



CONSOLIDATED
STATEMENT OF CONDITION

June 30, 2021



FOR IMMEDIATE RELEASE

Editorial Contact:

Ron Green, President & Chief Executive Officer

ron.green@opbc.com | (541) 902-9800

Oregon Pacific Bank Announces Second Quarter Earnings Results

Florence, Ore., July 22, 2021—Oregon Pacific Bancorp (ORPB) today reported financial results for the second quarter ended June 30, 2021.

Highlights:

- Second quarter net income of \$1.92 million; \$0.27 per diluted share
- Quarterly deposit growth of \$24.2 million, a growth rate of 16.73%
- Quarterly non-PPP loan growth of \$13.4 million, a growth rate of 16.81%
- Quarterly trust fees of \$878 thousand

Oregon Pacific Bancorp, and its wholly owned subsidiary Oregon Pacific Bank, reported quarterly net income of \$1.92 million, or \$0.27 per diluted share in the second quarter of 2021 compared to \$830 thousand, or \$0.12 per diluted share for the quarter ended June 30, 2020. Second quarter net income was elevated due to the processing of Paycheck Protection Program (PPP) forgiveness payments, which resulted in increased interest income due to accretion of the remaining loan origination fees at payoff. The Bank made no provision for loan losses during the second quarter as the Bank's allowance for loan loss methodology indicated no provision was necessary based on current asset quality metrics.

“We are proud to see the continuation of the Bank's strong performance during the second quarter,” said Ron Green, President and CEO. “Our staff has worked with clients on the PPP forgiveness process, enabling them to shift focus back to core lending, which we believe will continue through the rest of 2021.”

During the quarter, deposit growth totaled \$24.2 million, an annualized growth rate of 16.73%. On an annual basis, deposit growth totaled \$144.1 million, a 31.0% increase over June 30, 2020. With no new PPP loan production during the second quarter, the deposit growth is attributable to normal seasonal fluctuations, including onboarding of new clients. The Bank still believes a portion of the deposit growth is temporary as some borrowers have delayed investments or capital purchases until the economy has fully recovered from the pandemic.

The Bank continued to maintain funds in the InterFi Network Insured Cash Sweep (ICS) product and expanded to utilize the CDARS time deposit product, all in a “one-way sell” or off-balance sheet capacity. The CDARS product was offered to one large deposit client who has elected to open laddered four-week CDARS deposits. In the event of a decrease in liquidity, the Bank could move all CDARS deposits back onto the balance sheet in a reciprocal deposit within a four-week time horizon. On June 30, 2021, the off-balance sheet ICS deposits totaled \$54.3 million, and the CDARS off-balance sheet time deposits totaled \$39.5 million.

Period-end non-PPP loans, net of deferred loan origination fees, totaled \$335.8 million, representing quarterly net growth of \$13.4 million and an annualized growth rate of 16.81%. The effective yield on the non-PPP loan portfolio remained flat at 4.63%. The Bank continued to see loan opportunities during the quarter, but the lending environment remains competitive. At the end of June, the Bank purchased three loans totaling \$3.6 million from Network for Oregon Affordable Housing (NOAH). The NOAH loans were purchased at a premium and will result in a yield below the Bank's current loan portfolio yield but will provide the Bank with tax credits to offset Oregon income tax which will be prorated during 2021 based on the date of the loan purchase. The Bank continued to work with borrowers on the PPP forgiveness process during the second quarter. Through June 30, 2021, 734 of the 752 PPP loans originated in 2020 were forgiven. Additionally, 81 of the 402 loans originated in 2021 were forgiven.

During the quarter, the Bank's margin contracted to 3.09% from 3.82% in the prior quarter, which was primarily driven by the linked quarter growth in average deposits. The deposit growth increased the balance of interest-bearing deposits held with the Federal Reserve, which yielded 0.10% for most of the quarter. During the second quarter, 29% of the Bank's interest earning assets were held on deposit with the Federal Reserve, compared to 19% during first quarter 2021, which led to margin contraction. The Bank worked to increase the investment portfolio holdings, with quarterly purchases totaling \$15.5 million. The Bank will continue to plan future investment purchases to utilize a portion of the excess funds held at the Federal Reserve and help increase the yield on earning assets.

