



CONSOLIDATED  
STATEMENT OF CONDITION

September 30, 2021



## FOR IMMEDIATE RELEASE

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## Oregon Pacific Bank Announces Third Quarter Earnings Results

**Florence, Ore., October 21, 2021**—Oregon Pacific Bancorp (ORPB), the holding company of Oregon Pacific Bank, today reported financial results for the third quarter ended September 30, 2021.

### Highlights:

- Net income of \$2.04 million; \$0.29 per diluted share.
- Non-PPP loan growth of \$25.8 million
- Issued \$15 million in aggregate principal amount of fixed-to-floating rate subordinated notes.
- \$13.5 million capital investment in Oregon Pacific Bancorp, increasing Tier 1 leverage to 9.70%.

Net income for the third quarter was \$2.0 million, or \$0.29 per diluted share compared to \$803 thousand, or \$0.11 per diluted share for the quarter ended September 30, 2020. Third quarter net income continued to be 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. During the quarter the Bank saw outstanding PPP loans reduce to \$30.1 million. Through September 30, 2021, 749 of the 752 PPP loans originated in 2020 and 267 of the 402 loans originated in 2021 were forgiven.

Period-end non-PPP loans, net of deferred loan origination fees, totaled \$361.6 million, representing quarterly net growth of \$25.8 million and year-to-date net growth of \$49.7 million or an annualized increase of 21.30%. The growth in non-PPP loans was spread across nearly all loan categories, with the largest growth experienced in investor commercial real estate, construction, and owner-occupied commercial real estate, totaling \$7.8 million, \$6.9 million, and \$5.1 million, respectively. The Bank continued to experience non-PPP loan demand, but pricing pressures remain strong. The effective yield on the non-PPP loan portfolio lowered to 4.49%, down from 4.63% in second quarter, primarily related to new production occurring at rates below the current effective yield of the portfolio.

“The Bank’s loan growth reflects the success we have had in executing our business strategies to leverage the goodwill from originating PPP loans to our local businesses,” said Ron Green, President and CEO. “Our clients continue to see value in community banking, which we believe will result in continued opportunities and long-term shareholder returns.”

During the quarter the Bank saw improvement in credit metrics as classified assets reduced to \$8.2 million, down from \$12.6 million in second quarter. The reduction was primarily related to improved credit performance, resulting in five separate credits totaling \$4.2 million moving from substandard to pass classification. The remaining classified assets on September 30, 2021, consisted of loans across several different loan types and markets, with the largest exposure being a \$2.3 million owner-occupied commercial real estate loan in Roseburg. COVID modifications totaled only \$3.3 million as of September

30, 2021, with only one \$1.5 million individual credit on full payment deferral.

During the quarter, deposit growth slowed, but still totaled \$3.5 million. Quarterly growth was partially reduced as the Bank migrated \$12.8 million of additional deposits into off balance sheet products through the InterFi Network's Insured Cash Sweep (ICS) and CDARS products, bringing total off-balance sheet deposits to \$106.6 million on September 30, 2021. The off-balance sheet deposits remain a source of liquidity, with the ICS deposits available on demand and the CDARS deposits had a maximum maturity of four weeks.

Third quarter 2021 noninterest income totaled \$1.6 million, which represented a decrease of \$183 thousand from second quarter 2021 and an increase of \$255 thousand over third quarter 2020. During the third quarter trust fee income contracted to \$703 thousand, down from \$878 thousand during second quarter. The second quarter trust revenue contained \$230 thousand of event-based transactional revenue, typically tied to liquidation of real estate due to the death of a trust client. This transactional revenue is tied to events outside of the Bank's control and it contracted to \$30 thousand during third quarter, but trust management revenue increased to \$673 thousand, up \$25 thousand over second quarter 2021 and up \$98 thousand over third quarter 2020. Below is a summary of the breakout of trust revenue.

	THREE MONTHS ENDED			NINE MONTHS ENDED	
	Sept 30, 2021	June 30, 2021	Sept 30, 2020	Sept 30, 2021	Sept 30, 2020
Trust Management Revenue	\$ 673	\$ 648	\$ 575	\$ 1,891	\$ 1,667
Transactional Revenue	30	230	53	320	100
Trust fee income	<u>\$ 703</u>	<u>\$ 878</u>	<u>\$ 628</u>	<u>\$ 2,211</u>	<u>\$ 1,767</u>

The Bank experienced an increase in service charge revenue of \$29 thousand compared to prior quarter. This increase was partially attributable to a change in the Bank's consumer account service charge structure which became effective on August 1, 2021. The Bank implemented this fee change after careful review of market-based pricing and this was the first change in account fees in more than ten years.

