

CONSOLIDATED
STATEMENT OF CONDITION

March 31, 2020



OREGON PACIFIC BANK ANNOUNCES FIRST QUARTER EARNINGS RESULTS

First Quarter 2020 Highlights:

- First quarter net income of \$642 thousand - \$0.09 per diluted share
- Quarterly deposit growth of \$21.2 million
- Quarterly loan growth of \$2.32 million
- Tax equivalent net interest margin of 4.39%

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 \$642 thousand, or \$0.09 per diluted share compared to \$400 thousand, or \$0.06 per diluted share for the quarter ended March 31, 2019. Quarterly earnings were impacted by an increase in provision for loan losses, totaling \$378 thousand for the quarter. The increase in provision was in response to economic conditions attributable to COVID-19 and the Governor's mandated closure of certain businesses.

"During March, Oregon Pacific's Bankers proactively worked with borrowers to understand how their businesses were impacted by COVID-19," said Ron Green President and CEO. "This hands-on approach resulted in several loan modifications, including short term interest only, or payment deferral periods based on each businesses' cash flow needs. While the full economic impact of COVID-19 is not fully understood, Oregon Pacific Bank is committed to assisting our clients through these unprecedented times."

In the first quarter the Bank continued to experience growth in both loans and deposits. Period end deposits totaled \$339.2 million, representing growth of \$21.2 million over the prior quarter end. Average deposits for the quarter, a metric that removes the daily volatility in balances, totaled \$325.1 million. The Bank experienced a large portion of the deposit growth following the stock market disruption in early March.

Period end loans, net of deferred loan origination fees, totaled \$301.2 million, representing growth of \$2.3 million during the quarter. The Bank did experience some payoffs during the quarter, as a decrease in rates at the beginning of March prompted some borrowers to refinance with other financial institutions. During the month of March, the Bank experienced unscheduled prepayments totaling approximately \$7.5 million. The Bank saw a reduction in payoff requests toward the end of March as economic uncertainty made the prospects of refinancing more difficult for some borrowers.

Subsequent to the end of the quarter, the Small Business Administration (SBA) opened the Paycheck Protection Program (PPP), which enables eligible businesses and non-profit agencies to receive partially forgivable loans to support payroll expenses during the COVID-19 crisis. Through April 20, 2020, Oregon Pacific Bank worked with existing clients to have 470 PPP loans approved through the SBA, totaling \$94.8 million.

"We are proud to see the work our bankers have undertaken to support our clients through the Paycheck Protection Program," said John Raleigh, Executive Vice President and Chief Lending Officer. "Our bankers worked quickly to secure loans for our clients and demonstrate the responsiveness of a small community bank."

For the quarter ended March 31, 2020, the Bank booked net charge offs of \$5 thousand. During the first quarter the Bank saw a decrease in nonperforming assets which lowered to \$1.3 million, down from \$1.6 million at the end of the fourth quarter primarily related to the payoff of one loan relationship. The Bank also transferred one residential property into other real estate with a balance of \$51 thousand during the quarter. The allowance for loan losses as a percentage of nonperforming loans grew to 322.44% amid the economic uncertainty of COVID-19.

The first quarter 2020 net interest margin of 4.39% represented an increase of four basis points from the 4.35% earned during the fourth quarter 2019. During the quarter the bank received prepayment penalties totaling \$141 thousand which contributed 16 basis points to the quarterly margin. Excluding the prepayment penalty, the first quarter net interest margin would have been 4.23%. The Bank also saw a decrease in the cost of interest-bearing liabilities which fell to 0.45% during the first quarter 2020, down from 0.54% in the fourth quarter 2019, as the Bank instituted reductions in deposit rates following the reduction in the Fed Funds rate in early March.

During the first quarter 2020, noninterest income was \$1.25 million, down slightly from the \$1.26 million earned in the fourth quarter of 2019. During the quarter, the Bank's wholly owned investment advisory subsidiary, Oregon Pacific Wealth Management, LLC, saw an increase in investment advisory fees, which were assessed based on assets under management of \$65.5 million as of December 31, 2019. Assets under management fell to \$58.0 million on March 31, 2020. This reduction was attributed to the significant market correction during the quarter and was partially offset by the addition of new clients since December 31, 2019. This overall reduction in assets under management will affect second quarter revenue as the investment advisory fees are assessed based on asset totals as of March 31, 2020.

