

CONSOLIDATED STATEMENT OF CONDITION

September 30, 2018



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 \$2.10 million for the nine months ended September 30, 2018, compared to \$1.19 million for the nine months ended September 30, 2017. This equates to earnings per share (EPS) of \$0.30 as compared to \$0.27 for the same period in 2017. EPS has been diluted due to the issuance of 2.6 million of additional common shares during the fourth quarter of 2017. Even with the increase in average outstanding shares, we are very proud of the 11.11% increase in EPS over the past four quarters.

September 30, 2018 represented a milestone for the bank, as total assets have grown to over \$300 million. We are very proud of and grateful for the hard work our staff have invested during this very exciting time. Quarter over quarter, interest income and interest expense continue to increase due to solid growth in loans and deposits. This resulted in an increase in net interest income after provision for credit losses of \$144 thousand over the second quarter of 2018. Loans and deposits increased 28.50% and 16.11%, respectfully, over September 30, 2017.

Our Trust and Wealth Management departments continue their success, which contributed to a 7.95% increase in non-interest income during the nine months ended September 30, 2018. Non-interest expense has increased due to our significant staffing investment in Eugene. We do expect modest increases in salary expense over the coming quarters due to the hiring of additional staff in Eugene and increased depreciation expense related to the new operating facility and equipment.

Loan quality continues to be strong and steady for the Bank. Nonperforming assets as a percentage of total assets was 0.84% as of September 30, 2018, as compared to 0.77% for the same period in 2017.

We reported in last quarter's update that we signed a lease for our new Eugene office located at 59 E. 11th Avenue in downtown Eugene. Work on the interior is progressing and we are targeting a move-in date for the first week of December. Our planned Eugene expansion has been well received by the local community and media.

I am so very honored to work with such committed employees and Board of Directors. Our promise of creating value for our shareholders, clients, employees and communities has never been more focused than it is today. 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 Balance Sheets

| Unaudited (Dollars in thousands) | September 30, | |
|---|-------------------|-------------------|
| | 2018 | 2017 |
| ASSETS | | |
| Cash and due from banks | \$ 6,562 | \$ 5,058 |
| Interest bearing deposits | 24,185 | 34,436 |
| Securities | 28,156 | 27,509 |
| Loans, net of deferred loan origination fees, costs | 229,639 | 178,707 |
| Allowance for loan losses | (2,916) | (2,639) |
| Premises and equipment, net | 6,306 | 6,247 |
| Bank owned life insurance | 6,777 | 2,951 |
| Other real estate owned | 1,284 | 1,398 |
| Deferred tax asset | 1,283 | 1,698 |
| Other assets | 1,480 | 1,397 |
| Total assets | \$ 302,756 | \$ 256,762 |
| LIABILITIES | | |
| DEPOSITS | | |
| Demand - non-interest bearing | \$ 73,806 | \$ 67,510 |
| Demand - interest bearing | 122,409 | 87,589 |
| Savings | 48,912 | 51,887 |
| Certificates of deposit | 18,041 | 19,666 |
| Total deposits | 263,168 | 226,652 |
| FHLB borrowings | - | 3,000 |
| Subordinated debenture | 4,124 | 4,124 |
| Other liabilities | 3,409 | 3,637 |
| Total liabilities | 270,701 | 237,413 |
| STOCKHOLDERS' EQUITY | | |
| Common stock | 20,619 | 9,673 |
| Retained earnings | 12,101 | 9,771 |
| Accumulated other comprehensive gain/(loss), net of tax | (665) | (95) |
| Total stockholders' equity | 32,055 | 19,349 |
| Total liabilities & stockholders' equity | \$ 302,756 | \$ 256,762 |

| PERFORMANCE RATIOS | | |
|---------------------------------|--------|--------|
| Return on average assets | 1.00% | 0.66% |
| Return on average equity (book) | 9.01% | 8.78% |
| Efficiency ratio | 73.06% | 78.55% |

| ASSET QUALITY RATIOS | | |
|--|----------|---------|
| ALLL as a percentage of loans outstanding | 1.27% | 1.48% |
| ALLL as a percentage of nonperforming loans | 229.70 % | 460.56% |
| Nonperforming loans as a percentage of total loans | 0.55% | 0.32% |
| Nonperforming assets as a percentage of total assets | 0.84% | 0.77% |

| BANK CAPITAL RATIOS | | |
|----------------------------|--------|--------|
| Tier 1 leverage ratio | 12.60% | 9.36% |
| Common equity tier 1 ratio | 16.27% | 13.58% |
| Tier 1 risk-based ratio | 16.27% | 13.58% |
| Total risk-based ratio | 17.52% | 14.84% |

