

CONSOLIDATED STATEMENT OF CONDITION

June 30, 2017



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.

To our Shareholders, Friends and the Communities we serve:

Oregon Pacific Bancorp and its wholly-owned subsidiary, Oregon Pacific Bank, reported a net operating income of \$546,000 for the six months ending June 30, 2017, compared to \$464,000 for the same period in 2016. This represents a 17.7% increase and equates to \$0.13 earnings per share as compared to \$0.11 for the same period in 2016.

Oregon Pacific Bank completed a core database conversion in the second quarter. The purpose behind the change was to provide better technology services and online security for our clients and to establish a partnership with a vendor who could be more proactive with meeting our future needs. We are proud to have aligned ourselves with Data Center, Inc. (DCI), headquartered in Hutchinson, Kansas. DCI has a long history of successfully servicing smaller banks like Oregon Pacific Bank. The conversion preparation and execution was a lengthy process for staff and I am so proud of their commitment to serve our clients, and resilience when challenged by learning a new system.

Although our primary reason for changing database vendors was not for financial reasons, Oregon Pacific Bank is expected to reduce its annual operating cost of maintaining this database by approximately \$200,000 based on our current client level. Additionally, we expensed roughly \$330,000 in the second quarter of 2017 to exit the relationship with the prior vendor and to train our staff on the new system. These expenses are considered non-recurring. As a percentage of average assets, Non-Interest Expense, less payroll costs, will continue to decrease and improve our profitability significantly.

The Bank continues to experience strong loan growth, primarily from our Eugene and Roseburg offices. As of June 30th, Net Loans have increased 8.6% since December 31, 2016. Deposit growth has also been strong, with year to date growth of 8.8%. Our business and consumer clients continue to appreciate the value of working with a local bank, and our overall growth rate is reflective of this.

Our departments that produce non-interest income for the Bank are having a great year. Solid growth from our Trust Departments in Medford and Coos Bay are leading the way, along with increasing success from our wholly owned subsidiary Oregon Pacific Wealth Management, LLC. (OPWM) OPWM is a State of Oregon Registered Investment Advisory company that provides fiduciary financial planning and investment strategies. Our Residential Mortgage department continues its strong performance and should have record production year in 2017.

The time for Oregon Pacific Bank's success is now! We are aggressively trying to grow and continue to service each client with top-notch service and work towards growing shareholder value. As always, I would be happy to sit down with you to discuss our financial results and strategic plan. I encourage you to call me at (541) 902-9800 or email me at ron.green@opbc.com.

With greatest respect and appreciation,



RON GREEN

President & CEO of Oregon Pacific Bank

CONSOLIDATED STATEMENT OF CONDITION

June 30, 2017

CONSOLIDATED BALANCE SHEETS

UNAUDITED (Dollars in thousands)	June 30,	
	2017	2016
ASSETS		
Cash and due from banks	\$ 1,799	\$ 4,567
Interest bearing deposits	29,221	29,453
Securities	26,319	13,125
Loans, net	170,687	154,655
Premises and equipment, net	6,288	6,442
Other real estate owned	1,908	2,546
Other assets	6,111	6,405
Total assets	\$ 242,333	\$ 217,193
LIABILITIES		
Deposits		
Demand - non-interest bearing	\$ 59,989	\$ 56,424
Demand - interest bearing	84,750	62,555
Savings	47,462	44,020
Certificates of deposit	21,395	20,862
Total deposits	213,596	183,861
Repurchase agreements	-	4,317
Borrowings	7,124	8,624
Other liabilities	3,364	3,283
Total liabilities	224,084	200,085
STOCKHOLDERS' EQUITY		
Common stock	9,308	9,149
Retained earnings	9,129	7,911
Accumulated other comprehensive gain, net of tax	(188)	48
Total stockholders' equity	18,249	17,108
Total liabilities & stockholders' equity	\$ 242,333	\$ 217,193

CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED

June 30,

UNAUDITED (Dollars in thousands, except for per share data)	2017	2016
INTEREST INCOME		
Loans	\$ 4,050	\$ 3,471
Securities	265	134
Other interest income	127	100
Total interest income	4,442	3,705
INTEREST EXPENSE		
Deposits	158	117
Borrowed funds	116	114
Total interest expense	274	231
NET INTEREST INCOME	4,168	3,474
Provision for credit losses	176	93
Net interest income after provision for credit losses	3,992	3,381
NON-INTEREST INCOME		
Trust fee income	1,067	1,014
Service charges	386	371
Other Income	381	570
Total non-interest income	1,834	1,955
NON-INTEREST EXPENSE		
Salaries and employee benefit	2,763	2,673
Occupancy & equipment	367	326
Outside services	747	566
Securities and trust expense	259	260
Other operating expenses	901	811
Total non-interest expense	5,037	4,636
Income (loss) before taxes	789	700
Provision (benefit) for income taxes	243	236
NET INCOME (LOSS)	\$ 546	\$ 464

June 30,

2017 2016

STOCK INFORMATION		
Shares outstanding	4,330,307	4,284,867
Book value	\$ 4.21	\$ 3.99
Basic earnings (loss) per share	\$ 0.13	\$ 0.11

Oregon Pacific Bank at a Glance

Established on December 17, 1979 and headquartered in Florence, Oregon, we have grown to include full service branches in Coos Bay and Roseburg, as well as a Trust Office in Medford, and a Professional Banking and Trust office in Eugene. Staffed by local decision makers, we specialize in offering holistic financial services to our local families and business owners. *We are committed to aiding the growth and development of the communities we serve by investing local deposits directly into the lives, homes, and businesses of our friends and neighbors.*

BOARD OF DIRECTORS

ROBERT KING.....	Chairman of the Board Owner, R&R King Logging and Crown Alaska, Inc.
JOE BENETTI.....	Owner <i>Benetti's Italian Restaurant</i>
RON GREEN.....	President/CEO <i>Oregon Pacific Bank</i>
THOMAS GROVE.....	Retired <i>President/CEO, Oregon Pacific Bank</i>
DAN JONES.....	Owner <i>DJ Financial</i>
BOB MANS, OD.....	Co-owner <i>Florence Eye Clinic</i>
CRIS NOAH.....	Retired CEO <i>Oregon Medical Group</i>
TIM SALISBURY.....	Retired CFO <i>Bay Area Hospital</i>
JON THOMPSON.....	Owner <i>KCST Radio Station</i>
ROBBIE WRIGHT.....	Owner <i>Siuslaw Broadband</i>
RICK YECNY.....	CAO/CMO <i>PeaceHealth Peace Harbor Medical Center</i>

BANK EXECUTIVE OFFICERS

RON GREEN.....	President Chief Executive Officer
JOANNE FORSBERG.....	Executive Vice President Chief Financial Officer
BOB EDSTROM.....	Executive Vice President Chief Credit Officer

**CORPORATE
FINANCIAL CENTER**

1365 Highway 101
Florence, Oregon 97439
(541) 997-7121

COOS BAY BRANCH

915 S First St
Coos Bay, Oregon 97420
(541) 269-7929

**EUGENE PROFESSIONAL
BANKING AND TRUST OFFICE**

975 Oak St, Suite 625
Eugene, Oregon 97401
(541) 636-4804

FLORENCE BRANCH

1355 Highway 101
Florence, Oregon 97439
(541) 997-7121

MEDFORD TRUST OFFICE

3250 Hillcrest Park Drive, Suite 100
Medford, Oregon 97504
(541) 858-0191

ROSEBURG BRANCH

2555 NW Edenbower
Roseburg, Oregon 97471
(541) 677-9454

