



CONSOLIDATED
STATEMENT OF CONDITION

March 31, 2022



Oregon
Pacific Bancorp

FOR IMMEDIATE RELEASE

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Oregon Pacific Bank Announces First Quarter Earnings Results

Florence, Ore., April 19, 2022 - Oregon Pacific Bancorp (ORPB), the holding company of Oregon Pacific Bank, today reported financial results for the first quarter ended March 31, 2022.

Highlights:

- First quarter net income of \$1.4 million; \$0.20 per diluted share
- Non-PPP loan growth of \$19.2 million or 20.08% annually
- Deposit growth of \$17.7 million or 11.61% annually
- Trust assets under management growth of \$20.1 million or 40.55% annually

Net income for the first quarter was \$1.4 million, or \$0.20 per diluted share, compared to \$2.0 million, or \$0.28 per diluted share for the quarter ended March 31, 2021. The Bank continued to see Paycheck Protection Program (PPP) forgiveness payments processed during the first quarter, but the PPP interest and fees decreased substantially to \$205 thousand, down from \$1.5 million recognized in first quarter 2021. During the quarter, the Bank saw outstanding PPP loans reduce to \$4.8 million. As of March 31, 2022, unamortized PPP fee income totaled \$141 thousand.

Period-end non-PPP loans, net of deferred loan origination fees, totaled \$407.4 million, with growth of \$19.2 million, which represented an annualized growth rate of 20.08%. The Bank continued to experience non-PPP loan demand, but pricing pressures remain strong. The first quarter effective yield on the non-PPP loan portfolio lowered to 4.37%, down from 4.47% in fourth quarter, primarily related to new production occurring at rates below the current effective yield of the portfolio.

"We are pleased to post strong quarterly earnings as we see the financial benefits of the PPP loan program lessen in relation to the Bank's overall profitability," said Ron Green, President and CEO. "Our board and management team have understood the temporary nature of the PPP fee income and have worked to enhance our noninterest income sources, primarily through Trust Services and Wealth Management."

During the quarter, the Bank saw a decrease in classified assets totaling \$2.4 million. This decrease was primarily attributable to upgrades of two loan relationships and one loan payoff. The payoff was related to a commercial relationship that was downgraded in the prior fiscal year.

First quarter 2022 deposit growth totaled \$17.7 million. While the Bank did not experience deposit contraction during the first quarter, the possibility of this will grow as depositors react to the changing interest rate environment. The Bank maintained first quarter cost of funds totaling 0.07% and did not make any rate adjustments following the change in the fed funds rate. The Bank also continues to maintain \$116.2 million of additional off-balance sheet deposits in the IntraFi Network's Insured Cash Sweep (ICS) and CDARS products. The off-balance sheet deposits remain a source of liquidity, with the ICS deposits available on demand and the CDARs deposits with a maximum maturity of four weeks.

During first quarter 2022 the Bank continued to shift interest-bearing balances with the Federal Reserve into higher yielding securities to augment the net interest margin. First quarter securities purchases totaled \$40.5

million with a weighted average maturity of 3.35 years and a weighted average yield of 1.76%. Securities purchases were offset by portfolio amortization and an increase in the unrealized loss on the securities portfolio. The March 31, 2022, unrealized loss on the securities portfolio grew to \$6.3 million. This compared to an unrealized gain of \$52 thousand on December 31, 2021. The Bank's securities portfolio is classified as available-for-sale and is marked to market monthly. The changing yield curve has caused many of the investments purchased during 2021 to be at rates below the current market rate for similar securities. The Bank will benefit from the variable rate securities in the portfolio in a rising rate environment. As of March 31, 2022, approximately 30% of the securities are subject to monthly or quarter rate resets, which will enhance the Bank's interest income moving forward.

First quarter 2022 noninterest income totaled \$1.6 million, which represented a decrease of \$117 thousand from fourth quarter 2021. The decrease in revenue is partially attributable to a reduction in mortgage loan sales. With increased mortgage rates, refinance activity decreased, leading to lower quarterly income. The Bank also saw a small reduction in income attributable to Oregon Pacific Wealth Management LLC, (OPWM) the wholly owned Registered Investment Advisory subsidiary of the Bank. Market fluctuations in assets contributed to a reduction in assets under management, which is directly tied to the fee income recognized through OPWM.

Noninterest expense in the first quarter totaled \$4.5 million, up \$208 thousand over fourth quarter 2021. The largest increase occurred in the salaries and employee benefits category, which was partially due to 401k/profit sharing expense, which was up \$112 thousand over fourth quarter 2021. The Bank has a safe harbor 401k plan, and in 2022, the Bank implemented a new profit-sharing component, which is tied to overall Company profitability. The Bank is continuing to see pressure on wages due to competition for employees and will continue to evaluate overall compensation to ensure retention of key employees. Additionally, payroll tax expense was up \$60 thousand over fourth quarter 2021 as payroll tax calculators are reset on an annual basis. The Bank currently anticipates this expense to decrease as the year progresses.

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.

