



CONSOLIDATED
STATEMENT OF CONDITION

September 30, 2019



Oregon
Pacific Bancorp

OREGON PACIFIC BANK ANNOUNCES 2019 EARNINGS

Third Quarter 2019 Highlights:

- Third quarter net income of \$1.05 million - \$0.15 per diluted share
- Quarterly deposit growth of \$11.7 million
- Quarterly loan growth of \$11.6 million
- Tax equivalent net interest margin of 4.19%
- 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 \$1.05 million, or \$0.15 per diluted share. “We are pleased to share the Bank’s financial results for the third quarter,” said Ron Green, President and Chief Executive Officer, “the success of our loan and deposit growth was driven by our dedication to delivering a customized client experience.”

During the third quarter the Bank continued to experience growth in both deposits and loans. Period end deposits totaled \$316.2 million representing growth of \$11.7 million over the prior quarter end and growth of \$46.4 million over the prior year-end. Deposit growth experienced during the first nine months of 2019 is reflective of an annualized growth rate of 23.02%. The cost of interest-bearing deposits totaled 0.51% during the third quarter, which remained unchanged from the second quarter.

Period end loans, net of deferred loan origination fees, totaled \$281.5 million representing growth of \$11.6 million during the quarter and growth of \$29.4 million from year-end. Loan growth experienced during the first nine months of 2019 is reflective of an annualized growth rate of 15.9%. Growth continued across most loan categories as the Bank continues to see diversified loan production.

For the quarter ended September 30, 2019, the Bank booked provision for loan losses totaling \$95 thousand, which was primarily tied to loan growth as there was no significant credit migration occurring during the quarter.

The third quarter 2019 net interest margin of 4.19% represented a decrease of eleven basis points from the 4.30% earned during the second quarter 2019. The decrease in the linked-quarter net interest margin was primarily due to a decrease in loan yields, which dropped to 5.09% during the third quarter 2019, down from 5.12% in the second quarter 2019. The Bank also experienced a decrease in yield on federal funds sold and interest-bearing deposits which lowered to 2.18% during third quarter, down from 2.40% in second quarter 2019. This primarily affected the Bank’s excess cash position held with the Federal Reserve, which is being maintained for liquidity purposes as the Bank’s loan pipeline remains robust.

For the quarter ended September 30, 2019, noninterest income was \$1.24 million, up from \$1.21 million in the second quarter of 2019. The biggest increase in noninterest income was attributable to the Bank’s registered investment advisory income (RIA), which is generated through a wholly-owned subsidiary Oregon Pacific Wealth Management LLC. “We are pleased to see the continued growth in our investment advisory income,” said Jay Boelter, Executive Vice President and Director of Trust and Wealth Management. “Offering investment advisory services allows us to assist our clients in a broad manner and is a great compliment to our trust services.” At September 30, 2019, Oregon Pacific Wealth Management saw Assets Under Management grow to \$56.8 million, representing growth of \$22.9 million since December 31, 2018.

Noninterest expense in the third quarter totaled \$3.3 million, up \$153 thousand from the second quarter of 2019. On a linked quarter basis, the Bank saw increases in salaries and benefits expense, primarily tied to additional staffing to support loan and deposit growth. The Bank also incurred an increase in loan and collection expense as one of the Bank’s problem assets, an agricultural property, is requiring ongoing assistance from a receiver to support maintenance of the property. The Bank is continuing to work through issues associated with the liquidation, but the expense experienced during the third quarter is expected to be repeated during the fourth quarter.



CONSOLIDATED BALANCE SHEETS

Unaudited (dollars in thousands)

	September 30, 2019	June 30, 2019	September 30, 2018
ASSETS			
Cash and due from banks	\$ 8,224	\$ 6,240	\$ 6,562
Interest bearing deposits	29,475	29,522	24,185
Securities	27,152	27,410	27,136
Loans, net of deferred loan fees and costs	281,463	269,817	229,639
Allowance for loan losses	(3,484)	(3,380)	(2,916)
Premises and equipment, net	7,092	7,121	6,306
Bank owned life insurance	7,010	6,953	6,777
Other real estate owned	-	-	1,284
Deferred tax asset	793	836	1,283
Other assets	2,633	2,672	2,500
	<u>\$ 360,358</u>	<u>\$ 347,191</u>	<u>\$ 302,756</u>
LIABILITIES			
Deposits			
Demand - non-interest bearing	\$ 78,230	\$ 80,785	\$ 73,806
Demand - interest bearing	98,698	93,799	79,474
Money market	70,197	60,830	42,935
Savings	50,320	50,035	48,912
Certificates of deposit	18,731	18,983	18,041
Total deposits	316,176	304,432	263,168
Subordinated debenture	4,124	4,124	4,124
Other liabilities	3,806	3,552	3,409
	<u>324,106</u>	<u>312,108</u>	<u>270,701</u>
STOCKHOLDERS' EQUITY			
Common stock	20,655	20,648	20,619
Retained earnings	15,110	14,064	12,101
Accumulated other comprehensive gain/(loss), net of tax	487	371	(665)
	<u>36,252</u>	<u>35,083</u>	<u>32,055</u>
Total liabilities & stockholders' equity	<u>\$ 360,358</u>	<u>\$ 347,191</u>	<u>\$ 302,756</u>



