



CONSOLIDATED
STATEMENT OF CONDITION

March 31, 2019



Oregon
Pacific Bancorp

OREGON PACIFIC BANK ANNOUNCES 2019 EARNINGS

First Quarter 2019 Highlights:

- First quarter net income of \$400 thousand
- \$0.06 per diluted share
- Quarterly loan growth of \$7 million
- Quarterly deposit growth of \$12.8 million
- Sale of the Bank's only OREO property
- Tax equivalent net interest margin of 4.26%

To our Shareholders, Friends and the Communities we serve:

Oregon Pacific Bancorp, and its wholly owned subsidiary Oregon Pacific Bank, reported quarterly net income of \$400 thousand, or \$0.06 per diluted share. Included in the first quarter earnings was a \$252 thousand loss on sale of other real estate as the Bank sold its last remaining bank-owned real estate asset. Excluding the impact of the loss on sale of other real estate, the Bank's earnings would have been approximately \$595 thousand or \$0.09 per share. This non-GAAP financial metric is provided to show the impact of this one-time expense.

Non-GAAP income reconciliation:

GAAP Net Income	\$ 400
add: tax effected loss on sale of OREO	195
Net income excluding loss on sale of OREO	\$ 595

The Bank took possession of this other real estate property in March of 2015 and was incurring approximately \$50 thousand of annual holding costs. The property was aging, vacant and the high price point translated to a potentially lengthy holding period and increased maintenance expenses. After factoring in these considerations, the Bank made the strategic decision to sell the property and incurred a loss on sale. "We are very proud to resolve the Bank's final pre-recession nonperforming asset," said Ron Green, President and Chief Executive Officer. "The sale of this asset sets the Bank on the right path for 2019 and better prepares our balance sheet for any future softening in the economy. Given the high-end nature of the property, it was an asset we did not want to own in the event the real estate market experienced a decline."

During the first quarter the Bank continued to experience growth in both deposits and loans. Period end deposits totaled \$282.5 million representing growth of \$12.8 million over year end and an annualized growth rate of 19.2%. Period end loans, net of deferred loan origination fees, totaled \$259.1 million representing quarterly growth of \$7.1 million and an annualized growth rate of 11.4%. Growth continued across all loan categories as the Bank continues to see diversified loan production. "Our relationship management staff and administrative support teams continue to deliver a high level of service to our clients," said Ron Green, President and Chief Executive Officer. "I am very proud of everyone for the steady growth the bank is experiencing."

As of March 31, 2019, the allowance for loan losses as a percentage of outstanding loans was 1.26%, equal to the 1.26% reported at December 31, 2018. For the period ended March 31, 2019, the Bank booked no provision for loan losses as the Bank recorded a loan loss recovery of \$84 thousand during the period. The loan loss recovery was sufficient to fund the provision for the quarterly loan growth. Following the sale of the Bank's only other real estate property, nonperforming assets as a percentage of total assets lowered to 0.41%, down from 0.82% as of December 31, 2018.

The first quarter 2019 net interest margin averaged 4.26%, representing a decrease of 5 basis points from the fourth quarter 2018 net interest margin. The decrease in the linked-quarter net interest margin was primarily due to an increase in the cost of interest-bearing liabilities which grew from 0.51% in fourth quarter to 0.59% in first quarter 2019. The Bank may continue to see pressure on the cost of interest-bearing liabilities as market competition for deposits grows.

First quarter noninterest income was \$1.0 million, down from \$1.4 million in fourth quarter. Included in fourth quarter noninterest income was an adjustment of \$202 thousand attributable to refining the Bank's accrual accounting adjustments. The Bank also saw a decline in trust revenue as the Bank experienced a swing due to the seasonality of extraordinary fees associated with real estate sales and other terminating trusts.

Noninterest expense in the first quarter totaled \$3.6 million, which was equal to the fourth quarter 2018 noninterest expense. The loss on sale of other real estate totaling \$252 thousand and outside services costs associated with the annual financial statement audit offset a reduction in salaries and benefits, occupancy and other operating expenses.