Noninterest expense in the third quarter totaled \$4.2 million, up \$47 thousand over the second quarter. The largest change occurred in the outside services category, which was primarily due to legal expenses associated with review and update to the Bank's Deferred Compensation Plan and update of the Bank's Stock Incentive Plan. The 2012 Stock Incentive plan is set to expire in February 2022 and the Bank will be presenting an updated plan for shareholder approval in the 2022 proxy. This expense totaled \$33 thousand during the quarter and will not be a reoccurring expense.

On September 29, 2021, Oregon Pacific Bancorp, the holding company for Oregon Pacific Bank, completed a private placement of \$15 million in aggregate principal amount of fixed-to-floating rate subordinated notes (the "Notes") to certain qualified institutional buyers and accredited investors. The Notes will initially bear interest at 3.375% per annum payable semi-annually until September 30, 2026, and thereafter pay a quarterly floating interest rate based on the then-current Three-Month Term Secured Overnight Financing Rate (SOFR) plus 266 basis points, payable quarterly in arrears. Beginning

on September 30, 2026, the Notes may be redeemed, in whole or in part, at the Company's option. The Notes will mature on September 30, 2031. Included in the proceeds from the debenture were various expenses, including commission, legal expenses, and various filing and paying agent expenses. The total of the issuance cost was \$508 thousand and will be amortized over the life of the debt as an increase to interest expense.

Subsequent to the subordinated debt issuance, Oregon Bancorp made a capital investment in Oregon Pacific Bank totaling \$13.5 million. This capital injection qualified as Tier 1 capital at the Bank and helped to increase the tier 1 leverage ratio as of September 30, 2021, to 9.70%, up from 7.45% as of June 30, 2021.

### **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)

	<b>Sept 30, 2021</b>	<b>June 30, 2021</b>	<b>Sept 30, 2020</b>
<b>ASSETS</b>			
Cash and due from banks	\$ 10,496	\$ 12,658	\$ 9,996
Interest bearing deposits	186,565	181,966	49,693
Securities	82,398	65,509	32,406
Non PPP Loans, net of deferred fees and costs	361,573	335,813	306,054
PPP Loans, net of deferred fees and costs	30,073	54,287	121,872
Total Loans, net of deferred fees and costs	391,646	390,100	427,926
Allowance for loan losses	(6,026)	(6,024)	(5,782)
Premises and equipment, net	6,351	6,507	6,917
Bank owned life insurance	8,342	8,282	8,101
Deferred tax asset	1,111	940	300
Other assets	3,431	3,745	4,899
<b>Total assets</b>	<b>\$ 684,314</b>	<b>\$ 663,683</b>	<b>\$ 534,456</b>
<b>LIABILITIES</b>			
<b>Deposits</b>			
Demand - non-interest bearing	\$ 180,991	\$ 181,406	\$ 134,574
Demand - interest bearing	177,404	188,135	163,095
Money market	158,392	147,506	106,838
Savings	75,710	72,557	61,964
Certificates of deposit	20,453	19,854	19,118
Total deposits	612,950	609,458	485,589
Junior subordinated debenture	4,124	4,124	4,124
Subordinated debenture	14,492	-	-
Other liabilities	4,874	3,843	4,423
<b>Total liabilities</b>	<b>636,440</b>	<b>617,425</b>	<b>494,136</b>
<b>STOCKHOLDERS' EQUITY</b>			
Common stock	20,866	20,831	20,721
Retained earnings	26,448	24,406	18,440
Accumulated other comprehensive income, net of tax	560	1,021	1,159
<b>Total stockholders' equity</b>	<b>47,874</b>	<b>46,258</b>	<b>40,320</b>
<b>Total liabilities &amp; stockholders' equity</b>	<b>\$ 684,314</b>	<b>\$ 663,683</b>	<b>\$ 534,456</b>

**CONSOLIDATED STATEMENTS OF INCOME**

Unaudited (dollars in thousands, except per share data)

