

Issuer's telephone number

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 8,091,455 shares of common stock outstanding as of November 10, 2016.

Oak Valley Bancorp

September 30, 2016

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PART I – FINANCIAL STATEMENTS**OAK VALLEY BANCORP****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(dollars in thousands)	September 30, 2016	December 31, 2015
ASSETS		
Cash and due from banks	\$ 133,243	\$ 174,778
Federal funds sold	14,020	15,825
Cash and cash equivalents	147,263	190,603
Securities available for sale	160,077	131,546
Loans, net of allowance for loan loss of \$7,767 and \$7,356 at September 30, 2016 and December 31, 2015, respectively	592,650	530,394
Bank premises and equipment, net	13,712	14,277
Other real estate owned	1,485	2,066
Interest receivable and other assets	31,831	28,152
	\$ 947,018	\$ 897,038
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	\$ 859,756	\$ 814,691
Interest payable and other liabilities	4,404	4,084
Total liabilities	864,160	818,775
Shareholders' equity		
Common stock, no par value; 50,000,000 shares authorized, 8,093,555 and 8,078,155 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	24,682	24,682
Additional paid-in capital	3,412	3,217
Retained earnings	52,198	48,795
Accumulated other comprehensive income, net of tax	2,566	1,569
Total shareholders' equity	82,858	78,263
	\$ 947,018	\$ 897,038

The accompanying notes are an integral part of these consolidated financial statements.

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OAK VALLEY BANCORP**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

(dollars in thousands, except per share amounts)	THREE		NINE MONTHS	
	MONTHS		MONTHS	
	ENDED		ENDED	
	SEPTEMBER		SEPTEMBER 30,	
	30,			
	2016	2015	2016	2015
INTEREST INCOME				
Interest and fees on loans	\$6,807	\$5,515	\$20,484	\$16,293
Interest on securities available for sale	1,045	914	3,038	2,687
Interest on federal funds sold	4	8	18	24
Interest on deposits with banks	169	72	492	212
Total interest income	8,025	6,509	24,032	19,216
INTEREST EXPENSE				
Deposits	196	155	555	461
Total interest expense	196	155	555	461
Net interest income	7,829	6,354	23,477	18,755
Provision for (reversal of) loan losses	90	0	415	(125)
Net interest income after provision for (reversal of) loan losses	7,739	6,354	23,062	18,880
OTHER INCOME				
Service charges on deposits	341	307	1,011	927
Earnings on cash surrender value of life insurance	102	108	305	322
Mortgage commissions	49	26	144	114
Net gain on sales and calls of securities	10	3	28	186
Other	575	521	1,682	1,599
Total non-interest income	1,077	965	3,170	3,148
OTHER EXPENSES				
Salaries and employee benefits	3,225	2,852	9,950	8,790
Occupancy expenses	819	743	2,470	2,214
Data processing fees	435	366	1,346	1,077
Regulatory assessments (FDIC & DBO)	178	123	505	368
Other operating expenses	1,267	1,215	4,027	3,141
Total non-interest expense	5,924	5,299	18,298	15,590
Net income before provision for income taxes	2,892	2,020	7,934	6,438
PROVISION FOR INCOME TAXES	962	638	2,591	2,020
NET INCOME	\$1,930	\$1,382	\$5,343	\$4,418

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NET INCOME PER COMMON SHARE	\$0.24	\$0.17	\$0.67	\$0.55
NET INCOME PER DILUTED COMMON SHARE	\$0.24	\$0.17	\$0.66	\$0.55

The accompanying notes are an integral part of these consolidated financial statements.

OAK VALLEY BANCORP**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

(in thousands)	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2016	2015	2016	2015
Net income	\$1,930	\$1,382	\$5,343	\$4,418
Other comprehensive income (loss):				
Unrealized holding (losses) gains on securities arising during the current period, net of tax effect of (\$108) thousand and \$709 thousand for the three and nine month periods ended September 30, 2016 and 2015, respectively, and \$290 thousand and (\$492) thousand for the comparable 2015 periods	(154)	415	1,014	(704)
Reclassification adjustment due to net gains realized on sales and calls of securities, net of tax effect of \$4 thousand and \$11 thousand for the three and nine months ended September 30, 2016, respectively, and \$1 thousand and \$77 thousand for the comparable 2015 periods	(6)	(2)	(17)	(109)
Other comprehensive income (loss)	(160)	413	997	(813)
Comprehensive income	\$1,770	\$1,795	\$6,340	\$3,605

The accompanying notes are an integral part of these consolidated financial statements.

