

To our Shareholders:

December 31, 2015

The fourth quarter of 2015 showed continued robust financial performance results. Net income for the quarter was \$497,744 which is our second best quarter in our history. Full year 2015 net income rose to \$1,927,673 which is a new record overall. Return on assets for the year is strong at 1.37%. Our return on equity rose to 12.55% which is also a new record for the company.

Commercial loan growth made a significant contribution to the improvement in earnings with an 11% increase in loan totals year over year. We ended the year with \$109.5 million in total commercial loans in our portfolio. Total deposits are up 18% over last year leading to increased total assets of \$150.6 million. Our local economy continues to gain strength and poises us for a strong start to 2016.

Our mortgage business channel continues to produce strong results. The bank generated 1,430 residential mortgage loans for total originations of \$318 million in 2015. This year is a marked improvement over the past year suggesting that the housing rebound is showing resiliency. Mortgage interest rates remain attractive and as prices rise, more homes are available for buyers.

Our capital position continues to be strong with a Tier 1 capital ratio of 10.76%. Thank you for your referrals and continued support.

Neil D. Grossnicklaus
President and
Chief Executive Officer

Salem Headquarters Office

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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**

DECEMBER 31, 2015



BALANCE SHEET (Unaudited)

	December 31, 2015	December 31, 2014	Percent Change
ASSETS			
Cash & Due From Banks	\$ 9,786,949	\$ 8,455,603	
Investments	1,819,067	2,813,669	
Real Estate Loans	102,615,517	90,443,645	
Commercial Loans	5,720,902	6,433,711	
Installment Loans	149,391	124,139	
Agriculture Loans	2,597,573	2,614,982	
Unrealized Loan Fees	(172,777)	(151,927)	
Loan Loss Reserve	(1,429,718)	(1,418,635)	
	<u>109,480,888</u>	<u>98,045,915</u>	11.66%
Loans Available For Sale	22,986,913	15,280,049	
Premises & Equipment, Net	2,711,555	2,797,219	
Other Real Estate Owned	1,588,066	490,750	
Other Assets	2,286,555	3,005,586	
TOTAL ASSETS	<u>\$ 150,659,993</u>	<u>\$ 130,888,791</u>	15.11%
LIABILITIES			
Demand Deposits	\$ 27,161,524	\$ 16,773,790	
NOW Accounts	7,946,014	6,068,647	
Savings Accounts	3,170,128	2,454,788	
Money Market Accounts	34,691,202	36,272,355	
Time Deposits	58,051,940	49,574,430	
	<u>131,020,808</u>	<u>111,144,010</u>	17.88%
Borrowings	1,472,463	3,614,180	
Other Liabilities	1,957,229	1,632,030	
TOTAL LIABILITIES	<u>134,450,500</u>	<u>116,390,220</u>	15.52%
STOCKHOLDERS' EQUITY	16,209,493	14,498,571	11.80%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 150,659,993</u>	<u>\$ 130,888,791</u>	15.11%

INCOME STATEMENT (Unaudited)

	Year-To-Date December 31, 2015	Three Months Ending December 31, 2015	Three Months Ending December 31, 2014	Percent Change
INTEREST INCOME				
Investment Income	\$ 11,567	\$ (783)	\$ 5,844	
Commercial Loans	326,914	79,080	82,827	
Agriculture Loans	120,670	26,026	25,070	
Installment Loans	8,390	2,368	2,927	
Real Estate Loans	6,419,512	1,629,937	1,333,438	
Other Interest Income	19,611	6,688	5,588	
TOTAL INTEREST INCOME	<u>6,906,664</u>	<u>1,743,316</u>	<u>1,455,694</u>	19.76%
INTEREST EXPENSE				
Demand Deposit Accounts	6,456	1,726	1,424	
Money Market & Savings Accounts	70,811	16,772	18,958	
Certificate of Deposit Accounts	615,668	153,439	111,190	
Individual Retirement Accounts	41,230	8,501	13,629	
Borrowings	81,870	16,280	20,792	
TOTAL INTEREST EXPENSE	<u>816,035</u>	<u>196,718</u>	<u>165,993</u>	18.51%
NET INTEREST INCOME	<u>6,090,629</u>	<u>1,546,598</u>	<u>1,289,701</u>	19.92%
Less: Provision for Loan Losses	-	-	-	
NET INTEREST INCOME AFTER PROVISION	<u>6,090,629</u>	<u>1,546,598</u>	<u>1,289,701</u>	19.92%
NON-INTEREST INCOME				
Service Charges	39,116	9,894	9,955	
Servicing Fees	1,350	311	197	
Broker Loan Fees	248,602	64,238	51,996	
Mortgage Banking Revenue	13,450,604	3,225,982	2,066,395	
Other Income	517,926	121,590	101,868	
TOTAL NON-INTEREST INCOME	<u>14,257,598</u>	<u>3,422,015</u>	<u>2,230,411</u>	53.43%
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	12,385,648	2,878,994	2,477,873	
Occupancy	1,132,351	269,571	284,022	
Furniture and Fixtures	642,872	153,947	158,388	
Advertising and Promotions	311,923	76,920	72,186	
Misc Expense	2,794,051	796,712	531,480	
TOTAL NON-INTEREST EXPENSE	<u>17,266,845</u>	<u>4,176,144</u>	<u>3,523,949</u>	18.51%
Income (loss) before Provision for Income Taxes	<u>3,081,382</u>	<u>792,469</u>	<u>(3,837)</u>	
Provision for Income Taxes	1,153,709	294,725	(2,676)	
NET INCOME	<u>\$ 1,927,673</u>	<u>\$ 497,744</u>	<u>\$ (1,161)</u>	