CONSOLIDATED BALANCE SHEETS

Unaudited (dollars in thousands)

	March 31, 2019	December 31, 2018	March 31, 2018
ASSETS			
Cash and due from banks	\$ 7,453	\$ 5,516	\$ 3,907
Interest bearing deposits	14,767	9,540	36,601
Securities	26,927	26,806	29,561
Loans, net of deferred loan fees and costs	259,132	252,064	196,622
Allowance for loan losses	(3,264)	(3,180)	(2,725)
Premises and equipment, net	7,079	6,777	6,432
Bank owned life insurance	6,896	6,836	3,008
Other real estate owned	-	1,224	1,322
Deferred tax asset	1,074	1,220	1,257
Other assets	2,894	2,729	2,399
Total assets	\$ 322,958	\$ 309,532	\$ 278,384
LIABILITIES			
Deposits			
Demand - non-interest bearing	\$ 73,366	\$ 70,217	\$ 63,043
Demand - interest bearing	86,860	83,169	70,661
Money market	55,539	49,583	33,823
Savings	47,914	48,955	52,166
Certificates of deposit	18,845	17,804	18,710
Total deposits	282,524	269,728	238,403
FHLB borrowings	-	-	2,000
Subordinated debenture	4,124	4,124	4,124
Other liabilities	2,893	3,070	3,084
Total liabilities	289,541	276,922	247,611
STOCKHOLDERS' EQUITY			
Common stock	20,641	20,634	20,590
Retained earnings	13,048	12,646	10,778
Accumulated other comprehensive gain/(loss), net of tax	(272)	(670)	(595)
Total stockholders' equity	33,417	32,610	30,773
Total liabilities & stockholders' equity	\$ 322,958	\$ 309,532	\$ 278,384

CONSOLIDATED STATEMENTS OF INCOME

Unaudited (dollars in thousands, except per share data)

THREE MONTHS ENDED

	March 31, 2019	December 31, 2018	March 31, 2018
INTEREST INCOME			
Loans	\$ 3,148	\$ 2,999	\$ 2,369
Securities	158	185	174
Other interest income	63	131	120
Total interest income	3,369	3,315	2,663
INTEREST EXPENSE			
Deposits	249	186	112
Borrowed funds	58	52	56
Total interest expense	307	238	168
NET INTEREST INCOME			
Provision for credit losses	-	256	77
Net interest income after provision for credit losses	3,062	3,077	2,495
NET INTEREST INCOME	3,062	3,077	2,495
NONINTEREST INCOME			
Trust fee income	490	783	570
Service charges	208	217	202
Mortgage loan sales and servicing	71	115	100
Investment sales commissions	48	70	60
Merchant card services	51	60	41
RIA income	83	86	51
Other income	84	68	51
Total noninterest income	1,035	1,399	1,075
NONINTEREST EXPENSE			
Salaries and employee benefits	1,795	1,867	1,281
Outside services	370	286	282
Occupancy & equipment	281	409	200
Trust expense	328	316	338
Loan and collection, OREO expense	357	126	45
Advertising	71	98	37
Supplies and postage	54	63	51
Other operating expenses	324	415	247
Total noninterest expense	3,580	3,580	2,481
Income before taxes	517	640	1,012
Provision for income taxes	117	132	240
NET INCOME	\$ 400	\$ 508	\$ 772

