

CONSOLIDATED
STATEMENT OF CONDITION

June 30, 2019



Oregon
Pacific Bancorp

OREGON PACIFIC BANK ANNOUNCES 2019 EARNINGS

Second Quarter 2019 Highlights:

- Second quarter net income of \$1.02 million - \$0.15 per diluted share
- Quarterly deposit growth of \$21.9 million
- Quarterly loan growth of \$10.7 million
- Tax equivalent net interest margin of 4.30%
- Efficiency ratio of 67.7%

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 \$1.02 million, or \$0.15 per diluted share. “We are pleased to share the Bank’s financial results achieved during the second quarter,” said Ron Green, President and Chief Executive Officer. “We have a talented team focused on strategic growth and building future earnings strength and value.”

During the second quarter the Bank continued to experience growth in both deposits and loans. Period end deposits totaled \$304.4 million representing growth of \$21.9 million over the prior quarter end and growth of \$34.7 million over the prior year-end. Deposit growth experienced during the first six months of 2019 is reflective of an annualized growth rate of 25.95%. The cost of interest-bearing deposits totaled 0.51% during the second quarter, reflecting a small increase of 0.02%, up from 0.49% in the first quarter. Over the last twelve months the Bank has seen a shift in its core deposit makeup, with growth in commercial and nonprofit deposits. As of June 30, 2018, 43% or \$106.1 million of deposits were classified as commercial or nonprofit relationships. As of June 30, 2019, that percentage has grown to 47% or \$143.0 million. The growth in commercial core deposits of \$36.9 million during the twelve-month period is the primary factor contributing to the marginal change in the Bank’s cost of funds, and an overall increase in noninterest-bearing core deposits.

Period end loans, net of deferred loan origination fees, totaled \$269.8 million representing growth of \$10.7 million during the quarter and growth of \$17.8 million from year-end. Loan growth experienced during the first six months of 2019 is reflective of an annualized growth rate of 14.20%. Growth continued across all loan categories as the Bank continues to see diversified loan production.

For the quarter ended June 30, 2019, the Bank booked provision for loan losses totaling \$110 thousand. The Bank saw a small increase in nonperforming assets with one relationship migrating to nonaccrual status during the quarter, but an overall decrease in the classified assets ratio compared to March 31, 2019. As of June 30, 2019, the allowance for loan losses as a percentage of outstanding loans was 1.25%.

The second quarter 2019 net interest margin of 4.30%, represented an increase of four basis points from the first quarter 2019 net interest margin of 4.26%. The increase in the linked-quarter net interest margin was primarily due to an increase in the yield on loans, which grew to 5.12% during the second quarter 2019, up from 5.04% in the first quarter 2019. The increase in loan yield was partially offset by a 0.01% increase in the cost of interest-bearing liabilities, which totaled 0.60% during the second quarter 2019, up from 0.59% in the first quarter of 2019.

For the quarter ended June 30, 2019, noninterest income was \$1.21 million, up from \$1.04 million in the first quarter 2019, as the Bank experienced growth across all noninterest income categories. The biggest increase was attributable to mortgage loan sales and servicing as activity in the Bank’s mortgage department was elevated during the second quarter. During the second quarter the Bank generated mortgages sold to third parties totaling \$6.6 million, up from \$2.3 million of activity during the quarter ended March 31, 2019.

Noninterest expense in the first quarter totaled \$3.1 million, down \$466 thousand from the first quarter 2019. The Bank saw declines in all noninterest expense categories, apart from the occupancy and equipment category. The quarterly occupancy and equipment expense reflected in the second quarter is more indicative of the future expense as the Bank has continued to make investments in additional technology and infrastructure. The biggest decrease in noninterest expense was attributable to a reduction in loan and collection and OREO expense, as the Bank experienced a loss on sale of OREO during the first quarter totaling \$252 thousand.



CONSOLIDATED BALANCE SHEETS

Unaudited (dollars in thousands)

	June 30, 2019	March 31, 2019	June 30, 2018
ASSETS			
Cash and due from banks	\$ 6,240	\$ 7,453	\$ 5,265
Interest bearing deposits	29,522	14,767	27,426
Securities	27,410	26,927	28,101
Loans, net of deferred loan fees and costs	269,817	259,132	207,247
Allowance for loan losses	(3,380)	(3,264)	(2,783)
Premises and equipment, net	7,121	7,079	6,400
Bank owned life insurance	6,953	6,896	6,055
Other real estate owned	-	-	1,284
Deferred tax asset	836	1,074	1,254
Other assets	2,672	2,894	2,252
Total assets	\$ 347,191	\$ 322,958	\$ 282,501
LIABILITIES			
Deposits			
Demand - non-interest bearing	\$ 80,785	\$ 73,366	\$ 68,237
Demand - interest bearing	93,799	86,860	72,392
Money market	60,830	55,539	35,588
Savings	50,035	47,914	49,696
Certificates of deposit	18,983	18,845	18,149
Total deposits	304,432	282,524	244,062
Subordinated debenture	4,124	4,124	4,124
Other liabilities	3,552	2,893	2,890
Total liabilities	312,108	289,541	251,076
STOCKHOLDERS' EQUITY			
Common stock	20,648	20,641	20,605
Retained earnings	14,064	13,048	11,407
Accumulated other comprehensive gain/(loss), net of tax	371	(272)	(587)
Total stockholders' equity	35,083	33,417	31,425
Total liabilities & stockholders' equity	\$ 347,191	\$ 322,958	\$ 282,501



