

# CONSOLIDATED STATEMENT OF CONDITION

March 31, 2018



## DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

This report contains a number of forward-looking statements about our anticipated business operations and financial performance. Statements in this report that relate to future plans, events and circumstances are provided to describe management's intentions and expectations based on currently available information, and readers should not construe these statements as assurances or guarantees. As with any predictions, these statements are inherently difficult to make with any degree of assurance, and actual results may differ materially and adversely from management's expectations described herein. Likewise, management's plans described in this report may not come to pass because unforeseen events may force management to deviate from its expressed intentions. Forward-looking statements often can be identified by the use of predictive or prospective terms such as "expect", "anticipate", "believe", "plan", "intend", and words of similar construction or meaning.

## To our Shareholders, Friends and the Communities we serve:

Oregon Pacific Bancorp and its wholly-owned subsidiary, Oregon Pacific Bank, reported a net operating income of \$773,414 for the 3 months ending March 31, 2018, compared to \$284,303 for the same period in 2017. This represents a 172.0% increase over the prior year period and equates to \$0.11 Earnings Per Share (EPS) as compared to \$0.07 for the same period in 2017; a 57.14% increase. The private capital raise that injected \$10.8 million in new equity in the fourth quarter of 2017 did cause a dilution of EPS. Common shares have increased 2.61 million over the period ending March 31, 2017.

The Bank continues to experience strong but controlled loan and deposit growth, with increases of 15.1% and 14.5% respectfully over the prior year period. Our trust and wealth management departments continue their success, which contributed to an 18% increase in non-interest income.

Over the past two years, management and the Board of Directors have taken steps to create operational efficiencies. We have added staff, increased loans and overall assets materially, and have improved our efficiency ratio from 83.3% to 69.5%.

We are working diligently to invest the capital raised last year. The Bank's cultural mission of serving its clients, shareholders, staff and communities is at the forefront of our strategic planning. Our goal is to be the preeminent small business and professional services bank in the markets we serve. We are accomplishing this by building strong relationships through local decision making and local reinvestment. We have added key personnel that will strengthen our operations and we continue to look for the best bankers in the state. The Bank continues to maintain a strong social media presence as a way to connect with our online followers. I encourage you to check out our new series called #AskTheBanker. This has been a fun way to promote the Bank and its brand of being local, personal and just a little bit unique.

As always, please feel free to reach out to me if you would like to discuss the Bank and our plans going forward. My direct telephone number is (541) 999-1908 and my email address is [ron.green@opbc.com](mailto:ron.green@opbc.com).