CONSOLIDATED STATEMENTS OF INCOME
Unaudited (dollars in thousands, except per share data)

	THREE MONTHS ENDED			NINE MONTHS ENDED	
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
INTEREST INCOME					
Loans	\$ 3,547	\$ 3,380	\$ 2,732	\$ 10,075	\$ 7,601
Securities	157	181	167	496	531
Other interest income	182	156	122	401	360
Total interest income	<u>3,886</u>	<u>3,717</u>	<u>3,021</u>	<u>10,972</u>	<u>8,492</u>
INTEREST EXPENSE					
Deposits	302	279	152	829	387
Borrowed funds	53	55	54	166	163
Total interest expense	<u>355</u>	<u>334</u>	<u>206</u>	<u>995</u>	<u>550</u>
NET INTEREST INCOME					
Provision for credit losses	3,531	3,383	2,815	9,977	7,942
Net interest income after provision for credit losses	<u>95</u>	<u>110</u>	<u>124</u>	<u>205</u>	<u>298</u>
	<u>3,436</u>	<u>3,273</u>	<u>2,691</u>	<u>9,772</u>	<u>7,644</u>
NONINTEREST INCOME					
Trust fee income	541	535	602	1,565	1,821
Service charges	236	230	218	674	631
Mortgage loan sales and servicing	132	151	109	354	294
Investment sales commissions	46	52	58	146	170
Merchant card services	88	68	82	207	175
RIA income	125	86	66	295	130
Other income	71	87	67	242	187
Total noninterest income	<u>1,239</u>	<u>1,209</u>	<u>1,202</u>	<u>3,483</u>	<u>3,408</u>
NONINTEREST EXPENSE					
Salaries and employee benefits	1,819	1,720	1,589	5,334	4,311
Outside services	329	333	302	1,032	907
Occupancy & equipment	290	318	301	890	729
Trust expense	340	320	337	986	1,002
Loan and collection, OREO expense	113	30	111	501	291
Advertising	50	75	44	196	157
Supplies and postage	49	45	71	150	99
Other operating expenses	277	273	209	873	796
Total noninterest expense	<u>3,267</u>	<u>3,114</u>	<u>2,964</u>	<u>9,962</u>	<u>8,292</u>
Income before taxes	1,408	1,368	929	3,293	2,760
Provision for income taxes	363	349	235	829	664
NET INCOME	<u>\$ 1,045</u>	<u>\$ 1,019</u>	<u>\$ 694</u>	<u>\$ 2,464</u>	<u>\$ 2,096</u>



	3rd Quarter 2019	2nd Quarter 2019	1st Quarter 2019	4th Quarter 2018	3rd Quarter 2018
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EARNINGS

Net interest income	\$ 3,531	\$ 3,383	\$ 3,062	\$ 3,077	\$ 2,815
Provision for loan loss	95	110	-	256	124
Noninterest income	1,239	1,209	1,035	1,399	1,202
Noninterest expense	3,267	3,114	3,580	3,580	2,964
Provision for income taxes	363	349	117	132	235
Net income	<u>\$ 1,045</u>	<u>\$ 1,019</u>	<u>\$ 400</u>	<u>\$ 508</u>	<u>\$ 694</u>

Average shares outstanding	6,975,084	6,973,431	6,972,584	6,972,584	6,972,584
Earnings per share	\$ 0.15	\$ 0.15	\$ 0.06	\$ 0.07	\$ 0.10

