

To our Shareholders:

March 31, 2017

Oregon Bancorp started 2017 with strong financial results. Net income for the first quarter was \$808,042 which is a 21% increase over the same period last year. Earnings per share for the quarter reached \$.74 building on last year's record results. Annualized return on assets rose to 1.83% compared to 1.71% in the year-ago period and return on equity reached 16.38% compared to 15.1% in the first quarter last year. A cash dividend of 15 cents per share was declared during the quarter and paid on April 17th.

Total assets topped \$177.2 million and commercial loan balances rose 10% to \$126 million. Total deposits finished the quarter at \$152.7 million which is an increase of 21% from the year-ago period. Commercial loan originations are increasing as the economy continues to strengthen.

Our mortgage business line started the year strong in spite of nearly a 1% rise in mortgage interest rates. The bank generated \$98 million in new loan volume in the first quarter which is an increase of 19% over 2016. Home purchase loan volume remains strong even as a low inventory of homes for sale is a problem in some price ranges.

Our capital position remains strong with a Tier 1 capital ratio of 11.08%. Thank you for your 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, 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

Nampa, ID



QUARTERLY REPORT

MARCH 31, 2017



BALANCE SHEET (Unaudited)

	March 31, 2017	March 31, 2016	Percent Change
ASSETS			
Cash & Due From Banks	\$ 16,731,650	\$ 14,231,974	
Investments	1,854,131	1,838,162	
Real Estate Loans	117,228,815	106,598,887	
Commercial Loans	5,724,371	5,044,497	
Installment Loans	384,041	505,039	
Agriculture Loans	2,749,150	2,376,532	
Unrealized Loan Fees	(119,250)	(181,332)	
	<u>125,967,127</u>	<u>114,343,623</u>	10.17%
Loans Available For Sale	25,895,568	27,460,970	
Loan Loss Reserve	(1,442,506)	(1,432,276)	
Premises & Equipment, Net	2,629,318	2,677,331	
Other Real Estate Owned	1,469,091	1,588,066	
Other Assets	4,105,629	3,015,107	
TOTAL ASSETS	<u>\$ 177,210,008</u>	<u>\$ 163,722,957</u>	8.24%
LIABILITIES			
Demand Deposits	\$ 27,635,014	\$ 24,144,238	
NOW Accounts	15,073,805	9,331,583	
Savings Accounts	5,596,913	4,410,404	
Money Market Accounts	44,015,675	36,417,050	
Time Deposits	60,297,341	68,289,987	
	<u>152,618,748</u>	<u>142,593,262</u>	7.03%
Borrowings	1,286,851	1,436,206	
Other Liabilities	3,677,194	2,786,327	
TOTAL LIABILITIES	<u>157,582,793</u>	<u>146,815,795</u>	7.33%
STOCKHOLDERS' EQUITY	19,627,215	16,907,162	16.09%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 177,210,008</u>	<u>\$ 163,722,957</u>	8.24%

INCOME STATEMENT (Unaudited)

	Three Months Ending March 31, 2017	Three Months Ending March 31, 2016	Percent Change
INTEREST INCOME			
Investment Income	\$ -	\$ 918	
Commercial Loans	80,778	80,576	
Agriculture Loans	21,755	22,222	
Installment Loans	5,655	2,096	
Real Estate Loans	1,664,057	1,599,562	
Other Interest Income	46,603	13,238	
TOTAL INTEREST INCOME	<u>1,818,848</u>	<u>1,718,612</u>	5.83%
INTEREST EXPENSE			
Demand Deposit Accounts	5,324	2,955	
Money Market & Savings Accounts	21,316	16,218	
Certificate of Deposit Accounts	170,956	173,149	
Individual Retirement Accounts	7,001	8,194	
Borrowings	13,500	16,500	
TOTAL INTEREST EXPENSE	<u>218,097</u>	<u>217,016</u>	0.50%
NET INTEREST INCOME	<u>1,600,751</u>	<u>1,501,596</u>	6.60%
Less: Provision for Loan Losses	-	-	
NET INTEREST INCOME AFTER PROVISION	<u>1,600,751</u>	<u>1,501,596</u>	6.60%
NON-INTEREST INCOME			
Service Charges	12,738	8,648	
Servicing Fees	313	308	
Broker Loan Fees	129,863	74,551	
Mortgage Banking Revenue	5,278,108	3,981,824	
Other Income	86,878	101,299	
TOTAL NON-INTEREST INCOME	<u>5,507,900</u>	<u>4,166,630</u>	32.19%
NON-INTEREST EXPENSE			
Salaries and Employee Benefits	4,219,921	3,329,538	
Occupancy	343,662	286,684	
Furniture and Fixtures	207,338	165,272	
Advertising and Promotions	215,237	76,028	
Misc Expense	834,038	734,509	
TOTAL NON-INTEREST EXPENSE	<u>5,820,196</u>	<u>4,592,031</u>	26.75%
Income (loss) before Provision for Income Taxes	<u>1,288,455</u>	<u>1,076,195</u>	
Provision for Income Taxes	480,413	409,107	
NET INCOME	<u>\$ 808,042</u>	<u>\$ 667,088</u>	21.13%