



CONSOLIDATED  
STATEMENT OF CONDITION

March 31, 2021



**FOR IMMEDIATE RELEASE**

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## Oregon Pacific Bank Announces First Quarter Earnings Results

**Florence, Ore., April 20, 2021**—Oregon Pacific Bancorp (ORPB) today reported financial results for the first quarter ended March 31, 2021.

### Highlights:

- First quarter net income of \$1.96 million; \$0.28 per diluted share
- Quarterly gross PPP loan production of \$46.2 million with \$2.1 million in loan fees
- Quarterly deposit growth of \$99.0 million, an annualized growth rate of 83.20%
- Quarterly non-PPP loan growth of \$10.6 million, an annualized growth rate of 13.74%
- Tax equivalent first quarter net interest margin of 3.82%

Oregon Pacific Bancorp, and its wholly owned subsidiary Oregon Pacific Bank, reported quarterly net income of \$1.96 million, or \$0.28 per diluted share in the first quarter of 2021 compared to \$642 thousand, or \$0.09 per diluted share for the quarter ended March 31, 2020. First quarter net income was again elevated due to the processing of Paycheck Protection Program (PPP) forgiveness payments, which resulted in increased interest income due to amortization of the remaining loan origination fees at payoff. The Bank made no provision for loan losses during the first quarter as the Bank's allowance for loan loss methodology indicated no provision was necessary based on current credit metrics.

*"We are extremely proud of the first quarter performance as we continue to navigate the pandemic," said Ron Green, President and CEO. "Our staff successfully onboarded a significant number of new deposit clients during the quarter. We believe this will contribute to managing the Bank's future cost of funds and strengthen our enterprise value. We are also fortunate to see improvement in our credit metrics, and we will continue to be there for our clients as they work through the impacts of COVID-19 and any remaining economic uncertainty."*

During the quarter, deposit growth totaled \$99.0 million, an annualized growth rate of 83.20%. On an annual basis, growth totaled \$246.1 million, a 72.5% increase over March 31, 2020. Initially, the deposit growth experienced by the Bank closely mirrored the PPP loan totals, but during the first quarter deposit growth far exceeded the quarterly funding of new PPP loans. Management attributes growth to several factors: migration of new clients acquired through the first round PPP loans who experienced some delay in their account transition due to the pandemic, economic uncertainty leading to increased savings, and additional stimulus payments processed at the end of the quarter. The Bank still believes some of this deposit growth is temporary as some borrowers are delaying investment or capital purchases until the economy has fully recovered from the pandemic. The Bank continues to maintain funds in the InterFi Network Insured Cash Sweep (ICS) product. As of March 31, 2021, the one-way sell ICS deposits residing off-balance sheet totaled \$44.0 million. The off-balance sheet deposits continue to remain a source of liquidity and can be moved back into a reciprocal position at any point.

In April 2020, 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. During the initial round, Oregon Pacific Bank funded 752 PPP loans, totaling \$125.2 million. Through March 31, 2021, the Bank received forgiveness and borrower payments totaling \$90.3 million, representing more than 70% of the first funding loans.

At the beginning of 2021, the Paycheck Protection Program was expanded to allow certain eligible borrowers that previously received a PPP loan to apply for a Second Draw PPP Loan. Through March 31, 2021, Oregon Pacific Bank funded an additional 332 PPP loans, totaling \$46.2 million. The quarterly PPP loan production was almost fully offset by forgiveness payments received during the quarter. The forgiveness payments were expedited during the quarter due to the simplified forgiveness application for loans less than \$150 thousand. As of March 31, 2021, the Bank had 364 outstanding PPP loans totaling \$18.3 million with loan balances less than \$150 thousand. The Bank continues to process forgiveness applications, however, applications greater than \$2 million are experiencing a longer approval timeline.

Below is a summary of the PPP loan activity for the first quarter 2021:

	<b>Gross PPP loans</b>	<b>PPP deferred loan origination fees</b>	<b>Net PPP loans</b>
December 31, 2020 balance	\$ 80,766	\$ (1,685)	\$ 79,081
PPP Forgiveness/payments/amortization	(45,856)	1,390	(44,466)
Q1 PPP loan production	46,182	(2,052)	44,130
March 31, 2021 balance	<u>\$ 81,092</u>	<u>\$ (2,347)</u>	<u>\$ 78,745</u>

“Oregon Pacific Bank has experienced significant growth during the last twelve months, primarily tied to the Bank’s ability to respond to PPP loan demand,” said John Raleigh, Chief Lending Officer. “The PPP loan production achieved during the first quarter 2021 has further led to customer loyalty and deepened the value Oregon Pacific Bank brings to our clients.”

