize the trend in problem loans and the continued decline in valuation of real estate taken as collateral, management felt it was necessary to reserve or charge off an additional \$1,876,000 for possible loan losses in the fourth quarter. This brought the total provision for loan losses to \$3,791,000 for 2009, an increase from \$326,000 in 2008. This continued stress in the loan portfolio is representative of a few of our dedicated borrowers having exhausted their financial reserves. This trend has not abated as systemic cuts in core industries have rippled out to the small businesses that community banks support. The loan loss provision combined with a 268% increase in the FDIC insurance assessment (\$243,000 and \$66,000 for 2009 and 2008 respectively) were major factors in the net operating loss of \$1,351,000 for the year. Further pressuring earnings and capital is the \$1,365,000 increase this past year, to \$2,998,000, in properties held by the bank from foreclosures. These commercial and residential properties will be sold over time as markets allow and the excess proceeds returned to earnings in the period the properties are sold.

The economy is showing signs that the recession is waning, but we are being conservative in projecting how quickly this improvement is felt in our three primary market areas. Oregon Pacific Bank continues to offer our depositors competitive interest rates on deposit accounts while expanding the services offered to our account holders. Deposit accounts continue to be insured by the FDIC for up to \$250,000. The bank continues to offer consumer, residential real estate and commercial loans to qualified borrowers in our trade areas. Oregon Pacific Bank has been a long standing facilitator of Small Business Administration, Farm Services Administration and other government supported programs to assist borrowers in obtaining the best possible terms for their loans. In short, Oregon Pacific Bank is in position to help their clients with all of their banking needs.

Respectfully submitted,



James P. Clark

CONSOLIDATED BALANCE SHEETS

Unaudited
(Dollars in thousands)

	December 31	
	2009	2008
ASSETS		
Cash and due from banks	\$ 3,011	\$ 3,925
Interest bearing deposits	13,274	2,347
Securities	10,866	9,709
Loans, net	122,942	128,056
Premises and equipment, net	7,232	7,677
Other assets	7,681	4,427
Total assets	\$ 165,006	\$ 156,141
LIABILITIES		
Deposits		
Demand - non-interest bearing	\$ 31,392	\$ 26,463
Demand - interest bearing	36,495	36,780
Savings	16,042	13,402
Certificates of deposit	45,149	41,098
Total deposits	129,078	117,743
Borrowings	20,683	21,762
Other liabilities	3,364	3,313
Total liabilities	153,125	142,818
STOCKHOLDERS' EQUITY		
Common stock	4,906	4,866
Retained earnings	6,920	8,396
Accumulated other comprehensive gain (loss), net of tax	55	61
Total stockholders' equity	11,881	13,323
Total liabilities & stockholders' equity	\$ 165,006	\$ 156,141

CONSOLIDATED STATEMENTS OF INCOME

Unaudited
(Dollars in thousands)

	TWELVE MONTHS ENDED December 31	
	2009	2008
INTEREST INCOME		
Loans	\$ 8,840	\$ 10,006
Securities	386	414
Other interest income	48	115
Total interest income	9,274	10,535
INTEREST EXPENSE		
Deposits	1,398	2,235
Borrowed funds	710	835
Total interest expense	2,108	3,070
NET INTEREST INCOME	7,166	7,465
Provision for credit losses	3,790	326
Net interest income after provision for credit losses	3,376	7,139
NONINTEREST INCOME		
Service charges	711	701
Other income	1,284	1,705
Total noninterest income	1,995	2,406
NONINTEREST EXPENSE		
Salaries and employee benefits	4,203	4,846
Occupancy & equipment	801	841
Outside services	753	750
Other operating expenses	1,934	1,699
Total noninterest expense	7,691	8,136
Income before taxes	(2,320)	1,409
Provision for income taxes	(969)	440
NET INCOME	\$ (1,351)	\$ 969
STOCK INFORMATION		
	December 31	
	2009	2008
Shares Outstanding	2,189,973	2,181,053
Book Value	\$ 5.43	\$ 6.11
Earnings Per Share	\$ (0.62)	\$ 0.44