Second quarter 2021 noninterest income totaled \$1.8 million, which represented an increase of \$398 thousand over the prior quarter and an increase of \$651 thousand over the second quarter 2020. During the quarter, the Bank recognized \$878 thousand of trust fee income and increase of \$248 thousand over the prior quarter. Trust revenue is comprised of two components: 1) trust management revenue, and 2) transactional revenue or "extraordinary" revenue. Trust management revenue has increased due to onboarding of new clients, with the Bank's trust assets under management increasing \$23.2 million since December 31, 2020. Transactional revenue is related to items outside the scope of standard trust administration. This is primarily comprised of fees for liquidation of real estate and is generally tied to the death of a trust client. As transactional revenue is event based, the current quarter income does not necessarily represent revenue projections for future quarters. Below is a summary of the breakout of trust revenue.

	THREE MONTHS ENDED			SIX MONTHS ENDED	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Trust Management Revenue	\$ 648	\$ 570	\$ 546	\$ 1,218	\$ 1,092
Transactional Revenue	230	60	21	290	47
Trust fee income	<u>\$ 878</u>	<u>\$ 630</u>	<u>\$ 567</u>	<u>\$ 1,508</u>	<u>\$ 1,139</u>

The Bank experienced growth of \$11 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 \$103.4 million as of June 30, 2021. Since inception Oregon Pacific

Wealth Management has been a registered investment advisor registered and overseen by the State of Oregon. Once assets under management exceed \$100 million, the company is required to move from state specific registration to registration with the SEC. As the assets under management exceeded \$100 million at June 30, 2021, the company is beginning the registration process with the SEC and anticipates the registration to be completed by September 30, 2021. This SEC registration is only tied to the registered investment advisory firm and will not impact financial reporting.

Noninterest expense in the second quarter totaled \$4.1 million, up \$136 thousand over the first quarter. The largest change occurred in the salaries and employee benefits expense which increased \$127 thousand from the first quarter 2021. This increase was due to two factors: 1) no additional PPP loan production during the second quarter, which reduced the deferred loan origination costs recognized as a credit to salary expense, and 2) additional stock-based compensation expense associated with accelerated vesting of restricted stock due to retirement.

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, investment purchases, 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)

	June 30, 2021	March 31, 2021	June 30, 2020
ASSETS			
Cash and due from banks	\$ 12,658	\$ 9,925	\$ 6,944
Interest bearing deposits	181,966	161,446	42,291
Securities	65,509	50,543	27,868
Non PPP Loans, net of deferred fees and costs	335,813	322,451	301,598
PPP Loans, net of deferred fees and costs	54,287	78,745	120,043
Total Loans, net of deferred fees and costs	390,100	401,196	421,641
Allowance for loan losses	(6,024)	(6,020)	(4,873)
Premises and equipment, net	6,507	6,621	7,041
Bank owned life insurance	8,282	8,221	7,549
Deferred tax asset	940	1,079	363
Other assets	3,745	3,998	4,467
Total assets	\$ 663,683	\$ 637,009	\$ 513,291
LIABILITIES			
Deposits			
Demand - non-interest bearing	\$ 181,406	\$ 171,750	\$ 125,714
Demand - interest bearing	188,135	183,537	166,562
Money market	147,506	139,350	97,506
Savings	72,557	70,276	57,098
Certificates of deposit	19,854	20,394	18,442
Total deposits	609,458	585,307	465,322
Subordinated debenture	4,124	4,124	4,124
Other liabilities	3,843	3,695	4,523
Total liabilities	617,425	593,126	473,969
STOCKHOLDERS' EQUITY			
Common stock	20,831	20,753	20,697
Retained earnings	24,406	22,484	17,636
Accumulated other comprehensive income, net of tax	1,021	646	989
Total stockholders' equity	46,258	43,883	39,322
Total liabilities & stockholders' equity	\$ 663,683	\$ 637,009	\$ 513,291