OAK VALLEY BANCORP**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)**YEAR ENDED DECEMBER 31, 2015 AND NINE MONTHS ENDED
SEPTEMBER 30, 2016

(dollars in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances, January 1, 2015	8,074,855	\$24,682	\$ 2,910	\$45,582	\$ 1,867	\$ 75,041
Tax benefit on stock based compensation			46			46
Restricted stock issued	6,000					0
Restricted stock forfeited	(2,700)					0
Cash dividends declared				(1,695)		(1,695)
Stock based compensation			261			261
Other comprehensive loss					(298)	(298)
Net income				4,908		4,908
Balances, December 31, 2015	8,078,155	\$24,682	\$ 3,217	\$48,795	\$ 1,569	\$ 78,263
Restricted stock issued	17,000					\$ 0
Restricted stock forfeited	(1,600)					
Cash dividends declared				(1,940)		(1,940)
Stock based compensation			195			195
Other comprehensive income					997	997
Net income				5,343		5,343
Balances, September 30, 2016	8,093,555	\$24,682	\$ 3,412	\$52,198	\$ 2,566	\$ 82,858

The accompanying notes are an integral part of these consolidated financial statements

OAK VALLEY BANCORP**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(dollars in thousands)	NINE MONTHS ENDED SEPTEMBER 30, 2016 2015	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$5,343	\$4,418
Adjustments to reconcile net earnings to net cash from operating activities:		
Provision (reversal of provision) for loan losses	415	(125)
Decrease in deferred fees/costs, net	(29)	(123)
Depreciation	948	892
Amortization of investment securities, net	270	132
Stock based compensation	195	197
Gain on sale of premises and equipment	(4)	(5)
OREO write downs and losses on sale	88	50
Gain on sales and calls of available for sale securities	(28)	(186)
Earnings on cash surrender value of life insurance	(305)	(322)
Gain on BOLI death benefit	(2)	(66)
Increase (decrease) in interest payable and other liabilities	320	(1,044)
Decrease in interest receivable	52	75
Increase in other assets	(228)	(178)
Net cash from operating activities	7,035	3,715
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available for sale securities	(47,182)	(34,506)
Proceeds from maturities, calls, and principal paydowns of securities available for sale	20,103	24,958
Net increase in loans	(62,895)	(22,876)
Purchase of FHLB Stock	(79)	0
Purchase of BOLI policies	(4,000)	0
Proceeds from sale of OREO	746	0
Proceeds from redemption of BOLI policies	186	292
Proceeds from sales of premises and equipment	4	5
Net purchases of premises and equipment	(383)	(562)
Net cash used in investing activities	(93,500)	(32,689)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Shareholder cash dividends paid	(1,940)	(1,696)
Net increase in demand deposits and savings accounts	40,612	43,078
Net increase (decrease) in time deposits	4,453	(82)
Net cash from financing activities	43,125	41,300
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(43,340)	12,326

CASH AND CASH EQUIVALENTS, beginning of period	190,603	144,288
CASH AND CASH EQUIVALENTS, end of period	\$147,263	\$156,614

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the period for:

Interest	\$558	\$466
Income taxes	\$1,434	\$3,545

NON-CASH INVESTING ACTIVITIES:

Real estate acquired through foreclosure	\$253	\$0
Change in unrealized gain (loss) on available-for-sale securities	\$1,694	\$(1,382)

The accompanying notes are an integral part of these consolidated financial statements.

OAK VALLEY BANCORP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

On July 3, 2008 (the “Effective Date”), a bank holding company reorganization was completed whereby Oak Valley Bancorp (“the Company”) became the parent holding company for Oak Valley Community Bank (the “Bank”). On the Effective Date, a tax-free exchange was completed whereby each outstanding share of the Bank was converted into one share of the Company and the Bank became the sole wholly-owned subsidiary of the holding company.

On December 23, 2015, the Company completed its acquisition of Mother Lode Bank (“MLB”), a California state-chartered bank headquartered in Sonora, California, in a transaction in which Mother Lode Bank was merged with and into the Bank, with the Bank as the surviving company in the transaction. The purchase price for Mother Lode Bank was approximately \$7.3 million. As of the acquisition date, Mother Lode Bank’s total assets were \$78.7 million and total deposits were \$71.1 million.