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 /Co-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

CONSOLIDATED BALANCE SHEETS

Unaudited (dollars in thousands)

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
ASSETS			
Cash and due from banks	\$ 16,039	\$ 8,643	\$ 9,925
Interest bearing deposits	98,345	143,192	161,446
Securities	157,922	123,076	50,543
Non PPP Loans, net of deferred fees and costs	407,405	388,187	322,451
PPP Loans, net of deferred fees and costs	4,783	9,968	78,745
Total Loans, net of deferred fees and costs	412,188	398,155	401,196
Allowance for loan losses	(5,959)	(5,905)	(6,020)
Premises and equipment, net	9,645	9,720	6,621
Bank owned life insurance	8,456	8,402	8,221
Deferred tax asset	2,998	1,270	1,079
Other assets	6,893	5,168	3,998
Total assets	<u>\$ 706,527</u>	<u>\$ 691,721</u>	<u>\$ 637,009</u>
LIABILITIES			
Deposits			
Demand - non-interest bearing	\$ 178,367	\$ 171,380	\$ 171,750
Demand - interest bearing	187,276	181,885	183,537
Money market	167,681	164,742	139,350
Savings	83,477	80,856	70,276
Certificates of deposit	19,583	19,816	20,394
Total deposits	636,384	618,679	585,307
Junior subordinated debenture	4,124	4,124	4,124
Subordinated debenture	14,553	14,528	-
Other liabilities	5,420	5,130	3,695
Total liabilities	<u>660,481</u>	<u>642,461</u>	<u>593,126</u>
STOCKHOLDERS' EQUITY			
Common stock	20,917	20,904	20,753
Retained earnings	29,762	28,318	22,484
Accumulated other comprehensive income, net of tax	(4,633)	38	646
Total stockholders' equity	<u>46,046</u>	<u>49,260</u>	<u>43,883</u>
Total liabilities & stockholders' equity	<u>\$ 706,527</u>	<u>\$ 691,721</u>	<u>\$ 637,009</u>

CONSOLIDATED STATEMENTS OF INCOME

Unaudited (dollars in thousands, except per share data)

THREE MONTHS ENDED

	March 31, 2022	December 31, 2021	March 31, 2021
INTEREST INCOME			
Non-PPP loans	\$ 4,284	\$ 4,194	\$ 3,648
PPP loans	205	697	1,460
Securities	556	364	178
Other interest income	55	63	27
Total interest income	<u>5,100</u>	<u>5,318</u>	<u>5,313</u>
INTEREST EXPENSE			
Deposits	109	115	100
Borrowed funds	181	185	31
Total interest expense	<u>290</u>	<u>300</u>	<u>131</u>
NET INTEREST INCOME	4,810	5,018	5,182
Provision for loan losses	50	-	-
Net interest income after provision for loan losses	<u>4,760</u>	<u>5,018</u>	<u>5,182</u>
NONINTEREST INCOME			
Trust fee income	778	819	630
Service charges	298	303	247
Mortgage loan sales	123	163	149
Investment sales commissions	-	20	35
Merchant card services	108	120	86
Oregon Pacific Wealth Management income	250	259	188
Other income	88	78	77
Total noninterest income	<u>1,645</u>	<u>1,762</u>	<u>1,412</u>
NONINTEREST EXPENSE			
Salaries and employee benefits	2,614	2,383	2,273
Outside services	520	511	436
Occupancy & equipment	401	366	347
Trust expense	392	384	355
Loan and collection, OREO expense	27	40	36
Advertising	94	61	58
Supplies and postage	69	63	57
Other operating expenses	389	490	407
Total noninterest expense	<u>4,506</u>	<u>4,298</u>	<u>3,969</u>
Income before taxes	1,899	2,482	2,625
Provision for income taxes	455	612	662
NET INCOME	<u>\$ 1,444</u>	<u>\$ 1,870</u>	<u>\$ 1,963</u>

