



CONSOLIDATED
STATEMENT OF CONDITION

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FOR IMMEDIATE RELEASE

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Oregon Pacific Bank Announces Third Quarter Earnings Results

Florence, Ore., October 22, 2020 - Oregon Pacific Bancorp (ORPB) today reported financial results for the third quarter ended September 30, 2020.

Highlights:

- Third quarter net income of \$803 thousand; \$0.11 per diluted share
- Quarterly deposit growth of \$20.3 million
- Quarterly loan growth of \$6.3 million

Oregon Pacific Bancorp, and its wholly owned subsidiary Oregon Pacific Bank, reported quarterly net income of \$803 thousand, or \$0.11 per diluted share compared to \$1.0 million, or \$0.15 per diluted share for the quarter ended September 30, 2019. Through September 30, 2020, the Bank recorded year-to-date net income totaling \$2.3 million, or \$0.32 per diluted share compared to \$2.5 million, or \$0.35 per diluted share for the same period in 2019. During the nine months ended September 30, 2020 provision for loan losses totaled \$2.2 million compared to \$205 thousand during the nine months ended September 30, 2019. "2020 has presented many challenges but I continue to be proud of our staff and their commitment to create value for those we support. In light of the pandemic, I am pleased with the results of the third quarter," said Ron Green, President and CEO. "The uncertainty surrounding long-term implications of COVID-19 have not been fully realized, but Oregon Pacific Bank is positioned well with a team of seasoned bankers, ready to assist our clients."

In the beginning of April, the Small Business Administration (SBA) opened the Paycheck Protection Program (PPP), which enabled eligible businesses and non-profit agencies to receive loans with forgiveness provisions to support payroll and other eligible expenses during the COVID-19 crisis. The PPP loans also carry a 100% SBA guarantee. Through September 30, 2020, Oregon Pacific Bank made 752 PPP loans, totaling \$125.2 million. In addition, as of September 30, 2020, the Bank had a remaining balance of unearned loan origination fees of \$3.3 million which will be recognized over the lives of the loans as an adjustment to yield. During the latter part of the third quarter the Bank's relationship managers began working with borrowers on the PPP forgiveness process. The Bank elected to work with a third-party software provider to help with the data transmission functionality between the Bank and PPP borrowers. As of September 30, 2020, the Bank had approved 75 forgiveness applications totaling \$14.3 million, which were awaiting SBA approval.

Period end loans, net of deferred loan origination fees, totaled \$428 million, representing net growth of \$6.3 million during the quarter. The Bank continued to see loan opportunities during the third quarter, but a competitive rate environment is leading to a declining yield on the overall portfolio and the potential for an increased risk of prepayments in future quarters. The Bank is also seeing an increase in competition from non-bank lenders, offering terms and non-recourse financing Oregon Pacific Bank is unwilling to meet.

The Bank experienced deposit growth totaling \$20.3 million during the third quarter. Approximately 80% of PPP loans were made to existing Oregon Pacific Bank clients. As PPP loans funded, most clients and non-clients placed the loan proceeds into a deposit account with Oregon Pacific Bank. This increase in deposits was originally expected to be short-term in nature, but the deposits are remaining with the Bank much longer than expected. Approximately 20% of the PPP loans originated were to non-clients, and the Bank is working to transition those clients from other financial institutions. As of September 30, 2020, deposit accounts opened after June 30, 2020, held deposit dollars totaling \$20.0 million. Reductions in PPP related deposit balances are being approximately offset by the typical seasonal deposit growth for existing clients experienced during this part of the year as nearly all deposit growth during the quarter came through accounts opened during the third quarter.

The third quarter net interest margin lowered to 3.50%, down from 3.73.% in second quarter 2020. The yield on non-PPP loans lowered to 4.70%, down from 4.85% in second quarter as new loans are being booked at rates lower

than the current portfolio yield. Partially offsetting the decrease in yield on earning assets was a reduction in the cost of interest bearing liabilities, primarily tied to a reduction in the variable interest rate for the Junior Subordinated Debenture, which resets quarterly.

