



CONSOLIDATED
STATEMENT OF CONDITION

December 31, 2019



OREGON PACIFIC BANK ANNOUNCES FOURTH QUARTER AND FULL YEAR EARNINGS RESULTS

Fourth Quarter 2019 Highlights:

- Fourth quarter net income of \$1.05 million - \$0.15 per diluted share
- Quarterly loan growth of \$17.4 million
- Tax equivalent net interest margin of 4.35%
- Annual loan growth of \$46.8 million or 18.56%
- Annual deposit growth of \$48.3 million or 17.91%
- Annual net income of \$3.5 million, represents growth of 35% over 2018

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 and annual net income of \$3.5 million, or \$0.50 per diluted share. “We are pleased to see our growth continue during the fourth quarter,” said Ron Green, President and Chief Executive Officer, “with the strategic investments made before year end, we believe the Bank’s growth will continue into 2020.”

In November 2019 the Bank hired a small team of bankers for the Bank’s Medford loan production office, headed by Tom Skinner and Dawn Hartley, both longtime Medford area bankers. The Bank has also completed the application process to convert the Medford loan production office into a full-service branch, which is currently awaiting regulatory approval anticipated sometime before the end of the first quarter. In addition, the Bank hired a new Chief Administrative Officer, Margaret Tibbets, to strengthen the Bank’s operational executive oversight.

In the fourth quarter the Bank continued to experience growth in both loans and deposits. Period end loans, net of deferred loan origination fees, totaled \$298.8 million representing growth of \$17.4 million during the quarter and growth of \$46.8 million from year end. Expansion continued across most loan categories as the Bank continues to see diversified loan production. Period end deposits totaled \$318.0 million, representing growth of \$1.9 million over the prior quarter end and growth of \$48.3 million over the prior year end. Average deposits for the quarter, a metric that removes the daily volatility in balances, totaled \$321.7 million. During the quarter the cost of interest-bearing deposits totaled 0.47%, down 0.04% from the third quarter.

“The significant growth in loans and deposits was primarily tied to an expansion in the Eugene market,” said John Raleigh, Executive Vice President and Chief Lending Officer. “Since May of 2018 the Eugene market has seen \$100 million in loan growth, paired with deposit growth of over \$52 million. This success is a testament to the Eugene team and to the Bank as a whole.”

For the quarter ended December 31, 2019, the Bank booked net loan loss recoveries of \$78 thousand which resulted in a lower provision for loan losses totaling \$30 thousand for the quarter. During the fourth quarter the Bank saw a slight increase in nonperforming assets which grew to \$1.6 million, up from \$1.5 million at the end of the third quarter. The additional loan added to the nonperforming asset totals is covered by an 80% government guarantee.

The fourth quarter 2019 net interest margin of 4.35% represented an increase of sixteen basis points from the 4.19% earned during the third quarter 2019. During the quarter the bank received a prepayment penalty totaling \$103 thousand which contributed eleven basis points to the quarterly margin. Excluding the prepayment penalty, the fourth quarter net interest margin would have been 4.24%. Excluding the prepayment penalty, the linked quarter net interest margin increase of five basis points was due to a combination of an increase in the yield on loans, which grew to 5.11%, excluding the prepayment penalty, up from 5.09% in the third quarter 2019. The Bank also saw a decrease in the cost of interest-bearing liabilities which fell to 0.54%, down from 0.60% in the third quarter as the Bank made some targeted reduction in deposit rates.

For the quarter ended December 31, 2019, noninterest income was \$1.26 million, up from \$1.24 million in the third quarter of 2019. The biggest increase in noninterest income was attributable to the Bank’s Trust Department, which saw an increase in extraordinary fee income, which is primarily related to real estate sales. On an annual basis noninterest income was \$4.7 million, down from \$4.8 million during 2018. Included in 2018 trust fee income was an additional \$202 thousand due to a one-time accrual accounting adjustment.

Noninterest expense in the fourth quarter totaled \$3.6 million, up \$369 thousand from the third quarter of 2019. On a linked quarter basis, the Bank saw increases in salaries and employee benefits expense, primarily tied to the additional Medford staff. The Bank continued to incur 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.