CONSOLIDATED STATEMENTS OF INCOME

Unaudited (dollars in thousands, except per share data)

	THREE MONTHS ENDED			SIX MONTHS ENDED	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
INTEREST INCOME					
Non-PPP loans	\$ 3,758	\$ 3,649	\$ 3,606	\$ 7,407	\$ 7,464
PPP loans	961	1,460	634	2,421	634
Securities	242	178	172	420	333
Other interest income	51	28	14	79	81
Total interest income	<u>5,012</u>	<u>5,315</u>	<u>4,426</u>	<u>10,327</u>	<u>8,512</u>
INTEREST EXPENSE					
Deposits	116	101	141	217	379
Borrowed funds	31	30	36	61	82
Total interest expense	<u>147</u>	<u>131</u>	<u>177</u>	<u>278</u>	<u>461</u>
NET INTEREST INCOME					
Provision for loan losses	-	-	900	-	1,278
Net interest income after provision for loan losses	<u>4,865</u>	<u>5,184</u>	<u>4,249</u>	<u>10,049</u>	<u>8,051</u>
NONINTEREST INCOME					
Trust fee income	878	630	567	1,508	1,139
Service charges	271	248	192	519	413
Mortgage loan sales and servicing	239	148	81	387	219
Investment sales commissions	33	36	43	69	91
Merchant card services	114	86	59	200	123
RIA income	199	188	127	387	260
Other income	78	78	92	156	165
Total noninterest income	<u>1,812</u>	<u>1,414</u>	<u>1,161</u>	<u>3,226</u>	<u>2,410</u>
NONINTEREST EXPENSE					
Salaries and employee benefits	2,401	2,274	1,933	4,675	4,055
Outside services	436	436	381	872	808
Occupancy & equipment	348	346	315	694	638
Trust expense	348	354	319	702	677
Loan and collection, OREO expense	29	35	72	64	227
Advertising	75	58	32	133	84
Supplies and postage	61	56	62	117	124
Other operating expenses	407	410	293	817	614
Total noninterest expense	<u>4,105</u>	<u>3,969</u>	<u>3,407</u>	<u>8,074</u>	<u>7,227</u>
Income before taxes	2,572	2,629	1,103	5,201	1,956
Provision for income taxes	650	662	273	1,312	484
NET INCOME	<u>\$ 1,922</u>	<u>\$ 1,967</u>	<u>\$ 830</u>	<u>\$ 3,889</u>	<u>\$ 1,472</u>