For the quarter ended September 30, 2020, the Bank booked net recoveries of \$9 thousand. Quarterly earnings were impacted by provision for loan losses, totaling \$900 thousand for the second consecutive quarter. The provision expense was in response to COVID-19 and the economic factors impacting the allowance for loan losses calculation. The Bank continues to monitor credit quality statistics and saw classified asset totals increase \$721 thousand during the quarter.

The Bank continued to work with borrowers experiencing financial difficulty related to COVID-19 during the third quarter. As of June 30, 2020, the Bank provided full payment deferral modifications to 31 borrowers totaling \$14.5 million. Through September 30, that reduced to seven loan relationships totaling \$2.2 million, with \$12.3 million in relationships returning to normal payment status. The Bank also provided interest only loan modifications, which as of June 30, 2020, totaled \$38.8 million associated with 98 lending relationships. Most of the interest only payment modifications provided a six-month interest only period, with many of the borrowers scheduled to return to full principal and interest payments in October. As of September 30, 2020, the Bank had 61 loans still covered by interest only payment modifications, totaling \$29.8 million. The Bank's Credit Administration team is proactively monitoring loan relationships to determine if future downgrades are necessary.

During the third quarter 2020, noninterest income totaled \$1.4 million, representing an increase of \$213 thousand over the prior quarter. The Bank saw increases across almost all noninterest income categories. The largest increase occurred in the trust fee income category which grew \$61 thousand to \$628 thousand for the quarter. The increase was partially attributable to extraordinary income fees (XO fees) related to real estate sales which totaled \$53 thousand during third quarter, up from \$20 thousand during second quarter. The Bank also experienced a quarterly increase in merchant card services income and mortgage loan commission income, which increased \$48 thousand and \$46 thousand, respectively, during the quarter. During second quarter both income categories were adversely impacted by COVID-19 as uncertainty in the residential mortgage market made it more difficult for clients to qualify for financing and state mandated closures impacted the volume of merchant charges for the Bank's merchant bankcard clients. Fortunately, both areas appear to have rebounded to near pre-pandemic revenue levels during the third quarter.

Noninterest expense in the third quarter totaled \$3.8 million, up \$425 thousand from the second quarter, but in line with the noninterest expense of \$3.8 experienced during first quarter 2020. On a linked-quarter basis, the Bank saw an increase in salaries and employee benefits expense, primarily tied to the deferred loan origination costs associated with the PPP loans, which were booked as a credit to salary expense primarily during second quarter. The Bank also saw an increase in outside service expense, which was partially attributable to an increase in the Bank's core system expense, which is assessed based on asset size and increased \$26 thousand over the second quarter. As the Bank's balance sheet contracts through the spending of PPP related deposit dollars that expense should normalize.

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 Bank'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, loan prepayments, 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 Bank'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 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

BOB EDSTROM | Executive Vice President, Chief Credit Officer

JOHN RALEIGH | Executive Vice President, Chief Lending Officer

AMBER WHITE | Executive Vice President, Chief Financial Officer

CONSOLIDATED BALANCE SHEETS

Unaudited (dollars in thousands)

	Sept 30, 2020	June 30, 2020	Sept 30, 2019
ASSETS			
Cash and due from banks	\$ 9,996	\$ 6,944	\$ 8,224
Interest bearing deposits	49,693	42,291	29,475
Securities	32,406	27,868	27,152
Non PPP Loans, net of deferred fees and costs	306,054	301,598	281,463
PPP Loans, net of deferred fees and costs	121,872	120,043	-
Total Loans, net of deferred fees and costs	427,926	421,641	281,463
Allowance for loan losses	(5,782)	(4,873)	(3,484)
Premises and equipment, net	6,917	7,041	7,092
Bank owned life insurance	8,101	7,549	7,010
Deferred tax asset	300	363	793
Other assets	4,899	4,467	2,633
Total assets	\$ 534,456	\$ 513,291	\$ 360,358
LIABILITIES			
Deposits			
Demand - non-interest bearing	\$ 134,574	\$ 125,714	\$ 78,230
Demand - interest bearing	163,095	166,562	98,698
Money market	106,838	97,506	70,197
Savings	61,964	57,098	50,320
Certificates of deposit	19,118	18,442	18,731
Total deposits	485,589	465,322	316,176
Subordinated debenture	4,124	4,124	4,124
Other liabilities	4,423	4,523	3,806
Total liabilities	494,136	473,969	324,106
STOCKHOLDERS' EQUITY			
Common stock	20,721	20,697	20,655
Retained earnings	18,440	17,636	15,110
Accumulated other comprehensive income, net of tax	1,159	989	487
Total stockholders' equity	40,320	39,322	36,252
Total liabilities & stockholders' equity	\$ 534,456	\$ 513,291	\$ 360,358