CONSOLIDATED STATEMENTS OF INCOME

Unaudited (dollars in thousands, except per share data)

	THREE MONTHS ENDED			SIX MONTHS ENDED	
	June 30, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
INTEREST INCOME					
Loans	\$ 3,380	\$ 3,148	\$ 2,500	\$ 6,528	\$ 4,869
Securities	181	158	189	339	364
Other interest income	156	63	123	219	243
Total interest income	<u>3,717</u>	<u>3,369</u>	<u>2,812</u>	<u>7,086</u>	<u>5,476</u>
INTEREST EXPENSE					
Deposits	279	249	124	528	235
Borrowed funds	55	58	53	113	109
Total interest expense	<u>334</u>	<u>307</u>	<u>177</u>	<u>641</u>	<u>344</u>
NET INTEREST INCOME					
	3,383	3,062	2,635	6,445	5,132
Provision for credit losses	<u>110</u>	<u>-</u>	<u>97</u>	<u>110</u>	<u>173</u>
Net interest income after provision for credit losses	<u>3,273</u>	<u>3,062</u>	<u>2,538</u>	<u>6,335</u>	<u>4,959</u>
NONINTEREST INCOME					
Trust fee income	535	490	649	1,025	1,219
Service charges	230	208	212	438	413
Mortgage loan sales and servicing	151	71	85	222	186
Investment sales commissions	52	48	52	100	112
Merchant card services	68	51	52	119	93
RIA income	86	83	13	169	64
Other income	87	84	67	171	118
Total noninterest income	<u>1,209</u>	<u>1,035</u>	<u>1,130</u>	<u>2,244</u>	<u>2,205</u>
NONINTEREST EXPENSE					
Salaries and employee benefits	1,720	1,795	1,440	3,515	2,721
Outside services	333	370	318	703	599
Occupancy & equipment	318	281	227	599	427
Trust expense	320	328	333	648	668
Loan and collection, OREO expense	30	357	135	387	180
Advertising	75	71	76	146	113
Supplies and postage	19	32	29	51	56
Other operating expenses	299	346	292	645	568
Total noninterest expense	<u>3,114</u>	<u>3,580</u>	<u>2,850</u>	<u>6,694</u>	<u>5,332</u>
Income before taxes	1,368	517	818	1,885	1,832
Provision for income taxes	<u>349</u>	<u>117</u>	<u>189</u>	<u>466</u>	<u>429</u>
NET INCOME	<u>\$ 1,019</u>	<u>\$ 400</u>	<u>\$ 629</u>	<u>\$ 1,419</u>	<u>\$ 1,403</u>