	THREE MONTHS ENDED			NINE MONTHS ENDED	
	Sept 30, 2021	June 30, 2021	Sept 30, 2020	Sept 30, 2021	Sept 30, 2020
<b>INTEREST INCOME</b>					
Non-PPP loans	\$ 3,973	\$ 3,758	\$ 3,607	\$ 11,380	\$ 11,070
PPP loans	1,100	961	831	3,520	1,465
Securities	262	242	162	682	496
Other interest income	69	51	17	148	98
Total interest income	<u>5,404</u>	<u>5,012</u>	<u>4,617</u>	<u>15,730</u>	<u>13,129</u>
<b>INTEREST EXPENSE</b>					
Deposits	119	116	158	336	538
Borrowed funds	34	31	34	95	115
Total interest expense	<u>153</u>	<u>147</u>	<u>192</u>	<u>431</u>	<u>653</u>
<b>NET INTEREST INCOME</b>	5,251	4,865	4,425	15,299	12,476
Provision for loan losses	-	-	900	-	2,178
Net interest income after provision for loan losses	<u>5,251</u>	<u>4,865</u>	<u>3,525</u>	<u>15,299</u>	<u>10,298</u>
<b>NONINTEREST INCOME</b>					
Trust fee income	703	878	628	2,211	1,767
Service charges	300	271	233	819	647
Mortgage loan sales and servicing	138	239	127	526	347
Investment sales commissions	29	33	63	98	154
Merchant card services	151	114	107	351	230
Oregon Pacific Wealth Management income	224	199	140	611	400
Other income	84	78	76	240	238
Total noninterest income	<u>1,629</u>	<u>1,812</u>	<u>1,374</u>	<u>4,856</u>	<u>3,783</u>
<b>NONINTEREST EXPENSE</b>					
Salaries and employee benefits	2,305	2,401	2,211	6,979	6,265
Outside services	506	436	415	1,378	1,223
Occupancy & equipment	362	348	334	1,057	973
Trust expense	364	348	347	1,066	1,024
Loan and collection, OREO expense	30	29	95	95	321
Advertising	95	75	52	229	136
Supplies and postage	71	61	59	188	182
Other operating expenses	419	407	319	1,234	934
Total noninterest expense	<u>4,152</u>	<u>4,105</u>	<u>3,832</u>	<u>12,226</u>	<u>11,058</u>
Income before taxes	2,728	2,572	1,067	7,929	3,023
Provision for income taxes	686	650	264	1,998	748
<b>NET INCOME</b>	<u>\$ 2,042</u>	<u>\$ 1,922</u>	<u>\$ 803</u>	<u>\$ 5,931</u>	<u>\$ 2,275</u>