CONSOLIDATED STATEMENTS OF INCOME

Unaudited (dollars in thousands, except per share data)

	THREE MONTHS ENDED			NINE MONTHS ENDED	
	Sept 30, 2020	June 30, 2020	Sept 30, 2019	Sept 30, 2020	Sept 30, 2019
INTEREST INCOME					
Non-PPP loans	\$ 3,607	\$ 3,606	\$ 3,547	\$ 11,070	\$ 10,075
PPP loans	831	634	-	1,465	-
Securities	162	172	157	496	496
Other interest income	17	14	182	98	401
Total interest income	<u>4,617</u>	<u>4,426</u>	<u>3,886</u>	<u>13,129</u>	<u>10,972</u>
INTEREST EXPENSE					
Deposits	158	141	302	538	829
Borrowed funds	34	36	53	115	166
Total interest expense	<u>192</u>	<u>177</u>	<u>355</u>	<u>653</u>	<u>995</u>
NET INTEREST INCOME	4,425	4,249	3,531	12,476	9,977
Provision for loan losses	900	900	95	2,178	205
Net interest income after provision for loan losses	<u>3,525</u>	<u>3,349</u>	<u>3,436</u>	<u>10,298</u>	<u>9,772</u>
NONINTEREST INCOME					
Trust fee income	628	567	541	1,767	1,565
Service charges	233	192	236	647	674
Mortgage loan sales and servicing	127	81	132	347	354
Investment sales commissions	63	43	46	154	146
Merchant card services	107	59	88	230	207
RIA income	140	127	125	400	295
Other income	76	92	71	238	242
Total noninterest income	<u>1,374</u>	<u>1,161</u>	<u>1,239</u>	<u>3,783</u>	<u>3,483</u>
NONINTEREST EXPENSE					
Salaries and employee benefits	2,211	1,933	1,819	6,265	5,334
Outside services	415	381	329	1,223	1,032
Occupancy & equipment	334	315	290	973	890
Trust expense	347	319	340	1,024	986
Loan and collection, OREO expense	95	72	113	321	501
Advertising	52	32	50	136	196
Supplies and postage	59	62	49	182	150
Other operating expenses	319	293	277	934	873
Total noninterest expense	<u>3,832</u>	<u>3,407</u>	<u>3,267</u>	<u>11,058</u>	<u>9,962</u>
Income before taxes	1,067	1,103	1,408	3,023	3,293
Provision for income taxes	264	273	363	748	829
NET INCOME	<u>\$ 803</u>	<u>\$ 830</u>	<u>\$ 1,045</u>	<u>\$ 2,275</u>	<u>\$ 2,464</u>