Oak Valley Community Bank is a California State chartered bank. The Bank was incorporated under the laws of the state of California on May 31, 1990, and began operations in Oakdale on May 28, 1991. The Company operates branches in Oakdale, Sonora, Bridgeport, Bishop, Mammoth Lakes, Modesto, Manteca, Patterson, Turlock, Ripon, Stockton, Tracy and Escalon, California. The Bridgeport, Mammoth Lakes, and Bishop branches operate as a separate division, Eastern Sierra Community Bank. The Company’s primary source of revenue is providing loans to customers who are predominantly middle-market businesses.

The consolidated financial statements include the accounts of the Company and its wholly-owned bank subsidiary. All material intercompany transactions have been eliminated. In the opinion of Management, the consolidated financial statements contain all adjustments necessary to present fairly the financial position, results of operations, changes in shareholders’ equity and cash flows. All adjustments are of a normal, recurring nature.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates reflected in the Company’s consolidated financial statements include the allowance for loan losses, determination of non-accrual loans, other-than-temporary impairment of investment securities, the fair value measurements, deferred compensation plans, and the determination, recognition and measurement of impaired loans. Actual results could differ from these

estimates.

The interim consolidated financial statements included in this report are unaudited but reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the interim periods presented. All such adjustments are of a normal recurring nature. The results of operations for the three and nine month periods ended September 30, 2016 are not necessarily indicative of the results of a full year's operations. Certain prior year amounts have been reclassified to conform to the current year presentation. There was no effect on net income or shareholders' equity as a result of reclassifications. For further information, refer to the audited consolidated financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2015.

NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS

In September, 2015, the FASB issued ASU No. 2015-16, Simplifying the Accounting for Measurement Period Adjustments (Topic 805). This ASU eliminates the requirement to restate prior period financial statements for measurement period adjustments to assets acquired and liabilities assumed in a business combination. The new guidance under this update requires the cumulative impact of measurement period adjustments be recognized in the period the adjustment is determined. This update does not change what constitutes a measurement period adjustment, nor does it change the length of the measurement period. The new standard is effective for interim annual periods beginning after December 15, 2015 and should be applied prospectively to measurement period adjustments that occur after the effective date. The adoption of this update is not expected to have a material impact on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this ASU make improvements to GAAP related to financial instruments that include the following as applicable to us.

Equity investments, except for those accounted for under the equity method of accounting or those that result in consolidation of the investee, are required to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment - if impairment exists, this requires measuring the investment at fair value.

Eliminates the requirement for public companies to disclose the method(s) and significant assumptions used to estimate the fair value that is currently required to be disclosed for financial instruments measured at amortized cost on the balance sheet.

Public companies will be required to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes.

Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements.

The reporting entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets.

ASU 2016-01 is effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This ASU will impact our financial statement disclosures, however, we do not expect this ASU to have a material impact on our financial condition or results of operations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities, including leases classified as operating leases under previous GAAP, on the balance sheet and requiring additional disclosures of key information about leasing arrangements. ASU 2016-02 is effective for annual periods, including interim periods within those annual periods beginning after December 15, 2018 and requires a modified retrospective approach to adoption. Early application of the amendments is permitted. We are currently evaluating the provisions of this ASU and will be monitoring developments and additional guidance to determine the potential outcome the amendments will have on our financial condition and results of operations.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. This update changes the methodology used by financial institutions under current U.S. GAAP to recognize credit losses in the financial statements. Currently, U.S. GAAP requires the use of the incurred loss model, whereby financial institutions recognize in current period earnings, incurred credit losses and those inherent in the financial statements, as of the date of the balance sheet. This guidance results in a new model for estimating the allowance for loan and lease losses, commonly referred to as the Current Expected Credit Loss (“CECL”) model. Under the CECL model, financial institutions are required to estimate future credit losses and recognize those losses in current period earnings. The amendments within the update are effective for fiscal years and all interim periods beginning after December 15, 2019, with early adoption permitted. Upon adoption of the amendments within this update, the Company will be

required to make a cumulative-effect adjustment to the opening balance of retained earnings in the year of adoption. The Company is currently in the process of evaluating the impact the adoption of this update will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments (Topic 230)*. This update clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows with the objective of reducing the existing diversity in practice related to eight specific cash flow issues. The amendments in this update are effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of the amendments within this update will have a material impact on the Company's financial statements.

NOTE 3 – ACQUISITION

On December 23, 2015, in effort to expand our market presence and enhance shareholder value, the Company acquired Mother Lode Bank ("MLB"), via a merger with and into the Bank, upon the consummation of which all outstanding common shares and unexercised options to purchase MLB common stock were cancelled, in exchange for \$7,336,000 in cash (the "MLB Acquisition"). On January 29, 2016, the two acquired MLB branches in Sonora were closed after management determined that our two existing branches in Sonora would be able to support our acquired customers. The assets acquired and liabilities assumed, both tangible and intangible, were recorded at their fair values as of the acquisition date in accordance with ASC 805.

