

CONSOLIDATED STATEMENT OF CONDITION

December 31, 2017



Oregon
Pacific Bancorp

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 \$1,421,808 for the 12 months ending December 31, 2017, compared to \$1,135,082 for the same period in 2016. This represents a 25.3% increase over the prior year and equates to \$0.31 earnings per share as compared to \$0.26 for the same period in 2016. The Tax Cuts and Jobs Act enacted in December of 2017 will significantly decrease the corporate tax rate for the organization, which required the Bank to write down the value of its deferred tax asset by \$508,029 in December. Most banks were afflicted by this one-time accounting adjustment and Oregon Pacific Bank expects to earn this back in one year due to reduction in the corporate federal income tax rate. Had the tax rate not changed and the deferred tax asset not required a write down, earnings per share for the year would have been \$0.42. We are very pleased with the significant year over year improvement in earnings and overall value to our shareholders.

Net loans for the year grew 20.8%, as our commercial relationships in all markets strengthened. Our focus continues to be on working with small businesses and key professional industries. Deposits experienced a 12.5% growth in 2017. Local businesses and consumers continue to see the value of banking local and allowing us to reinvest their deposits back into our communities.

Our Trust and Wealth Management divisions had a strong year with growth in all markets. The ability to provide fiduciary and wealth advisory services continues to be a valuable asset for our organization.

Since the recession of 2008, the number of banks headquartered in Lane County has been reduced from 6 to 2. As the oldest operating bank headquartered in Lane County, Oregon Pacific Bank believes the opportunity to best serve our communities and clients has never been greater. In November of 2017, we completed a private placement of additional capital. After issuing 2,508,750 new common shares and paying the costs of the raise, the net new capital to the Bank was \$10.8 million. This capital enhancement will create an initial dilution of earnings per share but we are working diligently to hire the best bankers and expand our community bank presence in the Eugene area. We have publicly stated that our goal is to lend \$125 million new dollars to small businesses, professionals, consumers and real estate investors. Although we will continue to focus on our roots in Western Lane, Coos and Douglas counties, we expect most of this growth to come from the Eugene market.

As we look to the future, our goal is to be the best community bank in the markets we serve and to provide significant shareholder value. We are very well positioned to meet these objectives. Management is focused on staff recruiting from all markets we serve and we are committing to a material technology investment over the next two years to ensure our banking systems and delivery channels are meeting the ever-changing needs of consumers and businesses. As always, please feel free to reach out to me if you would like to discuss the Bank and our plans going forward. My direct telephone number is (541) 999-1908 and my email address is ron.green@opbc.com.

With warmest regards and appreciation,



RON GREEN

President & CEO of Oregon Pacific Bank

CONSOLIDATED STATEMENT OF CONDITION

December 31, 2017

CONSOLIDATED BALANCE SHEETS

UNAUDITED (Dollars in thousands)	December 31,	
	2017	2016
ASSETS		
Cash and due from banks	\$ 3,950	\$ 4,501
Interest bearing deposits	24,949	33,713
Securities	28,346	19,250
Loans, net	189,975	157,237
Premises and equipment, net	6,223	6,461
Bank owned life insurance	2,979	2,854
Other real estate owned	1,384	2,262
Deferred tax asset	1,111	2,083
Other assets	2,356	2,264
Total assets	\$ 261,273	\$ 230,625
LIABILITIES		
Deposits		
Demand - non-interest bearing	\$ 62,336	\$ 54,823
Demand - interest bearing	90,176	74,524
Savings	48,937	46,749
Certificates of deposit	19,355	20,169
Total deposits	220,804	196,265
Repurchase agreements	-	5,357
FHL Borrowings	3,000	4,500
Subordinated Debenture	4,124	4,124
Other liabilities	2,950	2,867
Total liabilities	230,878	213,113
STOCKHOLDERS' EQUITY		
Common stock	20,590	9,308
Retained earnings	10,004	8,582
Accumulated other comprehensive gain/(loss), net of tax	(199)	(378)
Total stockholders' equity	30,395	17,512
Total liabilities & stockholders' equity	\$ 261,273	\$ 230,625

CONSOLIDATED STATEMENTS OF INCOME

TWELVE MONTHS ENDED

UNAUDITED (Dollars in thousands, except for per share data)	December 31,	
	2017	2016
INTEREST INCOME		
Loans	\$ 8,305	\$ 7,122
Securities	557	298
Other interest income	337	240
Total interest income	9,199	7,660
INTEREST EXPENSE		
Deposits	348	238
Borrowed funds	231	234
Total interest expense	579	472
NET INTEREST INCOME	8,620	7,188
Provision for credit losses	272	130
Net interest income after provision for credit losses	8,348	7,058
NON-INTEREST INCOME		
Trust fee income	2,296	2,061
Service charges	774	765
Other Income	1,152	1,234
Total non-interest income	4,222	4,060
NON-INTEREST EXPENSE		
Salaries and employee benefit	5,478	5,330
Outside services	1,329	1,087
Occupancy & equipment	727	688
Securities and trust expense	495	523
Other operating expenses	1,727	1,746
Total non-interest expense	9,756	9,374
Income before taxes	2,814	1,744
Provision for income taxes	1,392	608
NET INCOME	\$ 1,422	\$ 1,136

December 31,

2017 2016

STOCK INFORMATION		
YTD average shares	4,584,778	4,318,321
Book value	\$ 4.38	\$ 4.04
Basic earnings per share	\$ 0.31	\$ 0.26

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.....	Retired <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.....	Retired CAO/CMO <i>PeaceHealth Peace Harbor Medical Center</i>

BANK EXECUTIVE OFFICERS

RON GREEN.....	President <i>Chief Executive Officer</i>
AMBER WHITE.....	Executive Vice President <i>Chief Financial Officer</i>
BOB EDSTROM.....	Executive Vice President <i>Chief Credit Officer</i>

**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



**Oregon
Pacific Bank**