



NASDAQ: OVLY

Oak Valley Bancorp to Acquire Mother Lode Bank

August 27, 2015



Forward Looking Statement

This presentation includes forward-looking statements about the corporation for which the corporation claims the protection of safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are based on management's knowledge and belief as of today and include information concerning the corporation's possible or assumed future financial condition, and its results of operations and business. Forward-looking statements are subject to risks and uncertainties. A number of important factors could cause actual results to differ materially from those in the forward-looking statements. Those factors include any problems related to the acquisition and integration of Mother Lode Bank, fluctuations in interest rates, government policies and regulations (including monetary and fiscal policies), legislation, economic conditions, including increased energy costs in California, credit quality of borrowers, operational factors and competition in the geographic and business areas in which the company conducts its operations. All forward-looking statements included in this press release are based on information available at the time of the release, and the Company assumes no obligation to update any forward-looking statement.

Acquisition Rationale

- In-market consolidation of Mother Lode Bank (MLB) which is headquartered in Sonora, CA
 - MLB operates 2 branches with \$70.7 million in assets, \$49.1 million in loans and \$65.3 million in deposits
- Attractive deposit base with 42.6% noninterest bearing deposits and 91.1% non-CDs with cost of deposits of 0.06% - no brokered deposits
- Opportunity to recognize significant cost savings in excess of 60.0% of MLB's noninterest expense
- Financially attractive for OVLY
 - 11.3% accretion to earnings per share in 2017
 - Internal rate of return in excess of 20.0%
 - Approximately 3-year payback period to tangible book value per share

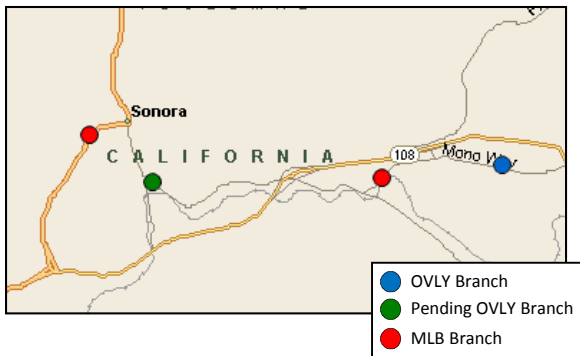
Strategically compelling acquisition with attractive pro forma financial impact

Branch Map and Market Share

Pro Forma Branch Footprint



Sonora, CA



- Both MLB branches will be consolidated into OVLY's branches in Sonora, CA
 - OVLY currently has 1 branch in Sonora and will be opening a 2nd branch in December 2015 (as previously announced)
- Ranked 3rd for deposit market share with 15.2% of total deposits on a pro forma basis

Deposit Market Share – Sonora, CA

Rank	Institution (State)	Number of Branches	Deposits in Market	Deposit Growth (1-Year)	Market Share
1	Wells Fargo & Co. (CA)	2	\$ 214,086	2.1%	28.0%
2	Bank of America Corp. (NC)	2	\$ 170,827	2.9%	22.4%
3	Pro Forma - Oak Valley Bancorp	3	\$ 116,364		15.2%
3	Umpqua Holdings Corp. (OR)	2	\$ 90,157	-3.2%	11.8%
4	BBVA	1	\$ 69,555	49.2%	9.1%
5	Mother Lode Bank (CA)	2	\$ 58,985	1.6%	7.7%
6	Oak Valley Bancorp (CA)	1	\$ 57,379	-2.8%	7.5%
7	1867 Western Financial Corp. (CA)	1	\$ 56,185	0.0%	7.4%
8	Westamerica Bancorp. (CA)	1	\$ 46,448	-10.8%	6.1%
Total For Institutions In Market		12	\$ 763,622	3.1%	

Note: All dollars in thousands
Source: SNL Financial. Deposit data as of 6/30/2014

Transaction Overview

Consideration

- Aggregate consideration of \$7.3 million, or \$1.65 per share of MLB common stock
- 100.0% cash consideration
- Price / adjusted tangible book value⁽¹⁾ of 108.5% and core deposit premium of 0.92%

Compelling Pro Forma Impact to OVLY

- Earnings per share accretion of 8.5% in 2016 and 11.3% in 2017
- Internal rate of return in excess of 20.0%
- 4.4% dilution to tangible book value per share with payback period of approximately 3-years
- Strong pro forma capital levels – leverage ratio of 8.9% and risk based capital ratio of 12.8%

Cost Savings

- Estimated cost savings in excess of 60.0% of MLB's annual noninterest expense, or \$2.0 million fully phased-in

Deferred Tax Assets

- \$1.7 million deferred tax asset expected to be recognized at closing from MLB's historical NOLs