	3rd Quarter 2020	2nd Quarter 2020	1st Quarter 2020	4th Quarter 2019	3rd Quarter 2019
Earnings					
Net interest income	\$ 4,425	\$ 4,249	\$ 3,799	\$ 3,779	\$ 3,531
Provision for loan loss	900	900	378	30	95
Noninterest income	1,374	1,161	1,250	1,259	1,239
Noninterest expense	3,832	3,407	3,817	3,636	3,267
Provision for income taxes	264	273	212	318	363
Net income	<u>\$ 803</u>	<u>\$ 830</u>	<u>\$ 642</u>	<u>\$ 1,054</u>	<u>\$ 1,045</u>
Average shares outstanding	7,008,125	7,003,125	7,003,125	6,975,084	6,975,084
Earnings per share	\$ 0.11	\$ 0.12	\$ 0.09	\$ 0.15	\$ 0.15
Performance Ratios					
Return on average assets	0.60%	0.69%	0.69%	1.14%	1.16%
Return on average equity	8.05%	8.69%	6.87%	11.45%	11.70%
Net interest margin - tax equivalent	3.50%	3.73%	4.39%	4.35%	4.19%
Yield on loans	4.14%	4.33%	5.14%	5.25%	5.09%
Yield on loans - excluding PPP loans	4.70%	4.85%	5.14%	5.25%	5.09%
Cost of interest bearing liabilities	0.13%	0.22%	0.45%	0.54%	0.60%
Efficiency ratio	66.08%	62.98%	75.60%	72.19%	68.49%
Full-time equivalent employees	113	111	112	110	105
Capital					
Leverage ratio	8.14%	8.74%	11.15%	11.13%	11.12%
Common equity tier 1 ratio	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾	13.83%	14.42%
Tier 1 risk based ratio	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾	13.83%	14.42%
Total risk based ratio	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾	15.06%	15.68%
Book value per share	\$ 5.75	\$ 5.61	\$ 5.39	\$ 5.35	\$ 5.20
Asset quality					
Allowance for loan losses (ALLL)	\$ 5,782	\$ 4,873	\$ 3,966	\$ 3,592	\$ 3,484
Nonperforming loans (NPLs)	\$ 1,596	\$ 1,293	\$ 1,230	\$ 1,614	\$ 1,510
Nonperforming assets (NPAs)	\$ 1,596	\$ 1,293	\$ 1,281	\$ 1,614	\$ 1,510
Classified Assets	\$ 12,667	\$ 11,945	\$ 9,058	\$ 7,834	\$ 5,728
Net loan charge offs (recoveries)	\$ (9)	\$ (7)	\$ 5	\$ (78)	\$ (8)
ALLL as a percentage of net loans	1.35%	1.16%	1.31%	1.20%	1.24%
ALLL as a percentage of net loans (excluding PPP)	1.89%	1.62%	1.31%	1.20%	1.24%
ALLL as a percentage of NPLs	362.26%	376.98%	322.44%	222.55%	230.73%
Net charge offs (recoveries) to average loans	0.00%	0.00%	0.00%	-0.03%	0.00%
Net NPLs as a percentage of total loans	0.53%	0.44%	0.41%	0.55%	0.54%
Nonperforming assets as a percentage of total assets	0.30%	0.25%	0.33%	0.44%	0.42%
Classified Asset Ratio	31.42%	30.38%	23.99%	17.60%	15.80%
Past due as a percentage of total loans	0.54%	0.53%	0.61%	0.62%	1.00%
End of period balances					
Total securities and short term deposits	\$ 82,099	\$ 70,159	\$ 64,148	\$ 45,112	\$ 56,627
Total loans net of allowance	\$ 300,272	\$ 296,725	\$ 297,212	\$ 295,255	\$ 277,979
Total earning assets	\$ 389,299	\$ 372,903	\$ 366,472	\$ 345,038	\$ 339,169
Total assets	\$ 534,456	\$ 513,291	\$ 385,423	\$ 364,188	\$ 360,358
Total noninterest bearing deposits	\$ 134,574	\$ 125,714	\$ 78,003	\$ 73,771	\$ 78,230
Total deposits	\$ 485,589	\$ 465,322	\$ 339,202	\$ 318,039	\$ 316,176
Average balances					
Total securities and short term deposits	\$ 80,235	\$ 67,450	\$ 48,764	\$ 57,528	\$ 60,571
Total loans net of allowance	\$ 421,663	\$ 389,275	\$ 298,055	\$ 285,491	\$ 272,845
Total earning assets	\$ 508,244	\$ 462,157	\$ 351,537	\$ 347,646	\$ 337,903
Total assets	\$ 529,784	\$ 484,315	\$ 372,017	\$ 366,647	\$ 356,452
Total noninterest bearing deposits	\$ 134,676	\$ 132,311	\$ 76,653	\$ 74,489	\$ 78,817
Total deposits	\$ 480,742	\$ 436,776	\$ 325,128	\$ 321,687	\$ 312,530