

To our Shareholders:

December 31, 2016

Our company ended the year in a strong financial position. Net income for the fourth quarter was \$1,000,842 which translates to a full year return on assets of 2.54% and a return on equity of 23.07%. Earnings per share for the quarter reached \$.92 and for the year reached \$3.84. A cash dividend of 15 cents per share was declared during the quarter and total 2016 dividends declared amounted to 60 cents per share. The fourth quarter dividend will be paid 1-17-17.

Total assets topped \$176.5 million which is a year over year increase of 17%. Commercial loan balances rose to \$121.6 million which is an increase of 11% over last year. Total deposits finished the year at \$152.7 million which is an increase of 17% from the year-ago period.

Our mortgage business line finished the year strong in spite of rising mortgage interest rates related to the results of the national election. The bank generated 609 mortgage loans for \$136 million in new loan volume in the fourth quarter. The bank generated 2,185 loans for the year totaling \$480 million which is a record year. Mortgage loan volume is remaining steady entering the winter months which generally slows home demand.

Our capital position increased during the quarter to a Tier 1 capital ratio of 11.23%. Thank you for your 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, OR

Eugene, OR

Tualatin, OR

Grants Pass, OR

Medford, OR

Portland, OR

Wilsonville, OR

Vancouver, WA

Spokane, WA

Coeur d'Alene, ID

Meridian, ID

Priest River, ID



QUARTERLY REPORT

DECEMBER 31, 2016



OREGON BANCORP

BALANCE SHEET (Unaudited)

	December 31, 2016	December 31, 2015	Percent Change
ASSETS			
Cash & Due From Banks	\$ 17,520,416	\$ 9,786,949	
Investments	1,824,397	1,819,067	
Real Estate Loans	113,843,750	102,615,517	
Commercial Loans	5,750,895	5,720,902	
Installment Loans	390,455	149,391	
Agriculture Loans	3,152,396	2,597,573	
Unrealized Loan Fees	(130,801)	(172,777)	
Loan Loss Reserve	(1,439,948)	(1,429,718)	
Total Loans	121,566,747	109,480,888	11.04%
Loans Available For Sale	28,536,192	22,986,913	
Premises & Equipment, Net	2,637,180	2,711,555	
Other Real Estate Owned	1,536,005	1,588,066	
Other Assets	2,909,183	2,286,555	
TOTAL ASSETS	\$ 176,530,120	\$ 150,659,993	17.17%
LIABILITIES			
Demand Deposits	\$ 27,918,671	\$ 27,161,524	
NOW Accounts	12,066,511	7,946,014	
Savings Accounts	4,088,852	3,170,128	
Money Market Accounts	45,041,537	34,691,202	
Time Deposits	63,579,784	58,051,940	
Total Deposits	152,695,355	131,020,808	16.54%
Borrowings	1,324,713	1,472,463	
Other Liabilities	2,680,073	1,957,229	
TOTAL LIABILITIES	156,700,141	134,450,500	16.55%
STOCKHOLDERS' EQUITY	19,829,979	16,209,493	22.34%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 176,530,120	\$ 150,659,993	17.17%

INCOME STATEMENT (Unaudited)

	Year-To-Date December 31, 2016	Three Months Ending December 31, 2016	Three Months Ending December 31, 2015	Percent Change
INTEREST INCOME				
Investment Income	\$ 2,347	\$ 108	\$ (783)	
Commercial Loans	354,433	83,724	79,080	
Agriculture Loans	94,462	22,793	26,026	
Installment Loans	12,777	6,494	2,368	
Real Estate Loans	6,802,293	1,760,184	1,629,937	
Other Interest Income	82,545	29,188	6,688	
TOTAL INTEREST INCOME	7,348,857	1,902,491	1,743,316	9.13%
INTEREST EXPENSE				
Demand Deposit Accounts	13,948	4,664	1,726	
Money Market & Savings Accounts	73,711	20,860	16,772	
Certificate of Deposit Accounts	748,911	190,733	153,439	
Individual Retirement Accounts	31,948	7,523	8,501	
Borrowings	62,763	14,195	16,280	
TOTAL INTEREST EXPENSE	931,281	237,975	196,718	20.97%
NET INTEREST INCOME	6,417,576	1,664,516	1,546,598	7.62%
Less: Provision for Loan Losses	-	-	-	
NET INTEREST INCOME AFTER PROVISION	6,417,576	1,664,516	1,546,598	7.62%
NON-INTEREST INCOME				
Service Charges	40,150	12,261	9,894	
Servicing Fees	1,208	282	311	
Broker Loan Fees	311,246	65,684	64,238	
Mortgage Banking Revenue	21,302,719	5,755,922	3,225,982	
Other Income	448,025	45,885	121,590	
TOTAL NON-INTEREST INCOME	22,103,348	5,880,034	3,422,015	71.83%
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	16,227,394	4,245,898	2,878,994	
Occupancy	1,241,400	324,029	269,571	
Furniture and Fixtures	742,973	203,890	153,947	
Advertising and Promotions	479,315	165,177	76,920	
Misc Expense	3,174,021	862,057	796,712	
TOTAL NON-INTEREST EXPENSE	21,865,103	5,801,051	4,176,144	38.91%
Income (loss) before Provision for Income Taxes	6,655,821	1,743,499	792,469	
Provision for Income Taxes	2,497,881	742,657	294,725	
NET INCOME	\$ 4,157,940	\$ 1,000,842	\$ 497,744	101.08%