Consolidated Statements of Income

| Unaudited (Dollars in thousands, except per share data) | NINE MONTHS ENDED September 30, | |
|--|------------------------------------|-----------------|
| | 2018 | 2017 |
| INTEREST INCOME | | |
| Loans | \$ 7,601 | \$ 6,027 |
| Securities | 531 | 409 |
| Other interest income | 360 | 217 |
| Total interest income | 8,492 | 6,653 |
| INTEREST EXPENSE | | |
| Deposits | 387 | 250 |
| Borrowed funds | 163 | 175 |
| Total interest expense | 550 | 425 |
| NET INTEREST INCOME | 7,942 | 6,228 |
| Provision for credit losses | 298 | 272 |
| Net interest income after provision for credit losses | 7,644 | 5,956 |
| NONINTEREST INCOME | | |
| Trust fee income | 1,821 | 1,693 |
| Service charges | 631 | 587 |
| Mortgage loan sales and services | 294 | 242 |
| Investment sales commissions | 170 | 164 |
| RIA income | 130 | 81 |
| Other income | 362 | 390 |
| Total noninterest income | 3,408 | 3,157 |
| NONINTEREST EXPENSE | | |
| Salaries and employee benefits | 4,311 | 3,740 |
| Outside services | 907 | 1,086 |
| Occupancy & equipment | 729 | 546 |
| Trust expense | 1,002 | 1,001 |
| Loan and collection expense | 223 | 91 |
| Other operating expenses | 1,120 | 908 |
| Total noninterest expense | 8,292 | 7,372 |
| Income before taxes | 2,760 | 1,741 |
| Provision for income taxes | 664 | 552 |
| NET INCOME | \$ 2,096 | \$ 1,189 |

| STOCK INFORMATION | | |
|--------------------------|---------------|-----------|
| | September 30, | |
| | 2018 | 2017 |
| YTD Average shares | 6,954,584 | 4,352,322 |
| Book Value | \$ 4.60 | \$ 4.47 |
| Basic earnings per share | \$ 0.30 | \$ 0.27 |

| NET INTEREST MARGIN RECONCILIATION | | |
|--|-------|-------|
| Yield on average loans | 4.97% | 4.70% |
| Yield on average securities | 2.39% | 2.13% |
| Yield on average earnings assets | 4.34% | 3.97% |
| Rate on average interest-bearing core deposits | 0.30% | 0.22% |
| Rate on average borrowings | 4.38% | 2.85% |
| Cost of interest bearing funds | 0.41% | 0.36% |
| Net interest margin tax equivalent yield | 4.12% | 3.81% |

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, Roseburg, and Eugene, as well as a Trust Office in Medford. Staffed by local decision makers, we specialize in offering holistic financial services to our local families and business owners.

Together, we can make your future better, in a way that's anything but ordinary!

BOARD OF DIRECTORS

| | |
|-----------------------|--|
| ROBERT KING..... | Chairman of the Board <i>Owner, R&R King Logging and Crown Alaska, Inc.</i> |
| JOE BENETTI..... | Retired <i>Benetti's Italian Restaurant</i> |
| TIM CAMPBELL..... | Partner/Owner <i>Campbell Commercial Real Estate</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> |
| 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, CPA | Retired CAO/CMO <i>PeaceHealth Peace Harbor Medical Center</i> |

BANK EXECUTIVE OFFICERS

| | |
|-------------------|--|
| RON GREEN..... | <i>President, Chief Executive Officer</i> |
| AMBER WHITE..... | <i>Executive Vice President, Chief Financial Officer</i> |
| BOB EDSTROM..... | <i>Executive Vice President, Chief Credit Officer</i> |
| JOHN RALEIGH..... | <i>Executive Vice President, Chief Lending 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**