CONSOLIDATED BALANCE SHEETS

Unaudited (dollars in thousands)

	December 31, 2019	September 30, 2019	December 31, 2018
ASSETS			
Cash and due from banks	\$ 4,982	\$ 8,224	\$ 5,516
Interest bearing deposits	17,511	29,475	9,540
Securities	27,601	27,152	26,806
Loans, net of deferred loan fees and costs	298,847	281,463	252,064
Allowance for loan losses	(3,592)	(3,484)	(3,180)
Premises and equipment, net	7,042	7,092	6,777
Bank owned life insurance	7,066	7,010	6,836
Other real estate owned	-	-	1,224
Deferred tax asset	535	793	1,220
Other assets	4,196	2,633	2,729
Total assets	\$ 364,188	\$ 360,358	\$ 309,532
LIABILITIES			
Deposits			
Demand - non-interest bearing	\$ 73,771	\$ 78,230	\$ 70,217
Demand - interest bearing	106,242	98,698	83,169
Money market	71,027	70,197	49,583
Savings	48,398	50,320	48,955
Certificates of deposit	18,601	18,731	17,804
Total deposits	318,039	316,176	269,728
Subordinated debenture	4,124	4,124	4,124
Other liabilities	4,674	3,806	3,070
Total liabilities	326,837	324,106	276,922
STOCKHOLDERS' EQUITY			
Common stock	20,663	20,655	20,634
Retained earnings	16,164	15,110	12,646
Accumulated other comprehensive income/(loss), net of tax	524	487	(670)
Total stockholders' equity	37,351	36,252	32,610
Total liabilities & stockholders' equity	\$ 364,188	\$ 360,358	\$ 309,532



CONSOLIDATED STATEMENTS OF INCOME

Unaudited (dollars in thousands, except per share data)

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
	December 31 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31 2018
INTEREST INCOME					
Loans	\$ 3,823	\$ 3,547	\$ 2,999	\$ 13,898	\$ 10,600
Securities	170	157	185	666	716
Other interest income	128	182	131	529	491
Total interest income	4,121	3,886	3,315	15,093	11,807
INTEREST EXPENSE					
Deposits	291	302	186	1,120	573
Borrowed funds	51	53	52	217	215
Total interest expense	342	355	238	1,337	788
NET INTEREST INCOME					
	3,779	3,531	3,077	13,756	11,019
Provision for credit losses	30	95	256	235	554
Net interest income after provision for credit losses	3,749	3,436	2,821	13,521	10,465
NONINTEREST INCOME					
Trust fee income	576	541	783	2,141	2,604
Service charges	229	236	217	903	848
Mortgage loan sales and servicing	145	132	115	498	409
Investment sales commissions	51	46	70	197	240
Merchant card services	67	88	60	273	235
RIA income	119	125	86	414	216
Other income	72	71	68	317	255
Total noninterest income	1,259	1,239	1,399	4,743	4,807
NONINTEREST EXPENSE					
Salaries and employee benefits	1,942	1,819	1,867	7,276	6,178
Outside services	359	329	286	1,391	1,193
Occupancy & equipment	325	290	409	1,215	1,138
Trust expense	353	340	316	1,339	1,318
Loan and collection, OREO expense	211	113	126	712	349
Advertising	82	50	98	278	255
Supplies and postage	57	49	63	208	232
Other operating expenses	307	277	415	1,180	1,209
Total noninterest expense	3,636	3,267	3,580	13,599	11,872
Income before taxes	1,372	1,408	640	4,665	3,400
Provision for income taxes	318	363	132	1,147	796
NET INCOME	\$ 1,054	\$ 1,045	\$ 508	\$ 3,518	\$ 2,604