	2nd Quarter 2021	1st Quarter 2021	4th Quarter 2020	3rd Quarter 2020	2nd Quarter 2020
Earnings					
Net interest income	\$ 4,865	\$ 5,184	\$ 5,586	\$ 4,425	\$ 4,249
Provision for loan loss	-	-	-	900	900
Noninterest income	1,812	1,414	1,363	1,374	1,161
Noninterest expense	4,105	3,969	4,158	3,832	3,407
Provision for income taxes	650	662	713	264	273
Net income	<u>\$ 1,922</u>	<u>\$ 1,967</u>	<u>\$ 2,078</u>	<u>\$ 803</u>	<u>\$ 830</u>
Average shares outstanding	7,041,041	7,022,759	7,008,125	7,008,125	7,003,125
Earnings per share	\$ 0.27	\$ 0.28	\$ 0.30	\$ 0.11	\$ 0.12
Performance Ratios					
Return on average assets	1.17%	1.38%	1.52%	0.60%	0.69%
Return on average equity	17.24%	18.59%	20.33%	8.05%	8.69%
Net interest margin - tax equivalent	3.09%	3.82%	4.29%	3.50%	3.73%
Yield on loans	4.78%	5.14%	5.37%	4.14%	4.33%
Yield on loans - excluding PPP loans	4.63%	4.63%	4.69%	4.70%	4.85%
Cost of deposits	0.08%	0.08%	0.10%	0.13%	0.22%
Efficiency ratio	61.48%	60.19%	59.84%	66.08%	62.98%
Full-time equivalent employees	114	116	116	113	111
Capital					
Leverage ratio	7.45%	8.18%	8.33%	8.14%	8.74%
Common equity tier 1 ratio	15.25%	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾
Tier 1 risk based ratio	15.25%	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾
Total risk based ratio	16.51%	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾
Book value per share	\$ 6.57	\$ 6.23	\$ 6.03	\$ 5.75	\$ 5.61
Asset quality					
Allowance for loan losses (ALLL)	\$ 6,024	\$ 6,020	\$ 5,791	\$ 5,782	\$ 4,873
Nonperforming loans (NPLs)	\$ 1,517	\$ 1,558	\$ 2,521	\$ 1,596	\$ 1,293
Nonperforming assets (NPAs)	\$ 1,517	\$ 1,558	\$ 2,521	\$ 1,596	\$ 1,293
Classified Assets ⁽²⁾	\$ 12,627	\$ 12,141	\$ 14,366	\$ 12,667	\$ 11,945
Net loan charge offs (recoveries)	\$ (3)	\$ (230)	\$ (9)	\$ (9)	\$ (7)
ALLL as a percentage of net loans	1.54%	1.50%	1.48%	1.35%	1.16%
ALLL as a percentage of net loans (excluding PPP)	1.79%	1.87%	1.86%	1.89%	1.62%
ALLL as a percentage of NPLs	397.10%	386.39%	229.75%	362.26%	376.98%
Net charge offs (recoveries) to average loans	0.00%	-0.06%	0.00%	0.00%	0.00%
Net NPLs as a percentage of total loans	0.39%	0.39%	0.64%	0.53%	0.44%
Nonperforming assets as a percentage of total assets	0.23%	0.24%	0.47%	0.30%	0.25%
Classified Asset Ratio ⁽³⁾	27.30%	27.67%	33.98%	31.42%	30.38%
Past due as a percentage of total loans	0.36%	0.14%	0.49%	0.54%	0.53%
Off-balance sheet figures					
Off-balance sheet demand deposits ⁽⁴⁾	\$ 54,299	\$ 56,226	\$ 50,281	\$ 24,974	\$ 14,659
Off-balance sheet time deposits ⁽⁵⁾	\$ 39,500	\$ -	\$ -	\$ -	\$ -
Unused credit commitments	\$ 83,807	\$ 82,458	\$ 83,982	\$ 74,110	\$ 66,806
End of period balances					
Total securities and short term deposits	\$ 247,475	\$ 211,989	\$ 124,375	\$ 82,099	\$ 70,159
Total loans net of allowance	\$ 384,076	\$ 395,176	\$ 385,173	\$ 422,144	\$ 416,768
Total earning assets	\$ 638,932	\$ 614,542	\$ 516,485	\$ 511,171	\$ 492,946
Total assets	\$ 663,683	\$ 637,009	\$ 537,141	\$ 534,456	\$ 513,291
Total noninterest bearing deposits	\$ 181,406	\$ 171,750	\$ 136,428	\$ 134,574	\$ 125,714
Total deposits	\$ 609,458	\$ 585,307	\$ 486,343	\$ 485,589	\$ 465,322
Average balances					
Total securities and short term deposits	\$ 239,921	\$ 150,214	\$ 109,006	\$ 80,235	\$ 67,450
Total loans net of allowance	\$ 389,766	\$ 397,195	\$ 405,796	\$ 421,663	\$ 389,275
Total earning assets	\$ 637,066	\$ 554,446	\$ 521,734	\$ 508,244	\$ 462,157
Total assets	\$ 659,644	\$ 576,991	\$ 543,422	\$ 529,784	\$ 484,315
Total noninterest bearing deposits	\$ 178,155	\$ 167,266	\$ 138,247	\$ 134,676	\$ 132,311
Total deposits	\$ 606,476	\$ 525,064	\$ 493,502	\$ 480,742	\$ 436,776

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

JAMES ATWOOD | Executive Vice President, Chief Credit Officer

JOHN RALEIGH | Executive Vice President, Chief Lending Officer