With warmest regards and appreciation,



RON GREEN

*President & CEO of Oregon Pacific Bank*

## Consolidated Balance Sheets

| UNAUDITED<br>(Dollars in thousands)                     | March 31,         |                   |
|---|-------------------|-------------------|
|   | 2018              | 2017              |
| <b>ASSETS</b>   |                   |                   |
| Cash and due from banks                                 | \$ 3,907          | \$ 4,119          |
| Interest bearing deposits                               | 36,601            | 24,173            |
| Securities  | 30,661            | 26,295            |
| Loans, net  | 196,622           | 170,777           |
| Allowance for loan losses                               | (2,725)           | (2,442)           |
| Premises and equipment, net                             | 6,432             | 6,389             |
| Bank owned life insurance                               | 3,008             | 2,897             |
| Other real estate owned                                 | 1,322             | 1,918             |
| Deferred tax asset                                      | 1,257             | 2,058             |
| Other assets  | 1,300             | 1,392             |
| <b>Total Assets</b>                                     | <b>\$ 278,385</b> | <b>\$ 237,576</b> |
| <b>LIABILITIES</b>                                      |                   |                   |
| Deposits  |                   |                   |
| Demand - non-interest bearing                           | \$ 63,043         | \$ 56,184         |
| Demand - interest bearing                               | 104,484           | 82,575            |
| Savings   | 52,166            | 49,543            |
| Certificates of deposit                                 | 18,710            | 19,930            |
| <b>Total Deposits</b>                                   | <b>238,403</b>    | <b>208,232</b>    |
| FHLB Borrowings   | 2,000             | 4,500             |
| Subordinated debenture                                  | 4,124             | 4,124             |
| Other liabilities                                       | 3,086             | 2,886             |
| <b>Total Liabilities</b>                                | <b>247,613</b>    | <b>219,742</b>    |
| <b>STOCKHOLDERS' EQUITY</b>                             |                   |                   |
| Common stock  | 20,590            | 9,308             |
| Retained earnings                                       | 10,777            | 8,866             |
| Accumulated other comprehensive gain/(loss), net of tax | (595)             | (340)             |
| <b>Total Stockholders' Equity</b>                       | <b>30,772</b>     | <b>17,834</b>     |
| <b>Total Liabilities &amp; Stockholders' Equity</b>     | <b>\$ 278,385</b> | <b>\$ 237,576</b> |
| <b>PERFORMANCE RATIOS</b>                               |                   |                   |
| Return on average assets                                | 1.16%             | 0.50%             |
| Return on average equity (book)                         | 10.24%            | 6.52%             |
| Efficiency ratio  | 69.47%            | 83.31%            |
| <b>ASSET QUALITY RATIOS</b>                             |                   |                   |
| ALL   |                   |                   |
| As a percentage of loans outstanding                    | 1.39%             | 1.43%             |
| As a percentage of non-performing loans                 | 227.21%           | 140.29%           |
| Non-performing loans                                    |                   |                   |
| As a percentage of total loans                          | 0.61%             | 1.02%             |
| Non-performing assets                                   |                   |                   |
| As a percentage of total assets                         | 0.91%             | 1.54%             |
| <b>BANK CAPITAL RATIOS</b>                              |                   |                   |
| Tier 1 leverage ratio                                   | 13.08%            | 9.34%             |
| Common equity tier 1 ratio                              | 18.82%            | 13.12%            |
| Tier 1 risk based ratio                                 | 18.82%            | 13.12%            |
| Total risk based ratio                                  | 20.07%            | 14.38%            |

## Consolidated Statements of Income

| UNAUDITED<br>(Dollars in thousands, except for per share data) | THREE MONTHS ENDED |                |
|--|--------------------|----------------|
|  | March 31, 2018     | March 31, 2017 |
| <b>INTEREST INCOME</b>   |                    |                |
| Loans  | \$ 2,369           | \$ 1,919       |
| Securities   | 174                | 117            |
| Other interest income  | 120                | 61             |
| <b>Total Interest Income</b>                                   | <b>2,663</b>       | <b>2,097</b>   |
| <b>INTEREST EXPENSE</b>  |                    |                |
| Deposits   | 112                | 73             |
| Borrowed funds   | 56                 | 59             |
| <b>Total Interest Expense</b>                                  | <b>168</b>         | <b>132</b>     |
| <b>NET INTEREST INCOME</b>                                     | <b>2,495</b>       | <b>1,965</b>   |
| Provision for credit losses                                    | 77                 | 80             |
| Net interest income after provision for credit losses          | 2,418              | 1,885          |
| <b>NON-INTEREST INCOME</b>                                     |                    |                |
| Trust fee income   | 570                | 492            |
| Service charges  | 202                | 190            |
| Other Income   | 303                | 229            |
| <b>Total Non-interest Income</b>                               | <b>1,075</b>       | <b>911</b>     |
| <b>NON-INTEREST EXPENSE</b>                                    |                    |                |
| Salaries and employee benefit                                  | 1,506              | 1,408          |
| Outside services   | 282                | 339            |
| Occupancy & equipment  | 200                | 176            |
| Securities and trust expense                                   | 112                | 132            |
| Other operating expenses                                       | 380                | 341            |
| <b>Total Non-interest Expense</b>                              | <b>2,480</b>       | <b>2,396</b>   |
| Income before taxes  | 1,013              | 400            |
| Provision for income taxes                                     | 240                | 116            |
| <b>Net Income</b>  | <b>\$ 773</b>      | <b>\$ 284</b>  |
| <b>STOCK INFORMATION</b>                                       |                    |                |
| YTD average shares   | 6,941,584          | 4,330,307      |
| Book value   | \$ 4.43            | \$ 4.12        |
| Basic earnings per share                                       | \$ 0.11            | \$ 0.07        |
| <b>NET INTEREST MARGIN RECONCILIATION</b>                      |                    |                |
| Yield on average loans   | 4.94%              | 4.67%          |
| Yield on average securities                                    | 2.32%              | 1.92%          |
| Yield on average earnings assets                               | 4.25%              | 3.94%          |
| Rate on average interest-bearing core deposits                 | 0.27%              | 0.20%          |
| Rate on average borrowings                                     | 3.54%              | 2.80%          |
| Cost of interest bearing funds                                 | 0.39%              | 0.35%          |
| Net interest margin - tax equivalent yield                     | 4.19%              | 3.78%          |