	4th Quarter 2019	3rd Quarter 2019	2nd Quarter 2019	1st Quarter 2019	4th Quarter 2018
EARNINGS					
Net interest income	\$ 3,779	\$ 3,531	\$ 3,383	\$ 3,062	\$ 3,077
Provision for loan loss	30	95	110	-	256
Noninterest income	1,259	1,239	1,209	1,035	1,399
Noninterest expense	3,636	3,267	3,114	3,580	3,580
Provision for income taxes	318	363	349	117	132
Net income	<u>\$ 1,054</u>	<u>\$ 1,045</u>	<u>\$ 1,019</u>	<u>\$ 400</u>	<u>\$ 508</u>
Average shares outstanding	6,975,084	6,975,084	6,973,431	6,972,584	6,972,584
Earnings per share	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.06	\$ 0.07
PERFORMANCE RATIOS					
Return on average assets	1.14%	1.16%	1.21%	0.52%	0.66%
Return on average equity	11.45%	11.70%	12.05%	4.92%	6.27%
Net interest margin - tax equivalent	4.35%	4.19%	4.30%	4.26%	4.31%
Efficiency ratio	72.19%	68.49%	67.77%	67.81%	87.38%
Full-time equivalent employees	110	105	102	102	106
CAPITAL					
Tier I leverage ratio	11.13%	11.12%	11.44%	11.97%	12.11%
Common equity tier 1 ratio	13.83%	14.42%	14.62%	14.88%	15.05%
Tier I risk based ratio	13.83%	14.42%	14.62%	14.88%	15.05%
Total risk based ratio	15.06%	15.68%	15.87%	16.13%	16.30%
Book value per share	\$ 5.35	\$ 5.20	\$ 5.03	\$ 4.79	\$ 4.70
Cost of funds	0.54%	0.60%	0.60%	0.59%	0.48%
ASSET QUALITY					
Allowance for loan losses (ALLL)	\$ 3,592	\$ 3,484	\$ 3,380	\$ 3,264	\$ 3,180
Nonperforming loans (NPLs)	\$ 1,614	\$ 1,510	\$ 1,693	\$ 1,318	\$ 1,299
Nonperforming assets (NPAs)	\$ 1,614	\$ 1,510	\$ 1,693	\$ 1,318	\$ 2,523
Net loan charge offs (recoveries)	\$ (78)	\$ (8)	\$ (7)	\$ (84)	\$ 14
ALLL as a percentage of net loans	1.20%	1.24%	1.26%	1.26%	1.27%
ALLL as a percentage of NPLs	222.55%	230.73%	199.65%	247.65%	244.80%
Net (recoveries) charge offs to average loans	-0.03%	0.00%	0.00%	-0.03%	0.01%
Net NPLs as a percentage of total loans	0.55%	0.54%	0.64%	0.52%	0.52%
Nonperforming assets as a percentage of total assets	0.44%	0.42%	0.49%	0.41%	0.82%
Classified Asset Ratio	17.60%	15.80%	14.99%	15.46%	11.62%
Past due as a percentage of total loans	0.62%	1.00%	0.74%	0.88%	0.79%
END OF PERIOD BALANCES					
Total securities and short term deposits	\$ 45,112	\$ 56,627	\$ 56,932	\$ 41,694	\$ 36,346
Total loans net of allowance	\$ 295,255	\$ 277,979	\$ 266,437	\$ 255,868	\$ 248,884
Total earning assets	\$ 345,038	\$ 339,169	\$ 327,828	\$ 301,905	\$ 289,430
Total assets	\$ 364,188	\$ 360,358	\$ 347,191	\$ 322,958	\$ 309,532
Total noninterest bearing deposits	\$ 73,771	\$ 78,230	\$ 80,785	\$ 73,366	\$ 70,217
Total deposits	\$ 318,039	\$ 316,176	\$ 304,432	\$ 282,524	\$ 269,728
AVERAGE BALANCES					
Total securities and short term deposits	\$ 57,528	\$ 60,571	\$ 52,991	\$ 40,110	\$ 49,730
Total loans net of allowance	\$ 285,491	\$ 272,845	\$ 261,487	\$ 250,167	\$ 232,867
Total earning assets	\$ 347,646	\$ 337,903	\$ 318,838	\$ 294,537	\$ 286,587
Total assets	\$ 366,647	\$ 356,452	\$ 337,585	\$ 313,824	\$ 306,135
Total noninterest bearing deposits	\$ 74,489	\$ 78,817	\$ 77,694	\$ 69,258	\$ 71,229
Total deposits	\$ 321,687	\$ 312,530	\$ 295,451	\$ 273,364	\$ 266,286

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

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

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

BOB EDSTROM | Executive Vice President, Chief Credit Officer

JOHN RALEIGH | Executive Vice President, Chief Lending Officer

MARGARET TIBBETS | Executive Vice President, Chief Administrative Officer

AMBER WHITE | Executive Vice President, Chief Financial Officer

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