During the third quarter of 2016, the Company determined that deferred tax assets acquired from MLB totaling \$2,651,000, mainly from net operating loss carryforwards, cannot be utilized by the Company. As a result, the Company decreased deferred tax assets and increased goodwill by \$2,651,000 as of the December 23, 2015 acquisition date in the tables below. Additionally, all related financial statement disclosures have been revised. These revisions did not impact previously reported net income or shareholders equity.

The following table reflects the estimated fair values of the assets acquired and liabilities assumed related to the MLB Acquisition:

(Dollars in thousands)	Acquisition Date December 23, 2015
Assets:	
Cash and cash equivalents	\$ 30,804
Loans	42,831
Core deposit intangible	1,031
Goodwill	3,312
Other assets	738
Total assets acquired	\$ 78,717
Liabilities:	
Deposits:	
Non-interest bearing	\$ 36,177
Interest bearing	
Transaction accounts	6,112
Savings accounts	15,727
Money market accounts	7,602
Other time accounts	5,507
Total deposits	71,125
Other liabilities	256
Total liabilities assumed	\$ 71,381
Merger consideration	\$ 7,336

The following table presents the net assets acquired from MLB and the estimated fair value adjustments:

(Dollars in thousands)	Acquisition Date December 23, 2015
Book value of net assets acquired from Mother Lode Bank	\$ 4,884
Fair value adjustments:	
Loans	(2,960)
Reversal of Allowance for Loan Loss	1,279
Core deposit intangible asset	1,031
Other assets & liabilities, net	(210)
Total purchase accounting adjustments	\$ (860)
Fair value of net assets acquired from Mother Lode Bank	\$ 4,024
Merger consideration	7,336
Less: fair value of net assets acquired	(4,024)
Goodwill	\$ 3,312

As a result of the MLB Acquisition, we recorded \$3,312,000 in goodwill, which represents the excess of the total purchase price paid over the fair value of the assets acquired, net of the fair values of liabilities assumed. Goodwill mainly reflects expected value created through the combined operations of MLB and the Company. At December 31, 2015, we determined that the fair value of our traditional community banking activities (provided through our branch network) exceeded the carrying amount. Therefore, no impairment on goodwill has been recorded. The following is a description of the methods used to determine the fair values of significant assets and liabilities at acquisition date presented above.

Loans

The fair values for acquired loans were developed based upon the present values of the expected cash flows utilizing market-derived discount rates. Expected cash flows for each acquired loan were projected based on contractual cash flows adjusted for expected prepayment, expected default (i.e. probability of default and loss severity), and principal recovery.

Prepayment rates were applied to the principal outstanding based on the type of loan, where appropriate. Prepayments were based on a constant prepayment rate (“CPR”) applied across the life of a loan. The annual CPRs were between 0% and 5%, depending on the characteristics of the loan pool (e.g. construction, commercial real estate, etc.).

Non-credit-impaired loans with similar characteristics were grouped together and were treated in the aggregate when applying the discount rate on the expected cash flows. Aggregation factors considered included the type of loan and related collateral, risk classification, fixed or variable interest rate, term of loan and whether or not the loan was amortizing. See Note 5 for additional information.

Core Deposit Intangible

The core deposit intangible represents the estimated future benefits of acquired deposits and is booked separately from the related deposits. The value of the core deposit intangible asset was determined using a discounted cash flow approach to arrive at the cost differential between the core deposits (non-maturity deposits such as transaction, savings and money market accounts) and alternative funding sources. A core deposit intangible asset of \$1,031,000 was recorded on December 23, 2015, of which \$39,000 and \$120,000 was amortized during the three and nine month periods ended September 30, 2016, respectively. The core deposit intangible is amortized on an accelerated basis over an estimated ten-year life, and it is evaluated periodically for impairment. No impairment loss was recognized as of September 30, 2016.

Acquisition Related Expenses

Acquisition-related expenses are recognized as incurred and continue until all systems have been converted and operational functions become fully integrated. We incurred one-time third-party acquisition-related expenses in the consolidated statements of income totaling \$49,000 and \$190,000 during the three and nine month periods ended September 30, 2016, respectively. The conversion of the operating systems was completed in April 2016.

NOTE 4 – SECURITIES

The amortized cost and estimated fair values of debt securities as of September 30, 2016 are as follows: