



Oregon Pacific Bancorp & Bank Audit Committee Charter

Purpose and authority

The Audit Committee assists the Board of Directors (Board) in fulfilling its responsibility for oversight of the integrity of the accounting, auditing, internal control, financial reporting, regulatory compliance practices, enterprise risk management, as well as compliance with ethical standards adopted by the Company. It may also have such other duties as may from time to time be assigned to it by the Board.

Composition and meetings

The Audit Committee will be comprised of not less than three members of the Board. Each Audit Committee member will meet the applicable standards of independence and the determination of independence will be made by the Board. New Committee members will be appointed by the current Committee, taking into account prior experience in matters to be considered by the Committee, probable availability at times required for consideration of these matters, and their individual independence and objectivity. The appointments will be affirmed annually by the Chairman of the Board at the annual organizational meeting.

None of the members will be an officer or employee of the Company or its subsidiaries or any other individual having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment. Each member will be financially literate, and at least one member shall be designated as the “financial expert,” as defined by applicable legislation and regulation. Members cannot accept consulting, advisory, or other compensatory fees from the Company, or be an affiliated person of the Company or any subsidiary, except for Board or committee services.

One member of the Committee shall be appointed as Chair. The Chair shall be recommended by the Audit Committee and then approved by the full Board. The Chair shall be responsible for leadership of the Committee, including scheduling and presiding over meetings, preparing or approving agendas, and making regular reports to the Board. The Chair will also maintain regular liaison with the Chief Executive Officer, Chief Financial Officer, and the lead independent audit partner.

The Committee may appoint one of its members as Vice Chair, to carry out the duties of the Committee Chair in their absence.

The Committee will meet as often as may be necessary or appropriate in its judgment, generally four times each year. The majority of the Audit Committee shall constitute a quorum. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. The Committee will maintain minutes and other relevant information of all meetings. Members of management, auditors or others will be invited to attend meetings and provide pertinent information, as necessary. The Audit Committee shall meet in executive session with the external auditors at least annually.

Responsibilities and duties

To fulfill its responsibilities and duties, the Audit Committee will:

General

- Have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. This includes unrestricted access to members of management and other employees of the Company, as well as all information relevant to carry out its responsibilities.
- Determine that no restrictions are imposed upon the audit scope that would hinder the independence of the audit function.
- Undertake such additional duties as from time to time may be delegated to it by the Board, or deemed desirable, at the Committee's discretion.
- Be empowered to retain, at the Company's expense, independent counsel, accountants or others for such purposes as the Committee, in its sole discretion, determines to be appropriate to carry out its responsibilities.

Documents/reports/other information review

- Review this Charter and the Audit Policy at least annually and recommend to the Board of Directors any necessary amendments.
- Review any management letter issued by the independent financial auditor along with management's response made in connection with the preparation of the Company's financial statements.
- Review the results of external audits/reviews, findings and recommendations. Consider management's response to these reports.
- Review internal reports to management, or summaries thereof, as well as management's response.

Independent auditor

- Appoint, compensate, retain and oversee the work performed by the independent auditor. Review the performance and independence of the independent auditor and remove them if circumstances warrant. The independent auditor will report directly to the Audit Committee and the Committee will oversee the resolution of any problems or difficulties encountered in the performance of the audit, or disagreements between management and the independent auditor if any arise.
- Consider whether the auditor's provision of permissible non-audit services is compatible with the auditor's independence. This could include fees paid to the auditors for audit services, information technology services, and all other services.
- Hold timely discussions with the independent auditor regarding the following:
 - All critical accounting policies and practices.

- All matters required to be communicated to the Committee under generally accepted auditing standards.
- Other material written communications between the independent auditor and management, including, but not limited to, the management letter and schedule of unadjusted differences.
- Review and preapprove both audit and non-audit services to be provided by the independent auditor. The Chair has authority to approve such services with later disclosure to the full Committee.

Financial reporting processes, accounting policies

- Review the integrity of the Company's internal and external financial reporting process in consultation with the independent accountants.
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review the Company's annual and interim financial statements prior to release, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Review earnings press releases and letters to shareholders, as well as other relevant reports or financial information prior to release.
- Establish and oversee procedures for the receipt, retention, and treatment of complaints regarding accounting, internal controls, auditing matters, conflicts of interest or unethical conduct, including procedures for confidential, anonymous submissions by employees regarding accounting or auditing matters.

Regulatory compliance, risk management and internal control structure

- Review and approve the annual Audit Risk Assessment and Audit Schedule.
- Review and approve the scope of audits prior to distribution of request for proposals.
- Approve the appointment of outsourced internal audit vendors.
- Monitor completion of the current year schedule of audits.
- Review summaries of the status of internal certifications and internal reviews.
- Review minutes or other documentation of the Risk Management Committee's examination of the documentation of key accounting processes and listing of key controls.
- Discuss policies with respect to risk assessment and enterprise risk management, including appropriate guidelines and policies to govern the process, as well as the Company's major financial risk exposures and the steps management has undertaken to monitor and control them.
- Review reports on significant regulatory compliance, information technology and internal control findings and recommendations, together with management's response.

Ethical compliance and legal compliance

- Oversee, review and periodically update the company's code of business conduct and ethics and the system to monitor compliance with and enforce this code.
- Review with Company's legal counsel, when deemed necessary, legal compliance and matters that could have a significant impact on the Company's financial statements.

Reporting

- Report regularly to the Board regarding the execution of the audit committee's duties and responsibilities, activities, any issues encountered and related recommendations.

Audit Liaison

- Designate a qualified employee to be an audit liaison, who will in turn report directly to the Audit Committee.
- In conjunction with Human Resources, determine compensation, annual goals and overall performance expectations. Initiate disciplinary action, if warranted.
- Ensure audit liaison fulfills their responsibilities, as outlined in the Audit Policy and job description.
- Ensure that risk areas which fall under the responsibility of the audit liaison are reported through the Chief Financial Officer; to include resolution of examination and audit findings, audit scope determination, and completion of scheduled audits.

Other responsibilities

- Review with the independent auditor and the Risk Management Committee the extent to which changes or improvements in financial or accounting practices have been implemented.
- At least annually review separately with each of management any significant difficulties encountered with independent accountants.
- Perform any other activities that the Board or Audit Committee determines are necessary or appropriate.