Period-end non-PPP loans, net of deferred loan origination fees, totaled \$322.5 million, representing quarterly net growth of \$10.6 million, an annualized growth rate of 13.74%. The effective yield on the non-PPP loan portfolio declined to 4.63%, down from 4.69% in the quarter ended December 31, 2020. The Bank continued to see loan opportunities during the first quarter, but a competitive rate environment has led to a declining yield on the non-PPP portfolio and the potential for an increased risk of prepayments in future quarters.

During the quarter, the Bank experienced a decrease in classified assets as there were upgrades of six different lending relationships and a payoff of another relationship. One of the larger upgrades totaled \$1,192 in exposure to a forest products client who was downgraded pre-COVID but has seen substantial business improvement as a result of lumber demand due to the Oregon forest fires in September 2020. Five other small lending relationships were upgraded, with total combined exposures of \$263 thousand. Over the last two years, the Bank worked with a receiver to resolve a substandard agricultural credit relationship. During the quarter, the real estate securing one of the loans was sold, and additional collateral was liquidated,

resulting in the payoff of the remaining book balances, which totaled \$687 thousand as of December 31, 2020. As a result of the collateral liquidation, the Bank booked net recoveries for the quarter of \$230 thousand. During the quarter, the Bank's Chief Credit Officer, Robert (Bob) Edstrom, announced his pending retirement after working at Oregon Pacific for more than seven years. James Atwood, SVP, Sr. Credit Administrator, will be promoted to EVP & Chief Credit Officer upon Bob Edstrom's retirement on June 25, 2021.

First quarter 2021 noninterest income totaled \$1.4 million, which represents an increase of \$49 thousand over the prior quarter and representing an increase of \$162 thousand over the first quarter 2020. The Bank experienced growth of \$44 thousand related to advisory income through the Bank's wholly owned registered investment advisory (RIA) firm Oregon Pacific Wealth Management, LLC, which grew assets under management to \$94.4 million as of March 31, 2021.

Noninterest expense in the first quarter totaled \$4.0 million, down \$189 thousand from the fourth quarter. The largest change occurred in the salaries and employee benefits expense which decreased \$69 thousand from the fourth quarter of 2021. This decrease was partially attributable to an increase in the bonus accrual related to the level of Bank profitability experienced during the fourth quarter 2020, which normalized in 2021. The loan and collection expense decreased \$55 thousand from the prior quarter and \$118 thousand from first quarter 2020 as the receiver-related expenses tied to the agricultural property have diminished due to the collateral liquidation. The overall expense level during the first quarter was more normalized, and management believes accurately represents the expected noninterest expense moving into the rest of 2021.

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### **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, special asset liquidation, noninterest expense 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.

## CONSOLIDATED BALANCE SHEETS

Unaudited (dollars in thousands)

	March 31, 2021	Dec 31, 2020	March 31, 2020
<b>ASSETS</b>			
Cash and due from banks	\$ 9,925	\$ 7,785	\$ 4,840
Interest bearing deposits	161,446	86,570	38,142
Securities	50,543	37,805	26,006
Non PPP Loans, net of deferred fees and costs	322,451	311,883	301,178
PPP Loans, net of deferred fees and costs	78,745	79,081	-
Total Loans, net of deferred fees and costs	401,196	390,964	301,178
Allowance for loan losses	(6,020)	(5,791)	(3,966)
Premises and equipment, net	6,621	6,770	7,025
Bank owned life insurance	8,221	8,160	7,494
Deferred tax asset	1,079	943	625
Other assets	3,998	3,935	4,028
<b>Total assets</b>	<b>\$ 637,009</b>	<b>\$ 537,141</b>	<b>\$ 385,423</b>
<b>LIABILITIES</b>			
<b>Deposits</b>			
Demand - non-interest bearing	\$ 171,750	\$ 136,428	\$ 78,003
Demand - interest bearing	183,537	146,202	110,519
Money market	139,350	116,505	79,510
Savings	70,276	66,936	52,790
Certificates of deposit	20,394	20,272	18,380
Total deposits	585,307	486,343	339,202
Subordinated debenture	4,124	4,124	4,124
Other liabilities	3,695	4,399	4,335
<b>Total liabilities</b>	<b>593,126</b>	<b>494,866</b>	<b>347,661</b>
<b>STOCKHOLDERS' EQUITY</b>			
Common stock	20,753	20,745	20,675
Retained earnings	22,484	20,517	16,806
Accumulated other comprehensive income, net of tax	646	1,013	281
<b>Total stockholders' equity</b>	<b>43,883</b>	<b>42,275</b>	<b>37,762</b>
<b>Total liabilities &amp; stockholders' equity</b>	<b>\$ 637,009</b>	<b>\$ 537,141</b>	<b>\$ 385,423</b>