Quarterly Highlights

	1st Quarter 2022	4th Quarter 2021	3rd Quarter 2021	2nd Quarter 2021	1st Quarter 2021
Earnings					
Net interest income	\$ 4,810	\$ 5,018	\$ 5,251	\$ 4,865	\$ 5,182
Provision for loan loss	50	-	-	-	-
Noninterest income	1,645	1,762	1,629	1,812	1,412
Noninterest expense	4,506	4,298	4,152	4,105	3,969
Provision for income taxes	455	612	686	650	662
Net income	\$ 1,444	\$ 1,870	\$ 2,042	\$ 1,922	\$ 1,963
Average shares outstanding	7,057,361	7,042,478	7,042,478	7,041,041	7,022,759
Earnings per share	\$ 0.20	\$ 0.27	\$ 0.29	\$ 0.27	\$ 0.28
Performance Ratios					
Return on average assets	0.84%	1.09%	1.22%	1.17%	1.38%
Return on average equity	12.02%	15.44%	17.24%	17.24%	18.59%
Net interest margin - tax equivalent	2.93%	3.04%	3.25%	3.09%	3.82%
Yield on loans	4.50%	4.99%	5.11%	4.78%	5.14%
Yield on loans - excluding PPP loans	4.37%	4.47%	4.49%	4.63%	4.63%
Cost of deposits	0.07%	0.07%	0.08%	0.08%	0.08%
Efficiency ratio	69.81%	63.39%	60.35%	61.48%	60.19%
Full-time equivalent employees	122	118	116	114	116
Capital					
Leverage ratio	9.72%	9.73%	9.70%	7.45%	8.18%
Common equity tier 1 ratio	16.42%	17.12%	18.50%	15.25%	NA ⁽¹⁾
Tier 1 risk based ratio	16.42%	17.12%	18.50%	15.25%	NA ⁽¹⁾
Total risk based ratio	17.68%	18.38%	19.75%	16.51%	NA ⁽¹⁾
Book value per share	\$ 6.52	\$ 6.99	\$ 6.80	\$ 6.57	\$ 6.23
Asset quality					
Allowance for loan losses (ALLL)	\$ 5,959	\$ 5,905	\$ 6,026	\$ 6,024	\$ 6,020
Nonperforming loans (NPLs)	\$ 593	\$ 928	\$ 1,388	\$ 1,517	\$ 1,558
Nonperforming assets (NPAs)	\$ 593	\$ 928	\$ 1,388	\$ 1,517	\$ 1,558
Classified Assets ⁽²⁾	\$ 6,349	\$ 8,756	\$ 8,156	\$ 12,627	\$ 12,141
Net loan charge offs (recoveries)	\$ (4)	\$ 122	\$ (2)	\$ (3)	\$ (230)
ALLL as a percentage of net loans	1.45%	1.48%	1.54%	1.54%	1.50%
ALLL as a percentage of net loans (excluding PPP)	1.46%	1.52%	1.67%	1.79%	1.87%
ALLL as a percentage of NPLs	1004.89%	636.31%	434.15%	397.10%	386.39%
Net charge offs (recoveries) to average loans	0.00%	0.03%	0.00%	0.00%	-0.06%
Net NPLs as a percentage of total loans	0.15%	0.24%	0.35%	0.39%	0.39%
Nonperforming assets as a percentage of total assets	0.08%	0.13%	0.20%	0.23%	0.24%
Classified Asset Ratio ⁽³⁾	13.79%	17.78%	17.04%	27.30%	27.67%
Past due as a percentage of total loans	0.21%	0.21%	0.03%	0.36%	0.14%
Off-balance sheet figures					
Off-balance sheet demand deposits ⁽⁴⁾	\$ 78,674	\$ 55,477	\$ 57,105	\$ 54,299	\$ 56,226
Off-balance sheet time deposits ⁽⁵⁾	\$ 37,500	\$ 47,500	\$ 49,500	\$ 39,500	\$ -
Unused credit commitments	\$ 95,570	\$ 83,778	\$ 86,816	\$ 83,807	\$ 82,458
Trust assets under management (AUM)	\$ 221,390	\$ 201,264	\$ 188,420	\$ 183,175	\$ 178,546
Oregon Pacific Wealth Management AUM	\$ 127,749	\$ 130,099	\$ 122,274	\$ 103,401	\$ 94,436
End of period balances					
Total securities and short term deposits	\$ 256,267	\$ 266,268	\$ 268,963	\$ 247,475	\$ 211,989
Total loans net of allowance	\$ 406,229	\$ 392,250	\$ 385,620	\$ 384,076	\$ 395,176
Total earning assets	\$ 670,406	\$ 665,780	\$ 661,966	\$ 638,932	\$ 614,542
Total assets	\$ 706,527	\$ 691,721	\$ 684,314	\$ 663,683	\$ 637,009
Total noninterest bearing deposits	\$ 178,367	\$ 171,380	\$ 180,991	\$ 181,406	\$ 171,750
Total deposits	\$ 636,384	\$ 618,679	\$ 612,950	\$ 609,458	\$ 585,307
Average balances					
Total securities and short term deposits	\$ 264,504	\$ 268,332	\$ 250,185	\$ 239,921	\$ 150,214
Total loans net of allowance	\$ 398,423	\$ 383,161	\$ 388,212	\$ 389,766	\$ 397,195
Total earning assets	\$ 670,330	\$ 658,872	\$ 645,779	\$ 637,066	\$ 554,446
Total assets	\$ 699,808	\$ 682,779	\$ 666,455	\$ 659,644	\$ 576,991
Total noninterest bearing deposits	\$ 171,184	\$ 170,600	\$ 183,950	\$ 178,155	\$ 167,266
Total deposits	\$ 626,023	\$ 610,981	\$ 610,247	\$ 606,476	\$ 525,064

(1) Effective March 31, 2020 through March 31, 2021 Oregon Pacific Bank opted into the Community Bank Leverage Ratio and stopped calculating risk based capital ratios.

(2) 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.

(3) 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.

(4) Deposits sold through IntraFi Network Deposits Insured Cash Sweep (ICS) program.

(5) Deposits sold through IntraFi Network Deposits CDARs program.