## Quarterly Highlights

	3rd Quarter 2021	2nd Quarter 2021	1st Quarter 2021	4th Quarter 2020	3rd Quarter 2020
<b>Earnings</b>					
Net interest income	\$ 5,251	\$ 4,865	\$ 5,184	\$ 5,586	\$ 4,425
Provision for loan loss	-	-	-	-	900
Noninterest income	1,629	1,812	1,414	1,363	1,374
Noninterest expense	4,152	4,105	3,969	4,158	3,832
Provision for income taxes	686	650	662	713	264
Net income	<u>\$ 2,042</u>	<u>\$ 1,922</u>	<u>\$ 1,967</u>	<u>\$ 2,078</u>	<u>\$ 803</u>
Average shares outstanding	7,042,478	7,041,041	7,022,759	7,008,125	7,008,125
Earnings per share	\$ 0.29	\$ 0.27	\$ 0.28	\$ 0.30	\$ 0.11
<b>Performance Ratios</b>					
Return on average assets	1.22%	1.17%	1.38%	1.52%	0.60%
Return on average equity	17.24%	17.24%	18.59%	20.33%	8.05%
Net interest margin - tax equivalent	3.25%	3.09%	3.82%	4.29%	3.50%
Yield on loans	5.11%	4.78%	5.14%	5.37%	4.14%
Yield on loans - excluding PPP loans	4.49%	4.63%	4.63%	4.69%	4.70%
Cost of deposits	0.08%	0.08%	0.08%	0.10%	0.13%
Efficiency ratio	60.35%	61.48%	60.19%	59.84%	66.08%
Full-time equivalent employees	116	114	116	116	113
<b>Capital</b>					
Leverage ratio	9.70%	7.45%	8.18%	8.33%	8.14%
Common equity tier 1 ratio	18.50%	15.25%	NA <sup>(1)</sup>	NA <sup>(1)</sup>	NA <sup>(1)</sup>
Tier 1 risk based ratio	18.50%	15.25%	NA <sup>(1)</sup>	NA <sup>(1)</sup>	NA <sup>(1)</sup>
Total risk based ratio	19.75%	16.51%	NA <sup>(1)</sup>	NA <sup>(1)</sup>	NA <sup>(1)</sup>
Book value per share	\$ 6.80	\$ 6.57	\$ 6.23	\$ 6.03	\$ 5.75
<b>Asset quality</b>					
Allowance for loan losses (ALLL)	\$ 6,026	\$ 6,024	\$ 6,020	\$ 5,791	\$ 5,782
Nonperforming loans (NPLs)	\$ 1,388	\$ 1,517	\$ 1,558	\$ 2,521	\$ 1,596
Nonperforming assets (NPAs)	\$ 1,388	\$ 1,517	\$ 1,558	\$ 2,521	\$ 1,596
Classified Assets <sup>(2)</sup>	\$ 8,156	\$ 12,627	\$ 12,141	\$ 14,366	\$ 12,667
Net loan charge offs (recoveries)	\$ (2)	\$ (3)	\$ (230)	\$ (9)	\$ (9)
ALLL as a percentage of net loans	1.54%	1.54%	1.50%	1.48%	1.35%
ALLL as a percentage of net loans (excluding PPP)	1.67%	1.79%	1.87%	1.86%	1.89%
ALLL as a percentage of NPLs	434.15%	397.10%	386.39%	229.75%	362.26%
Net charge offs (recoveries) to average loans	0.00%	0.00%	-0.06%	0.00%	0.00%
Net NPLs as a percentage of total loans	0.35%	0.39%	0.39%	0.64%	0.53%
Nonperforming assets as a percentage of total assets	0.20%	0.23%	0.24%	0.47%	0.30%
Classified Asset Ratio <sup>(3)</sup>	17.04%	27.30%	27.67%	33.98%	31.42%
Past due as a percentage of total loans	0.03%	0.36%	0.14%	0.49%	0.54%
<b>Off-balance sheet figures</b>					
Off-balance sheet demand deposits <sup>(4)</sup>	\$ 57,105	\$ 54,299	\$ 56,226	\$ 50,281	\$ 24,974
Off-balance sheet time deposits <sup>(5)</sup>	\$ 49,500	\$ 39,500	\$ -	\$ -	\$ -
Unused credit commitments	\$ 86,816	\$ 83,807	\$ 82,458	\$ 83,982	\$ 74,110
<b>End of period balances</b>					
Total securities and short term deposits	\$ 268,963	\$ 247,475	\$ 211,989	\$ 124,375	\$ 82,099
Total loans net of allowance	\$ 385,620	\$ 384,076	\$ 395,176	\$ 385,173	\$ 422,144
Total earning assets	\$ 661,966	\$ 638,932	\$ 614,542	\$ 516,485	\$ 511,171
Total assets	\$ 684,314	\$ 663,683	\$ 637,009	\$ 537,141	\$ 534,456
Total noninterest bearing deposits	\$ 180,991	\$ 181,406	\$ 171,750	\$ 136,428	\$ 134,574
Total deposits	\$ 612,950	\$ 609,458	\$ 585,307	\$ 486,343	\$ 485,589
<b>Average balances</b>					
Total securities and short term deposits	\$ 250,185	\$ 239,921	\$ 150,214	\$ 109,006	\$ 80,235
Total loans net of allowance	\$ 388,212	\$ 389,766	\$ 397,195	\$ 405,796	\$ 421,663
Total earning assets	\$ 645,779	\$ 637,066	\$ 554,446	\$ 521,734	\$ 508,244
Total assets	\$ 666,455	\$ 659,644	\$ 576,991	\$ 543,422	\$ 529,784
Total noninterest bearing deposits	\$ 183,950	\$ 178,155	\$ 167,266	\$ 138,247	\$ 134,676
Total deposits	\$ 610,247	\$ 606,476	\$ 525,064	\$ 493,502	\$ 480,742

<sup>(1)</sup> Effective March 31, 2020 through March 31, 2021 Oregon Pacific Bank opted into the Community Bank Leverage Ratio and stopped calculating risk based capital ratio

<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.

<sup>(4)</sup> Deposits sold through IntraFi Network Deposits Insured Cash Sweep (ICS) program

<sup>(5)</sup> Deposits sold through IntraFi Network Deposits CDARs program

## 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.

### 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