## Oregon Pacific Bank at a Glance

Established on December 17, 1979 and headquartered in Florence, Oregon, we have grown to include full service branches in Coos Bay and Roseburg, as well as a Trust Office in Medford, and a Professional Banking and Trust office in Eugene. Staffed by local decision makers, we specialize in offering holistic financial services to our local families and business owners. *We are committed to aiding the growth and development of the communities we serve by investing local deposits directly into the lives, homes, and businesses of our friends and neighbors.*

### BOARD OF DIRECTORS

|                       |  |
|-----------------------|--|
| ROBERT KING.....      | Chairman of the Board<br><i>Owner, R&amp;R King Logging and Crown Alaska, Inc.</i> |
| JOE BENETTI.....      | Retired<br><i>Benetti's Italian Restaurant</i>                                     |
| RON GREEN.....        | President/CEO<br><i>Oregon Pacific Bank</i>  |
| THOMAS GROVE.....     | Retired<br><i>President/CEO, Oregon Pacific Bank</i>                               |
| DAN JONES.....        | Owner<br><i>DJ Financial</i>   |
| BOB MANS, OD.....     | Co-owner<br><i>Florence Eye Clinic</i>   |
| TIM SALISBURY.....    | Retired CFO<br><i>Bay Area Hospital</i>  |
| JON THOMPSON.....     | Owner<br><i>KCST Radio Station</i>   |
| ROBBIE WRIGHT.....    | Owner<br><i>Siuslaw Broadband</i>  |
| RICK YECNY, CPA ..... | Retired CAO/CMO<br><i>PeaceHealth Peace Harbor Medical Center</i>                  |

### BANK EXECUTIVE OFFICERS

|                  |  |
|------------------|--|
| RON GREEN.....   | President<br><i>Chief Executive Officer</i>                |
| AMBER WHITE..... | Executive Vice President<br><i>Chief Financial Officer</i> |
| BOB EDSTROM..... | Executive Vice President<br><i>Chief Credit Officer</i>    |

**CORPORATE  
FINANCIAL CENTER**

1365 Highway 101  
Florence, Oregon 97439  
(541) 997-7121

**COOS BAY BRANCH**

915 S First St  
Coos Bay, Oregon 97420  
(541) 269-7929

**EUGENE PROFESSIONAL  
BANKING AND TRUST OFFICE**

975 Oak St, Suite 625  
Eugene, Oregon 97401  
(541) 636-4804

**FLORENCE BRANCH**

1355 Highway 101  
Florence, Oregon 97439  
(541) 997-7121

**MEDFORD TRUST OFFICE**

3250 Hillcrest Park Drive, Suite 100  
Medford, Oregon 97504  
(541) 858-0191

**ROSEBURG BRANCH**

2555 NW Edenbower  
Roseburg, Oregon 97471  
(541) 677-9454



**Oregon  
Pacific Bank**