



CONSOLIDATED
STATEMENT OF CONDITION

June 30, 2022



Oregon
Pacific Bancorp

FOR IMMEDIATE RELEASE

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Oregon Pacific Bank Announces Second Quarter Earnings Results

Florence, Ore., July 21, 2022—Oregon Pacific Bancorp (ORPB), the holding company of Oregon Pacific Bank, today reported financial results for the second quarter ended June 30, 2022.

Highlights:

- Final PPP forgiveness payments processed, bringing PPP loan balances to zero.
- Second quarter net income of \$1.9 million; \$0.27 per diluted share.
- Quarterly non-PPP loan growth of \$28.1 million.
- Quarterly deposit growth of \$6.3 million.
- Quarterly tax equivalent net interest margin of 3.27%

Net income for the quarter ended June 30, 2022, was \$1.9 million, or \$0.27 per diluted share, compared to \$1.9 million, or \$0.27 per diluted share for the quarter ended June 30, 2021. During the quarter the Bank saw a conclusion of the Paycheck Protection Program (PPP) forgiveness payments, recognizing \$145 thousand in PPP fee and interest income during the second quarter. PPP income recognized during second quarter 2022 was down \$816 thousand from the \$961 thousand recognized in second quarter 2021, yet overall net income was comparable.

“We are pleased to report the ending to our PPP loan program,” said Ron Green, President and CEO. “PPP loans provided much needed support to the business community during a tremendously uncertain time. While the forgiveness process is complete, we are proud of the lasting economic benefits our clients received because of the program.”

Period-end non-PPP loans, net of deferred loan origination fees, totaled \$435.5 million, with quarterly growth of \$28.1 million, and year-to-date growth of \$47.3 million, which represented an annualized growth rate of 24.37%. The Bank continued to experience non-PPP loan demand, but pricing pressures remain strong. The second quarter effective yield on the non-PPP loan portfolio lowered to 4.33%, down from 4.37% in first quarter. During the second quarter a USDA guaranteed loan prepaid, which was purchased at a premium during 2017. This resulted in the expense of \$47 thousand for the remaining purchase premium, which resulted in a reduction to interest income during the second quarter. Without the prepayment, the effective yield on the non-PPP loan portfolio would have been 4.38%, an improvement of 0.01% over first quarter 2022.

During the quarter, the Bank saw a decrease in classified assets totaling \$1.3 million, bringing the classified asset ratio to 6.68% as of June 30, 2022. This decrease was primarily attributable to upgrades of one loan relationship and payoffs of three additional loans. Offsetting the upgrades and payoffs, the Bank migrated one relationship totaling \$375 thousand to nonaccrual status. This was a single-family residential loan, which as of June 30, 2022, was well secured.

Second quarter 2022 deposit growth slowed but totaled \$6.3 million. The Bank maintained second quarter cost of funds totaling 0.07% and had not initiated any deposit rate increases. The Bank also continues to maintain \$121.6 million of additional off-balance sheet deposits in the IntraFi Network’s Insured Cash Sweep (ICS) product. In prior

quarters, the Bank maintained both time deposits and demand deposits in the IntraFi network due to capacity limitation imposed by the IntraFi Network. During second quarter those limitations were eliminated, and the Bank migrated all off-balance sheet deposits into the ICS demand product. The off-balance sheet deposits remain a source of liquidity, with the ICS deposits available on demand.

During the second quarter the Bank continued to purchase investment securities with quarterly purchases totaling \$19.4 million, with a weighted average maturity of 3.08 years and a weighted average yield of 3.11%. Securities purchases were offset by portfolio amortization and an increase in the unrealized loss on the securities portfolio. The June 30, 2022, unrealized loss on the securities portfolio grew to \$10.5 million or 5.8% of the portfolio book value. Second quarter securities income totaled \$828 thousand, an increase of \$272 thousand from the \$556 thousand recognized in the first quarter ended March 31, 2022. Several factors contributed to the increased earnings, including securities purchased during the quarter occurred at an effective rate higher than the overall portfolio yield and the increase in the yield on the variable rate securities tied to the prime rate. As of June 30, 2022, approximately \$47.7 million of the securities portfolio is subject to monthly or quarter rate resets. The Bank continues to plan for additional securities purchases during 2022, which will continue to enhance the net interest margin by shifting earnings assets from fed funds into higher yielding securities.

Second quarter 2022 noninterest income totaled \$1.8 million, which represented an increase of \$136 thousand from the first quarter 2022. The increase occurred across all income categories, except for mortgage loan sales. While higher interest rates have stopped most refinance activity, the Bank's Florence community continues to see inward migration which provides opportunities for mortgage originations, but at a pace slower than 2021. The largest increase in noninterest income occurred in the other income category, which is primarily attributable to the income earned on the off-balance sheet portion of the IntraFi deposits, which totaled \$80 thousand. This represents the difference between what IntraFi paid the bank for the deposits and what was passed to the depositors. As interest rates push upward, this source of non-interest income will likely decrease over time as the Bank will be forced to increase the interest amount paid to depositors.