	2nd Quarter 2019	1st Quarter 2019	4th Quarter 2018	3rd Quarter 2018	2nd Quarter 2018
EARNINGS					
Net interest income	\$ 3,383	\$ 3,062	\$ 3,077	\$ 2,815	\$ 2,635
Provision for loan loss	110	-	256	124	97
Noninterest income	1,209	1,035	1,399	1,202	1,130
Noninterest expense	3,114	3,580	3,580	2,964	2,850
Provision for income taxes	349	117	132	235	189
Net income	<u>\$ 1,019</u>	<u>\$ 400</u>	<u>\$ 508</u>	<u>\$ 694</u>	<u>\$ 629</u>
Average shares outstanding	6,973,431	6,972,584	6,972,584	6,972,584	6,962,035
Earnings per share	\$ 0.15	\$ 0.06	\$ 0.07	\$ 0.10	\$ 0.09
PERFORMANCE RATIOS					
Return on average assets	1.21%	0.52%	0.66%	0.95%	0.91%
Return on average equity	12.05%	4.92%	6.27%	8.69%	8.12%
Net interest margin - tax equivalent	4.30%	4.26%	4.31%	4.17%	4.14%
Efficiency ratio	67.77%	87.38%	79.98%	73.79%	75.70%
Full-time equivalent employees	102	102	106	102	98
CAPITAL					
Tier I leverage ratio	11.44%	11.97%	12.11%	12.60%	12.96%
Common equity tier 1 ratio	14.62%	14.88%	15.05%	16.27%	18.01%
Tier I risk based ratio	14.62%	14.88%	15.05%	16.27%	18.01%
Total risk based ratio	15.87%	16.13%	16.30%	17.52%	19.26%
Book value per share	\$ 5.03	\$ 4.79	\$ 4.70	\$ 4.62	\$ 4.53
ASSET QUALITY					
Allowance for loan losses (ALLL)	\$ 3,380	\$ 3,264	\$ 3,180	\$ 2,916	\$ 2,783
Nonperforming loans (NPLs)	\$ 1,693	\$ 1,318	\$ 1,299	\$ 1,269	\$ 1,150
Nonperforming assets (NPAs)	\$ 1,693	\$ 1,318	\$ 2,523	\$ 2,553	\$ 2,434
Net loan charge offs (recoveries)	\$ (7)	\$ (84)	\$ 14	\$ 22	\$ 31
ALL as a percentage of net loans	1.25%	1.26%	1.26%	1.27%	1.34%
ALL as a percentage of NPLs	199.65%	247.65%	244.80%	229.79%	242.00%
Net (recoveries) charge offs to average loans	0.00%	-0.03%	0.01%	0.01%	0.02%
Net NPLs as a percentage of total loans	0.64%	0.52%	0.52%	0.56%	0.56%
Nonperforming assets as a percentage of total assets	0.49%	0.41%	0.82%	0.84%	0.86%
Classified Asset Ratio	14.99%	15.46%	11.62%	13.26%	9.54%
Past due as a percentage of total loans	0.74%	0.88%	0.79%	0.84%	1.08%
END OF PERIOD BALANCES					
Total securities and short term deposits	\$ 56,932	\$ 41,694	\$ 36,346	\$ 51,321	\$ 55,527
Total loans net of allowance	\$ 266,437	\$ 255,868	\$ 248,884	\$ 226,723	\$ 204,464
Total earning assets	\$ 327,828	\$ 301,905	\$ 289,430	\$ 281,980	\$ 263,794
Total assets	\$ 347,191	\$ 322,958	\$ 309,532	\$ 302,756	\$ 282,501
Total noninterest bearing deposits	\$ 80,785	\$ 73,366	\$ 70,217	\$ 73,807	\$ 68,237
Total deposits	\$ 304,432	\$ 282,524	\$ 269,728	\$ 263,171	\$ 244,062
AVERAGE BALANCES					
Total securities and short term deposits	\$ 52,991	\$ 40,110	\$ 49,730	\$ 51,998	\$ 57,324
Total loans net of allowance	\$ 261,487	\$ 250,167	\$ 232,867	\$ 215,307	\$ 197,842
Total earning assets	\$ 318,838	\$ 294,537	\$ 286,587	\$ 271,137	\$ 258,946
Total assets	\$ 337,585	\$ 313,824	\$ 306,135	\$ 290,226	\$ 276,566
Total noninterest bearing deposits	\$ 77,694	\$ 69,258	\$ 71,229	\$ 69,804	\$ 63,544
Total deposits	\$ 295,451	\$ 273,364	\$ 266,286	\$ 251,008	\$ 237,883

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

JON THOMPSON..... **Chairman of the Board** / *Owner, KCST Radio Station*

DAN JONES..... **Vice Chair of the Board** / *Owner, DJ Financial*

JOE BENETTI..... *Owner, Benetti's Italian Fine Foods*

TIM CAMPBELL..... *Partner/Owner, Campbell Commercial Real Estate*

RON GREEN..... *President/CEO, Oregon Pacific Bank*

THOMAS GROVE..... *Retired, President/CEO, Oregon Pacific Bank*

BOB MANS, OD..... *Co-owner, Florence Eye Clinic*

TIM SALISBURY..... *Retired CFO, Bay Area Hospital*

ROBBIE WRIGHT..... *Owner, Siuslaw Broadband*

RICK YECNY, CPA..... *Retired CAO/CMO, PeaceHealth Peace Harbor Medical Center*

Director Emeritus

ROBERT KING..... *Owner, R&R King Logging*

BANK EXECUTIVE OFFICERS

RON GREEN..... *President, Chief Executive Officer*

AMBER WHITE..... *Executive Vice President, Chief Financial Officer*

BOB EDSTROM..... *Executive Vice President, Chief Credit Officer*

JOHN RALEIGH..... *Executive Vice President, Chief Lending Officer*

JAY BOELTER..... *Executive Vice President, Director of Trust and Wealth Management*

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Coos Bay, Oregon 97420
(541) 269-7929

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

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

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.