PERFORMANCE RATIOS

Return on average assets	1.16%	1.21%	0.52%	0.66%	0.95%
Return on average equity	11.70%	12.05%	4.92%	6.27%	8.69%
Net interest margin - tax equivalent	4.19%	4.30%	4.26%	4.31%	4.17%
Efficiency ratio	68.49%	67.77%	67.81%	87.38%	79.98%
Full-time equivalent employees	105	102	102	106	102

CAPITAL

Tier I leverage ratio	11.12%	11.44%	11.97%	12.11%	12.60%
Common equity tier 1 ratio	14.42%	14.62%	14.88%	15.05%	16.27%
Tier I risk based ratio	14.42%	14.62%	14.88%	15.05%	16.27%
Total risk based ratio	15.68%	15.87%	16.13%	16.30%	17.52%
Book value per share	\$ 5.20	\$ 5.03	\$ 4.79	\$ 4.70	\$ 4.62
Cost of funds	0.60%	0.60%	0.59%	0.48%	0.41%

ASSET QUALITY

Allowance for loan losses (ALLL)	\$ 3,484	\$ 3,380	\$ 3,264	\$ 3,180	\$ 2,916
Nonperforming loans (NPLs)	\$ 1,510	\$ 1,693	\$ 1,318	\$ 1,299	\$ 1,269
Nonperforming assets (NPAs)	\$ 1,510	\$ 1,693	\$ 1,318	\$ 2,523	\$ 2,553
Net loan charge offs (recoveries)	\$ (8)	\$ (7)	\$ (84)	\$ 14	\$ 22
ALLL as a percentage of net loans	1.24%	1.26%	1.26%	1.27%	1.34%
ALLL as a percentage of NPLs	230.73%	199.65%	247.65%	244.80%	229.79%
Net (recoveries) charge offs to average loans	0.00%	0.00%	-0.03%	0.01%	0.01%
Net NPLs as a percentage of total loans	0.54%	0.64%	0.52%	0.52%	0.56%
Nonperforming assets as a percentage of total assets	0.42%	0.49%	0.41%	0.82%	0.84%
Classified Asset Ratio	15.80%	14.99%	15.46%	11.62%	13.26%
Past due as a percentage of total loans	1.00%	0.74%	0.88%	0.79%	0.84%

END OF PERIOD BALANCES

Total securities and short term deposits	\$ 56,627	\$ 56,932	\$ 41,694	\$ 36,346	\$ 51,321
Total loans net of allowance	\$ 277,979	\$ 266,437	\$ 255,868	\$ 248,884	\$ 226,723
Total earning assets	\$ 339,169	\$ 327,828	\$ 301,905	\$ 289,430	\$ 281,980
Total assets	\$ 360,358	\$ 347,191	\$ 322,958	\$ 309,532	\$ 302,756
Total noninterest bearing deposits	\$ 78,230	\$ 80,785	\$ 73,366	\$ 70,217	\$ 73,806
Total deposits	\$ 316,176	\$ 304,432	\$ 282,524	\$ 269,728	\$ 263,168

AVERAGE BALANCES

Total securities and short term deposits	\$ 60,571	\$ 52,991	\$ 40,110	\$ 49,730	\$ 51,998
Total loans net of allowance	\$ 272,845	\$ 261,487	\$ 250,167	\$ 232,867	\$ 215,307
Total earning assets	\$ 337,903	\$ 318,838	\$ 294,537	\$ 286,587	\$ 271,137
Total assets	\$ 356,452	\$ 337,585	\$ 313,824	\$ 306,135	\$ 290,226
Total noninterest bearing deposits	\$ 78,817	\$ 77,694	\$ 69,258	\$ 71,229	\$ 69,804
Total deposits	\$ 312,530	\$ 295,451	\$ 273,364	\$ 266,286	\$ 251,008

Oregon Pacific Bank at a Glance

Established on December 17, 1979 and headquartered in Florence, Oregon, we are proud to serve the communities of Coos Bay, Eugene, Florence, Medford, and Roseburg. 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

KERRIE JOHNSON | Owner/Loan Originator, Gallic & Johnson Financial

BOB MANS, OD | Co-owner, Florence Eye Clinic

SABRINA PARSONS | CEO, Palo Alto Software

TIM SALISBURY | Retired CFO, Bay Area Hospital

ROBBIE WRIGHT | Owner, Siuslaw Broadband

RICK YECNY, CPA | Certified Public Accountant, Holloway and Associates CPAs

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

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.



Oregon
Pacific Bank

COOS BAY | EUGENE | FLORENCE | MEDFORD | ROSEBURG

Not Your Ordinary Bank