**CONSOLIDATED STATEMENTS OF INCOME**

Unaudited (dollars in thousands, except per share data)

**THREE MONTHS ENDED**

	<u>March 31,</u> <u>2021</u>	<u>Dec 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
<b>INTEREST INCOME</b>			
Non-PPP loans	\$ 3,648	\$ 3,640	\$ 3,857
PPP loans	1,460	1,911	-
Securities	178	174	161
Other interest income	27	21	67
Total interest income	<u>5,313</u>	<u>5,746</u>	<u>4,085</u>
<b>INTEREST EXPENSE</b>			
Deposits	100	129	240
Borrowed funds	31	31	46
Total interest expense	<u>131</u>	<u>160</u>	<u>286</u>
<b>NET INTEREST INCOME</b>	5,182	5,586	3,799
Provision for loan losses	-	-	378
Net interest income after provision for loan losses	<u>5,182</u>	<u>5,586</u>	<u>3,421</u>
<b>NONINTEREST INCOME</b>			
Trust fee income	630	635	572
Service charges	247	248	221
Mortgage loan sales and servicing	149	132	139
Investment sales commissions	35	37	48
Merchant card services	86	94	64
RIA income	188	144	134
Other income	77	73	72
Total noninterest income	<u>1,412</u>	<u>1,363</u>	<u>1,250</u>
<b>NONINTEREST EXPENSE</b>			
Salaries and employee benefits	2,273	2,342	2,124
Outside services	436	423	427
Occupancy & equipment	347	339	324
Trust expense	355	398	356
Loan and collection, OREO expense	36	91	154
Advertising	58	63	51
Supplies and postage	57	61	61
Other operating expenses	407	441	320
Total noninterest expense	<u>3,969</u>	<u>4,158</u>	<u>3,817</u>
Income before taxes	2,625	2,791	854
Provision for income taxes	662	713	212
<b>NET INCOME</b>	<u>\$ 1,963</u>	<u>\$ 2,078</u>	<u>\$ 642</u>

