

Branch Locations

Salem

101 High Street NE
Salem, OR 97301

Albany

1970 SE 14th Avenue
Albany, OR 97322

Keizer

5140 River Road N
Keizer, OR 97303

Silverton

701A McClaine Street
Silverton, OR 97381

Home Loan Center Locations

Lake Oswego

5005 SW Meadows Road, Suite 130
Lake Oswego, Oregon 97035

Newberg

601 Elliot Road
Newberg, Oregon 97132

Wilsonville

9175 SW Wilsonville Road
Wilsonville, Oregon 97070

Eugene

315 Coburg Rd, Suite A
Eugene, Oregon 97401

Bend

101 NE Greenwood Avenue, Suite 120
Bend, Oregon 97701

250 NW Franklin Avenue, Suite 202
Bend, Oregon 97701

Medford

609 East Jackson Street
Medford, Oregon 97504

920 Town Centre
Medford, Oregon 97504

Vancouver

821 SE 160th Avenue
Vancouver, Washington 98683

OREGON
BANCORP



**Willamette
Valley Bank**

2013 ANNUAL REPORT

*Where Local
Means Something*

www.wvbk.com

Stimulating the local economy, supporting our neighbors and building our community.

Board of Directors

Edgar B. Martin
Chairman of the Board
 Past President & CEO,
 Willamette Valley Bank

Joseph J. Minniti, CPA
Vice Chairman of the Board
 Minniti & Company, P.C.

Jay C. Compton
 President -
 J.C. Compton Co. & Staats Corp.

Matthew J. Fitzmaurice
 President -
 Fitzmaurice Fertilizer, Inc.

Cort R. Garrison, MD, MBA
 Chief Information Officer -
 Salem Health

Neil D. Grossnicklaus
 President & CEO -
 Willamette Valley Bank and
 Oregon Bancorp

George W. Patterson
 President -
 Action Marketing

Stewart W. Stone
 Prudential Real Estate

Douglas L. Zielinski
 Owner -
 Alpha Nursery, Inc.

Executive Officers

Neil D. Grossnicklaus
President
 Chief Executive Officer

Lisa A. Schrunk
Executive Vice President
 Chief Lending Officer

Craig B. Hummel
Executive Vice President
 Chief Credit Officer

Ryan K. Dempster
Senior Vice President
 Chief Financial Officer

To Our Shareholders

The past year has been a time of transition in our national and local economy. Slowly improving economic conditions and increasing employment have caused a shift in government policy leading to a marked adjustment in long-term interest rates. The level and mix of interest rates has a significant impact on our operations and profitability. As interest rates have risen, mortgage originations have slowed, but commercial loan demand has shown dramatic improvement.

Net income for 2013 was \$588,561 which amounted to the fifth best year in our history. Earnings in the bank moved to a near balance between the commercial lending division and the mortgage lending division as interest rates have increased. Our commercial loan department originated over \$24 million in new loans in the past year marking our best performance since 2008. This should lead to increasing net interest income as we move into 2014.

In our mortgage division, we anticipate that the home purchase market will strengthen, offsetting some of the decrease in volume caused as the refinance market has declined. In our markets, home prices have rebounded allowing homeowners with limited equity the opportunity to sell their homes, adding some much needed housing inventory for interested buyers.

Over the past several years the bank has made a significant effort to increase market share in the professional community to obtain a larger share of local business that is less susceptible to economic downturns. We are pleased to report that our targeted approach has yielded many new banking relationships over the past year. We are developing new products and processes to make banking more efficient. This will improve customer convenience and retain our local personal touch.

The bank's capital position continues to be strong with our leverage capital ratio of 14.39% ranking us among the strongest banks in Oregon. Our healthy capital base leaves us well positioned to take advantage of growth opportunities that may arise as the industry undergoes structural changes. Change most often leads to opportunity as delivery systems evolve. The increasingly rapid pace of technological change will lead to an increase in mobile products that will benefit our customers and make banking easier.

Our solid financial results in 2013 have enabled the corporation to provide our shareholders with a \$0.10 per share cash dividend for the first time in our history. We look forward to new opportunities for growth in this rapidly changing industry and wish to thank you for your ongoing support.

Neil D. Grossnicklaus
 President and Chief Executive Officer

Edgar B. Martin
 Chairman of the Board

OREGON BANCORP, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED BALANCE SHEETS

	Period Ending December 31,	
	2013	2012
ASSETS		
Cash and Due From Banks	\$ 15,047,556	\$ 7,739,129
Investment Securities Available-For-Sale	1,267,940	1,392,955
Loans Held-For-Sale	7,409,445	29,652,708
Loans, Net of Allowance for Loans Losses	85,945,422	74,954,652
Premises and Equipment, Net	2,995,973	3,092,069
Other Real Estate Owned	2,749,075	4,691,805
Other Assets	4,136,365	4,182,237
Total Assets	\$ 119,551,776	\$ 125,705,555
LIABILITIES		
Total Deposits	\$ 100,509,210	\$ 102,699,090
Borrowings	3,450,000	4,000,000
Other Liabilities	1,335,765	1,784,073
Total Liabilities	\$ 105,294,975	\$ 108,483,163
SHAREHOLDERS' EQUITY		
Total Liabilities and Shareholders' Equity	\$ 119,551,776	\$ 125,705,555

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2013	2012
Interest Income	\$ 5,214,603	\$ 5,563,267
Interest Expense	651,370	827,292
Net Interest Income Before Provision for Loan Losses	4,563,233	4,735,975
Provision for Loan Losses	-	-
Net Interest Income After Provision for Loan Losses	4,563,233	4,735,975
Noninterest Income	12,855,110	12,488,093
Noninterest Expense	16,439,106	15,194,844
Income Before Provision for Income Taxes	979,237	2,029,224
Provision for Income Taxes	390,676	736,596
Net Income	\$ 588,561	\$ 1,292,628

Audited financial statements are available at wvbk.com

Certain statements in this letter may constitute forward-looking statements within the definition of the "safe-harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on reasonable assumptions by the Bank's management within its current knowledge of the Bank's business and operations. These forward-looking statements are subject to significant risks and uncertainties which could cause actual results to differ materially from those set forth in such statements. Readers are cautioned not to place undue reliance on forward-looking statements.