Noninterest expense in the fourth quarter totaled \$3.8 million, up \$181 thousand from the fourth quarter 2019. On a linked quarter basis, the Bank saw increases in salaries and employee benefits expense, primarily tied to the full quarter of salary and benefits expense associated with the new Medford branch operations staff, who were hired in early November 2019. The Bank also saw an increase in outside services due to the timing of the annual financial statement audit in February 2020 and the outsourcing of Trust Operations Function, which was implemented in November 2019 and resulted in additional monthly trust expense of \$7 thousand per month. 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)

	March 31, 2020	December 31, 2019	March 31, 2019
ASSETS			
Cash and due from banks	\$ 4,840	\$ 4,982	\$ 7,453
Interest bearing deposits	38,142	17,511	14,767
Securities	26,006	27,601	26,927
Loans, net of deferred loan fees and costs	301,178	298,847	259,132
Allowance for loan losses	(3,966)	(3,592)	(3,264)
Premises and equipment, net	7,025	7,042	7,079
Bank owned life insurance	7,494	7,066	6,896
Other real estate owned	51	-	-
Deferred tax asset	625	535	1,074
Other assets	4,028	4,196	2,894
Total assets	\$ 385,423	\$ 364,188	\$ 322,958
LIABILITIES			
Deposits			
Demand - non-interest bearing	\$ 78,003	\$ 73,771	\$ 73,366
Demand - interest bearing	110,519	106,242	86,860
Money market	79,510	71,027	55,539
Savings	52,790	48,398	47,914
Certificates of deposit	18,380	18,601	18,845
Total deposits	339,202	318,039	282,524
Subordinated debenture	4,124	4,124	4,124
Other liabilities	4,335	4,674	2,893
Total liabilities	347,661	326,837	289,541
STOCKHOLDERS' EQUITY			
Common stock	20,675	20,663	20,641
Retained earnings	16,806	16,164	13,048
Accumulated other comprehensive income/(loss), net of tax	281	524	(272)
Total stockholders' equity	37,762	37,351	33,417
Total liabilities & stockholders' equity	\$ 385,423	\$ 364,188	\$ 322,958



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

	THREE MONTHS ENDED		
	March 31, 2020	December 31, 2019	March 31, 2019
INTEREST INCOME			
Loans	\$ 3,857	\$ 3,823	\$ 3,148
Securities	161	170	158
Other interest income	67	128	63
Total interest income	4,085	4,121	3,369
INTEREST EXPENSE			
Deposits	240	291	249
Borrowed funds	46	51	58
Total interest expense	286	342	307
NET INTEREST INCOME	3,799	3,779	3,062
Provision for loan losses	378	30	-
Net interest income after provision for loan losses	3,421	3,749	3,062
NONINTEREST INCOME			
Trust fee income	572	576	490
Service charges	221	229	208
Mortgage loan sales and servicing	139	145	71
Investment sales commissions	48	51	48
Merchant card services	64	67	51
RIA income	134	119	83
Other income	72	72	84
Total noninterest income	1,250	1,259	1,035
NONINTEREST EXPENSE			
Salaries and employee benefits	2,124	1,942	1,795
Outside services	427	359	370
Occupancy & equipment	324	325	281
Trust expense	356	353	328
Loan and collection, OREO expense	154	211	357
Advertising	51	82	71
Supplies and postage	61	57	54
Other operating expenses	320	307	324
Total noninterest expense	3,817	3,636	3,580
Income before taxes	854	1,372	517
Provision for income taxes	212	318	117
NET INCOME	\$ 642	\$ 1,054	\$ 400