Other Key Assumptions

- Fair value adjustment on loans of 4.95%, or approximately \$2.4 million
- Pre-tax merger related expenses of \$2.3 million

Due Diligence

- Performed due diligence, including on-site credit review and 3rd party fair value review

Closing and Approvals

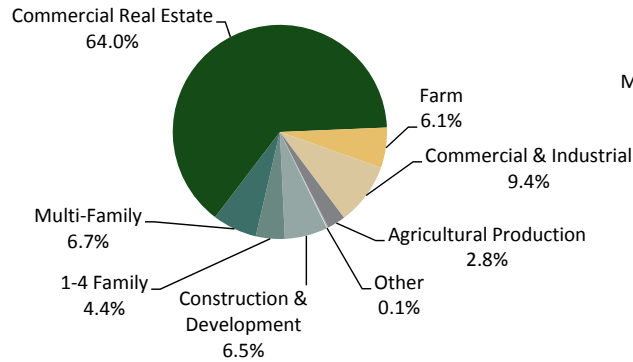
- Expected closing in Q4 2015
- Customary required approvals from regulators and approval from MLB's shareholders

(1) MLB's tangible book value as of 6/30/2015, with adjustment to include recognition of deferred tax asset

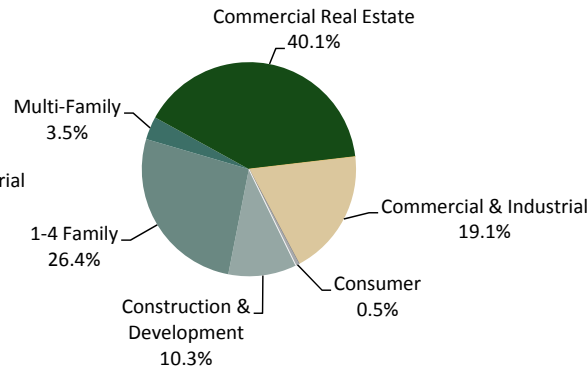
Loan and Deposit Mix

Loan Portfolio Mix

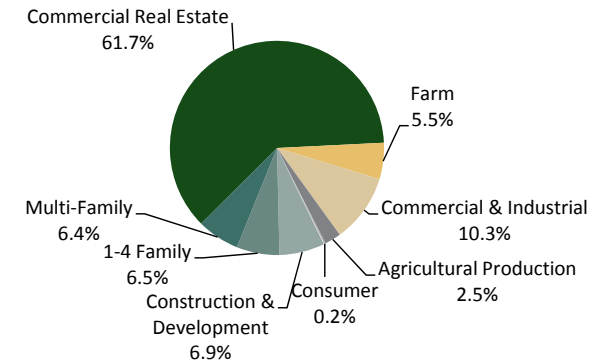
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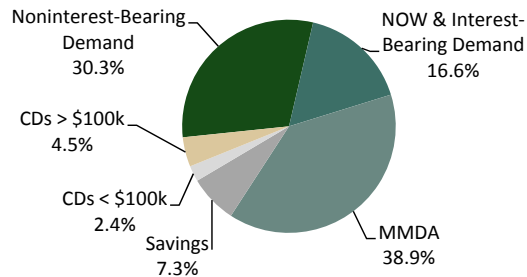


Combined

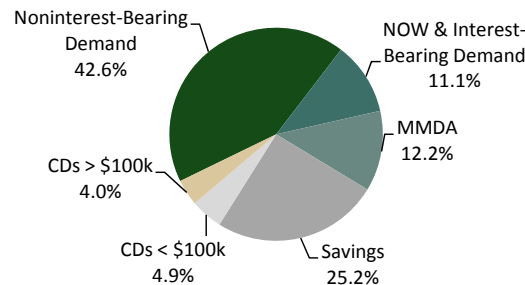


Deposit Mix

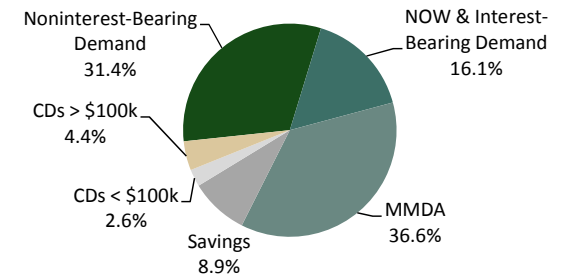
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MLB



Combined



- Adds scale to an existing market for OVLY
- Attractive, low cost, core deposit base
- Effective use of capital resources
- Accretive to earnings per share beginning in 2016
- In-line with OVLY's strategic plan for a mix of organic and acquisitive growth
- Enhances long term shareholder value