	1st Quarter 2019	4th Quarter 2018	3rd Quarter 2018	2nd Quarter 2018	1st Quarter 2018
Earnings					
Net interest income	\$ 3,062	\$ 3,077	\$ 2,815	\$ 2,637	\$ 2,495
Provision for loan loss	-	256	124	97	77
Noninterest income	1,035	1,399	1,202	1,130	1,075
Noninterest expense	3,580	3,580	2,964	2,852	2,481
Provision for income taxes	117	132	235	189	240
Net income	\$ 400	\$ 508	\$ 694	\$ 629	\$ 772
Average shares outstanding	6,972,584	6,972,584	6,972,584	6,962,035	6,948,584
Earnings per share	\$ 0.06	\$ 0.07	\$ 0.10	\$ 0.09	\$ 0.11
Performance Ratios					
Return on average assets	0.52%	0.66%	0.95%	0.91%	1.17%
Return on average equity	4.92%	6.27%	8.69%	8.12%	10.28%
Net interest margin - tax equivalent	4.26%	4.31%	4.17%	4.14%	4.03%
Efficiency ratio	87.38%	80.00%	73.79%	75.71%	69.46%
Full-time equivalent employees	102	106	102	98	86
Capital					
Tier I leverage ratio	11.97%	12.11%	12.60%	12.96%	13.07%
Common equity tier 1 ratio	14.88%	15.05%	16.27%	18.01%	18.80%
Tier I risk based ratio	14.88%	15.05%	16.27%	18.01%	18.80%
Total risk based ratio	16.13%	16.30%	17.52%	19.26%	20.05%
Book value per share	\$ 4.79	\$ 4.70	\$ 4.62	\$ 4.53	\$ 4.48
Asset quality					
Allowance for loan losses (ALLL)	\$ 3,264	\$ 3,180	\$ 2,916	\$ 2,783	\$ 2,725
Non performing loans (NPLs)	\$ 1,318	\$ 1,299	\$ 1,269	\$ 1,150	\$ 1,199
Non performing assets (NPAs)	\$ 1,318	\$ 2,523	\$ 2,553	\$ 2,434	\$ 2,521
Net loan charge offs (recoveries)	\$ (84)	\$ 14	\$ 22	\$ 31	\$ (8)
ALLL as a percentage of net loans	1.26%	1.26%	1.27%	1.34%	1.39%
ALLL as a percentage of NPLs	247.65%	244.80%	229.79%	242.00%	227.27%
Net (recoveries) charge offs to average loans	-0.03%	0.01%	0.01%	0.02%	0.00%
Net NPLs as a percentage of total loans	0.52%	0.52%	0.56%	0.56%	0.62%
Nonperforming assets as a percentage of total assets	0.41%	0.82%	0.84%	0.86%	0.91%
Classified Asset Ratio	15.46%	11.62%	13.26%	9.54%	9.90%
Past due as a percentage of total loans	0.88%	0.79%	0.84%	1.08%	0.63%
End of period balances					
Total securities and short term deposits	\$ 41,694	\$ 36,346	\$ 51,321	\$ 55,527	\$ 66,162
Total loans net of allowance	\$ 255,868	\$ 248,884	\$ 226,723	\$ 204,464	\$ 193,897
Total earning assets	\$ 301,905	\$ 289,430	\$ 281,980	\$ 263,794	\$ 263,884
Total assets	\$ 322,958	\$ 309,532	\$ 302,756	\$ 282,501	\$ 278,384
Total noninterest bearing deposits	\$ 73,366	\$ 70,217	\$ 73,807	\$ 68,237	\$ 63,043
Total deposits	\$ 282,524	\$ 269,728	\$ 263,171	\$ 244,062	\$ 238,403
Average balances					
Total securities and short term deposits	\$ 40,110	\$ 49,730	\$ 51,998	\$ 57,324	\$ 58,969
Total loans net of allowance	\$ 250,167	\$ 232,867	\$ 215,307	\$ 197,842	\$ 191,945
Total earning assets	\$ 294,537	\$ 286,587	\$ 271,137	\$ 258,946	\$ 254,367
Total assets	\$ 313,824	\$ 306,135	\$ 290,226	\$ 276,566	\$ 269,301
Total noninterest bearing deposits	\$ 69,258	\$ 71,229	\$ 69,804	\$ 63,544	\$ 61,953
Total deposits	\$ 273,364	\$ 266,286	\$ 251,008	\$ 237,883	\$ 229,138

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, Roseburg, and Eugene, as well as a Trust Office in Medford. Staffed by local decision makers, we specialize in offering holistic financial services to our local families and business owners.

Together, we can make your future better, in a way that's anything but ordinary!

BOARD OF DIRECTORS

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

BANK EXECUTIVE OFFICERS

RON GREEN.....	<i>President, Chief Executive Officer</i>
AMBER WHITE.....	<i>Executive Vice President, Chief Financial Officer</i>
BOB EDSTROM.....	<i>Executive Vice President, Chief Credit Officer</i>
JOHN RALEIGH.....	<i>Executive Vice President, Chief Lending Officer</i>
JAY BOELTER.....	<i>Executive Vice President, Director of Trust and Wealth Management</i>

**CORPORATE
FINANCIAL CENTER**
1365 Highway 101
Florence, Oregon 97439
(541) 997-7121

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

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

EUGENE BRANCH
59 E 11th Ave
Eugene, Oregon 97401
(541) 636-4804

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

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



FORWARD-LOOKING STATEMENT SAFE HARBOR

This release contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (“PSLRA”). These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as “anticipates,” “targets,” “expects,” “estimates,” “intends,” “plans,” “goals,” “believes” and other similar expressions or future or conditional verbs such as “will,” “should,” “would” and “could.” The forward-looking statements made represent Oregon Pacific’s current estimates, projections, expectations, plans or forecasts of its future results and revenues, including but not limited to statements about performance, loan or deposit growth, strategic focus, capital position, liquidity, credit quality and credit quality trends. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and are often beyond Oregon Pacific’s control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements. You should not place undue reliance on any forward-looking statement and should consider all of the following uncertainties and risks. Oregon Pacific Bancorp undertakes no obligation to publicly revise or update any forward-looking statement to reflect the impact of events or circumstances that arise after the date of this release. This statement is included for the express purpose of invoking the PSLRA’s safe harbor provisions.