	1st Quarter 2020	4th Quarter 2019	3rd Quarter 2019	2nd Quarter 2019	1st Quarter 2019
EARNINGS					
Net interest income	\$ 3,799	\$ 3,779	\$ 3,531	\$ 3,383	\$ 3,062
Provision for loan loss	378	30	95	110	-
Noninterest income	1,250	1,259	1,239	1,209	1,035
Noninterest expense	3,817	3,636	3,267	3,114	3,580
Provision for income taxes	212	318	363	349	117
Net income	<u>\$ 642</u>	<u>\$ 1,054</u>	<u>\$ 1,045</u>	<u>\$ 1,019</u>	<u>\$ 400</u>
Average shares outstanding	7,003,125	6,975,084	6,975,084	6,973,431	6,972,584
Earnings per share	\$ 0.09	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.06
PERFORMANCE RATIOS					
Return on average assets	0.69%	1.14%	1.16%	1.21%	0.52%
Return on average equity	6.87%	11.45%	11.70%	12.05%	4.92%
Net interest margin - tax equivalent	4.39%	4.35%	4.19%	4.30%	4.26%
Efficiency ratio	75.60%	72.19%	68.49%	67.77%	67.81%
Full-time equivalent employees	112	110	105	102	102
CAPITAL					
Leverage ratio	11.15%	11.13%	11.12%	11.44%	11.97%
Common equity tier 1 ratio	NA ⁽¹⁾	13.83%	14.42%	14.62%	14.88%
Tier 1 risk based ratio	NA ⁽¹⁾	13.83%	14.42%	14.62%	14.88%
Total risk based ratio	NA ⁽¹⁾	15.06%	15.68%	15.87%	16.13%
Book value per share	\$ 5.39	\$ 5.35	\$ 5.20	\$ 5.03	\$ 4.79
Cost of interest bearing liabilities	0.45%	0.54%	0.60%	0.60%	0.59%
ASSET QUALITY					
Allowance for loan losses (ALLL)	\$ 3,966	\$ 3,592	\$ 3,484	\$ 3,380	\$ 3,264
Nonperforming loans (NPLs)	\$ 1,230	\$ 1,614	\$ 1,510	\$ 1,693	\$ 1,318
Nonperforming assets (NPAs)	\$ 1,281	\$ 1,614	\$ 1,510	\$ 1,693	\$ 1,318
Net loan charge offs (recoveries)	\$ 5	\$ (78)	\$ (8)	\$ (7)	\$ (84)
ALLL as a percentage of net loans	1.32%	1.20%	1.24%	1.26%	1.26%
ALLL as a percentage of NPLs	322.44%	222.55%	230.73%	199.65%	247.65%
Net charge offs (recoveries) to average loans	0.00%	-0.03%	0.00%	0.00%	-0.03%
Net NPLs as a percentage of total loans	0.41%	0.55%	0.54%	0.64%	0.52%
Nonperforming assets as a percentage of total assets	0.33%	0.44%	0.42%	0.49%	0.41%
Classified Asset Ratio	23.99%	17.60%	15.80%	14.99%	15.46%
Past due as a percentage of total loans	0.61%	0.62%	1.00%	0.74%	0.88%
END OF PERIOD BALANCES					
Total securities and short term deposits	\$ 64,148	\$ 45,112	\$ 56,627	\$ 56,932	\$ 41,694
Total loans net of allowance	\$ 297,212	\$ 295,255	\$ 277,979	\$ 266,437	\$ 255,868
Total earning assets	\$ 366,472	\$ 345,038	\$ 339,169	\$ 327,828	\$ 301,905
Total assets	\$ 385,423	\$ 364,188	\$ 360,358	\$ 347,191	\$ 322,958
Total noninterest bearing deposits	\$ 78,003	\$ 73,771	\$ 78,230	\$ 80,785	\$ 73,366
Total deposits	\$ 339,202	\$ 318,039	\$ 316,176	\$ 304,432	\$ 282,524
AVERAGE BALANCES					
Total securities and short term deposits	\$ 48,764	\$ 57,528	\$ 60,571	\$ 52,991	\$ 40,110
Total loans net of allowance	\$ 298,055	\$ 285,491	\$ 272,845	\$ 261,487	\$ 250,167
Total earning assets	\$ 351,537	\$ 347,646	\$ 337,903	\$ 318,838	\$ 294,537
Total assets	\$ 372,017	\$ 366,647	\$ 356,452	\$ 337,585	\$ 313,824
Total noninterest bearing deposits	\$ 76,653	\$ 74,489	\$ 78,817	\$ 77,694	\$ 69,258
Total deposits	\$ 325,128	\$ 321,687	\$ 312,530	\$ 295,451	\$ 273,364

⁽¹⁾ Effective March 31, 2020 Oregon Pacific Bank opted into the Community Bank Leverage Ratio and is no longer calculating risk based capital ratios.

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

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

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Not Your Ordinary Bank