## Quarterly Highlights

	1st Quarter 2021	4th Quarter 2020	3rd Quarter 2020	2nd Quarter 2020	1st Quarter 2020
<b>Earnings</b>					
Net interest income	\$ 5,182	\$ 5,586	\$ 4,425	\$ 4,249	\$ 3,799
Provision for loan loss	-	-	900	900	378
Noninterest income	1,412	1,363	1,374	1,161	1,250
Noninterest expense	3,969	4,158	3,832	3,407	3,817
Provision for income taxes	662	713	264	273	212
Net income	<u>\$ 1,963</u>	<u>\$ 2,078</u>	<u>\$ 803</u>	<u>\$ 830</u>	<u>\$ 642</u>
Average shares outstanding	7,022,759	7,008,125	7,008,125	7,003,125	7,003,125
Earnings per share	\$ 0.28	\$ 0.30	\$ 0.11	\$ 0.12	\$ 0.09
<b>Performance Ratios</b>					
Return on average assets	1.38%	1.52%	0.60%	0.69%	0.69%
Return on average equity	18.59%	20.33%	8.05%	8.69%	6.87%
Net interest margin - tax equivalent	3.82%	4.29%	3.50%	3.73%	4.39%
Yield on loans	5.14%	5.37%	4.14%	4.33%	5.14%
Yield on loans - excluding PPP loans	4.63%	4.69%	4.70%	4.85%	5.14%
Cost of deposits	0.08%	0.10%	0.13%	0.22%	0.45%
Efficiency ratio	60.19%	59.84%	66.08%	62.98%	75.60%
Full-time equivalent employees	116	116	113	111	112
<b>Capital</b>					
Leverage ratio	8.18%	8.33%	8.14%	8.74%	11.15%
Common equity tier 1 ratio	NA <sup>(1)</sup>	NA <sup>(1)</sup>	NA <sup>(1)</sup>	NA <sup>(1)</sup>	NA <sup>(1)</sup>
Tier 1 risk based ratio	NA <sup>(1)</sup>	NA <sup>(1)</sup>	NA <sup>(1)</sup>	NA <sup>(1)</sup>	NA <sup>(1)</sup>
Total risk based ratio	NA <sup>(1)</sup>	NA <sup>(1)</sup>	NA <sup>(1)</sup>	NA <sup>(1)</sup>	NA <sup>(1)</sup>
Book value per share	\$ 6.23	\$ 6.03	\$ 5.75	\$ 5.61	\$ 5.39
<b>Asset quality</b>					
Allowance for loan losses (ALLL)	\$ 6,020	\$ 5,791	\$ 5,782	\$ 4,873	\$ 3,966
Nonperforming loans (NPLs)	\$ 1,558	\$ 2,521	\$ 1,596	\$ 1,293	\$ 1,230
Nonperforming assets (NPAs)	\$ 1,558	\$ 2,521	\$ 1,596	\$ 1,293	\$ 1,281
Classified Assets <sup>(2)</sup>	\$ 12,141	\$ 14,366	\$ 12,667	\$ 11,945	\$ 9,058
Net loan charge offs (recoveries)	\$ (230)	\$ (9)	\$ (9)	\$ (7)	\$ 5
ALLL as a percentage of net loans	1.50%	1.48%	1.35%	1.16%	1.31%
ALLL as a percentage of net loans (excluding PPP)	1.87%	1.86%	1.89%	1.62%	1.31%
ALLL as a percentage of NPAs	386.39%	229.75%	362.26%	376.98%	322.44%
Net charge offs (recoveries) to average loans	-0.06%	0.00%	0.00%	0.00%	0.00%
Net NPLs as a percentage of total loans	0.39%	0.64%	0.53%	0.44%	0.41%
Nonperforming assets as a percentage of total assets	0.24%	0.47%	0.30%	0.25%	0.33%
Classified Asset Ratio <sup>(3)</sup>	27.67%	33.98%	31.42%	30.38%	23.99%
Past due as a percentage of total loans	0.14%	0.49%	0.54%	0.53%	0.61%
<b>End of period balances</b>					
Total securities and short term deposits	\$ 211,989	\$ 124,375	\$ 82,099	\$ 70,159	\$ 64,148
Total loans net of allowance	\$ 395,176	\$ 385,173	\$ 422,144	\$ 416,768	\$ 297,212
Total earning assets	\$ 535,797	\$ 437,404	\$ 389,299	\$ 372,903	\$ 366,472
Total assets	\$ 637,009	\$ 537,141	\$ 534,456	\$ 513,291	\$ 385,423
Total noninterest bearing deposits	\$ 171,750	\$ 136,428	\$ 134,574	\$ 125,714	\$ 78,003
Total deposits	\$ 585,307	\$ 486,343	\$ 485,589	\$ 465,322	\$ 339,202
<b>Average balances</b>					
Total securities and short term deposits	\$ 150,214	\$ 109,006	\$ 80,235	\$ 67,450	\$ 48,764
Total loans net of allowance	\$ 397,195	\$ 405,796	\$ 421,663	\$ 389,275	\$ 298,055
Total earning assets	\$ 554,446	\$ 521,734	\$ 508,244	\$ 462,157	\$ 351,537
Total assets	\$ 576,991	\$ 543,422	\$ 529,784	\$ 484,315	\$ 372,017
Total noninterest bearing deposits	\$ 167,266	\$ 138,247	\$ 134,676	\$ 132,311	\$ 76,653
Total deposits	\$ 525,064	\$ 493,502	\$ 480,742	\$ 436,776	\$ 325,128

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

<sup>(2)</sup> Classified assets is defined as the sum of all loan-related contingent liabilities and loans internally graded substandard or worse, impaired loans (net of government guarantees), adversely classified securities, and other real estate owned.

<sup>(3)</sup> Classified asset ratio is defined as the sum of all loan-related contingent liabilities and loans internally graded substandard or worse, impaired loans (net of government guarantees), adversely classified securities, and other real estate owned, divided by bank Tier 1 capital, plus the allowance for loan losses.

## 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

ROBBIE WRIGHT | Owner, Siuslaw Broadband

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

## 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