

To our Shareholders:

March 31, 2016

Our company started off strong in 2016. The first quarter of this year was the best in our history. Net income for the quarter was \$667,088 which is on pace for a return on assets ratio of 1.71% and a return on equity ratio of 15.1%. Earnings per share for the quarter reached 63 cents. This places us in the top tier of banks in Oregon.

Commercial loan growth of \$3.4 million is an increase of 3.1% since the end of last year. We ended the quarter with \$114.3 million in commercial loan balances. Total deposits are up 7.5% to \$142.6 million for the quarter leading to total assets of \$163.7 million. The current economic environment of slow and steady growth coupled with low long-term interest rates is very good for our bank.

Our mortgage business line achieved \$82.5 million in new loan originations which is a record for any quarter in our history. The bank generated 369 residential mortgage loans in the first quarter as a decline in rates ignited refinance activity on top of an already strong purchase market. A lack of affordable homes on the market is a challenge in some communities at present.

Our capital position continues to be strong with a Tier 1 capital ratio of 10.33%. Thank you for your referrals and continued support.

Neil D. Grossnicklaus
President and
Chief Executive Officer

Salem Headquarters Office

101 High Street NE
Salem, OR 97301
503-485-2222

Albany Branch

1970 SE 14th Avenue
Albany, OR 97322
541-926-6555

Keizer Branch

5140 River Road N
Keizer, OR 97303
503-393-0757

Silverton Branch

701A McClaine Street
Silverton, OR 97381
503-873-3449

Home Loan Centers

Bend

Eugene

Sherwood

Grants Pass

Medford

Portland

Wilsonville

Vancouver, WA

Coeur d'Alene, ID

Boise, ID

Priest River, ID



**OREGON
BANCORP**

**QUARTERLY
REPORT**

MARCH 31, 2016



BALANCE SHEET (Unaudited)

	March 31, 2016	March 31, 2015	Percent Change
ASSETS			
Cash & Due From Banks	\$ 14,231,974	\$ 5,933,952	
Investments	1,838,162	2,810,856	
Real Estate Loans	106,598,887	94,526,634	
Commercial Loans	5,044,497	5,306,263	
Installment Loans	505,039	106,153	
Agriculture Loans	2,376,532	3,300,739	
Unrealized Loan Fees	(181,332)	(163,605)	
	<u>114,343,623</u>	<u>103,076,184</u>	10.93%
Loans Available For Sale	27,460,970	29,671,134	
Loan Loss Reserve	(1,432,276)	(1,421,193)	
Premises & Equipment, Net	2,677,331	2,799,702	
Other Real Estate Owned	1,588,066	490,750	
Other Assets	3,015,107	3,023,369	
TOTAL ASSETS	<u>\$ 163,722,957</u>	<u>\$ 146,384,754</u>	11.84%
LIABILITIES			
Demand Deposits	\$ 24,144,238	\$ 20,805,460	
NOW Accounts	9,331,583	6,070,486	
Savings Accounts	4,410,404	2,742,234	
Money Market Accounts	36,417,050	34,816,990	
Time Deposits	68,289,987	53,412,857	
	<u>142,593,262</u>	<u>117,848,027</u>	21.00%
Borrowings	1,436,206	11,579,462	
Other Liabilities	2,786,327	1,962,763	
TOTAL LIABILITIES	<u>146,815,795</u>	<u>131,390,252</u>	11.74%
STOCKHOLDERS' EQUITY	16,907,162	14,994,502	12.76%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 163,722,957</u>	<u>\$ 146,384,754</u>	11.84%

INCOME STATEMENT (Unaudited)

	Three Months Ending March 31, 2016	Three Months Ending March 31, 2015	Percent Change
INTEREST INCOME			
Investment Income	\$ 918	\$ 5,499	
Commercial Loans	80,576	82,656	
Agriculture Loans	22,222	35,382	
Installment Loans	2,096	1,692	
Real Estate Loans	1,599,562	1,419,642	
Other Interest Income	13,238	3,826	
TOTAL INTEREST INCOME	<u>1,718,612</u>	<u>1,548,697</u>	10.97%
INTEREST EXPENSE			
Demand Deposit Accounts	2,955	1,465	
Money Market & Savings Accounts	16,218	18,008	
Certificate of Deposit Accounts	173,149	133,468	
Individual Retirement Accounts	8,194	11,505	
Borrowings	16,500	21,706	
TOTAL INTEREST EXPENSE	<u>217,016</u>	<u>186,152</u>	16.58%
NET INTEREST INCOME	<u>1,501,596</u>	<u>1,362,545</u>	10.21%
Less: Provision for Loan Losses	-	-	
NET INTEREST INCOME AFTER PROVISION	<u>1,501,596</u>	<u>1,362,545</u>	10.21%
NON-INTEREST INCOME			
Service Charges	8,648	9,377	
Servicing Fees	308	192	
Broker Loan Fees	74,551	70,095	
Mortgage Banking Revenue	3,981,824	3,492,941	
Other Income	101,299	127,983	
TOTAL NON-INTEREST INCOME	<u>4,166,630</u>	<u>3,700,588</u>	12.59%
NON-INTEREST EXPENSE			
Salaries and Employee Benefits	3,329,538	3,157,324	
Occupancy	286,684	299,201	
Furniture and Fixtures	165,272	175,431	
Advertising and Promotions	76,028	65,211	
Misc Expense	734,509	606,742	
TOTAL NON-INTEREST EXPENSE	<u>4,592,031</u>	<u>4,303,909</u>	6.69%
Income (loss) before Provision for Income Taxes	<u>1,076,195</u>	<u>759,224</u>	
Provision for Income Taxes	409,107	288,000	
NET INCOME	<u>\$ 667,088</u>	<u>\$ 471,224</u>	41.56%