Noninterest expense in the second quarter 2022 totaled \$4.5 million, down \$43 thousand from first quarter 2022. The primary driver of the reduction came from the other operating expense category, with the difference primarily attributable to timing differences in business development expenses, including nonprofit event sponsorships and charitable donations, which totaled \$22 thousand in second quarter, down from \$57 thousand in the first quarter.

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>June 30, 2022</u>	<u>March 31, 2022</u>	<u>June 30, 2021</u>
ASSETS			
Cash and due from banks	\$ 11,527	\$ 16,039	\$ 12,658
Interest bearing deposits	71,429	98,345	181,966
Securities	170,977	157,922	65,509
Non PPP Loans, net of deferred fees and costs	435,478	407,405	335,813
PPP Loans, net of deferred fees and costs	-	4,783	54,287
Total Loans, net of deferred fees and costs	<u>435,478</u>	<u>412,188</u>	<u>390,100</u>
Allowance for loan losses	(6,088)	(5,959)	(6,024)
Premises and equipment, net	9,558	9,645	6,507
Bank owned life insurance	8,509	8,456	8,282
Deferred tax asset	4,118	2,998	940
Other assets	<u>7,024</u>	<u>6,893</u>	<u>3,745</u>
Total assets	<u><u>\$ 712,532</u></u>	<u><u>\$ 706,527</u></u>	<u><u>\$ 663,683</u></u>
LIABILITIES			
Deposits			
Demand - non-interest bearing	\$ 189,112	\$ 178,367	\$ 181,406
Demand - interest bearing	187,348	187,276	188,135
Money market	163,728	167,681	147,506
Savings	83,517	83,477	72,557
Certificates of deposit	<u>18,948</u>	<u>19,583</u>	<u>19,854</u>
Total deposits	642,653	636,384	609,458
Junior subordinated debenture	4,124	4,124	4,124
Subordinated debenture	14,578	14,553	-
Other liabilities	<u>6,153</u>	<u>5,420</u>	<u>3,843</u>
Total liabilities	<u>667,508</u>	<u>660,481</u>	<u>617,425</u>
STOCKHOLDERS' EQUITY			
Common stock	20,977	20,917	20,831
Retained earnings	31,707	29,762	24,406
Accumulated other comprehensive income, net of tax	<u>(7,660)</u>	<u>(4,633)</u>	<u>1,021</u>
Total stockholders' equity	<u>45,024</u>	<u>46,046</u>	<u>46,258</u>
Total liabilities & stockholders' equity	<u><u>\$ 712,532</u></u>	<u><u>\$ 706,527</u></u>	<u><u>\$ 663,683</u></u>

CONSOLIDATED STATEMENTS OF INCOME

Unaudited (dollars in thousands, except per share data)

	THREE MONTHS ENDED			SIX MONTHS ENDED	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
INTEREST INCOME					
Non-PPP loans	\$ 4,568	\$ 4,284	\$ 3,758	\$ 8,854	\$ 7,407
PPP loans	145	205	961	349	2,421
Securities	828	556	242	1,383	420
Other interest income	147	55	51	202	79
Total interest income	<u>5,688</u>	<u>5,100</u>	<u>5,012</u>	<u>10,788</u>	<u>10,327</u>
INTEREST EXPENSE					
Deposits	108	109	116	217	217
Borrowed funds	191	181	31	371	61
Total interest expense	<u>299</u>	<u>290</u>	<u>147</u>	<u>588</u>	<u>278</u>
NET INTEREST INCOME	5,389	4,810	4,865	10,200	10,049
Provision for loan losses	100	50	-	150	-
Net interest income after provision for loan losses	<u>5,289</u>	<u>4,760</u>	<u>4,865</u>	<u>10,050</u>	<u>10,049</u>
NONINTEREST INCOME					
Trust fee income	804	778	878	1,582	1,508
Service charges	322	298	271	620	519
Mortgage loan sales	90	123	239	211	387
Investment sales commissions	-	-	33	-	69
Merchant card services	134	108	114	242	200
Oregon Pacific Wealth Management income	252	250	199	502	387
Other income	179	88	78	269	156
Total noninterest income	<u>1,781</u>	<u>1,645</u>	<u>1,812</u>	<u>3,426</u>	<u>3,226</u>
NONINTEREST EXPENSE					
Salaries and employee benefits	2,642	2,614	2,401	5,256	4,675
Outside services	504	520	436	1,023	872
Occupancy & equipment	412	401	348	813	694
Trust expense	402	392	348	794	702
Loan and collection, OREO expense	23	27	29	50	64
Advertising	94	94	75	188	133
Supplies and postage	60	69	61	130	117
Other operating expenses	326	389	407	716	817
Total noninterest expense	<u>4,463</u>	<u>4,506</u>	<u>4,105</u>	<u>8,970</u>	<u>8,074</u>
Income before taxes	2,607	1,899	2,572	4,506	5,201
Provision for income taxes	663	455	650	1,118	1,312
NET INCOME	<u>\$ 1,944</u>	<u>\$ 1,444</u>	<u>\$ 1,922</u>	<u>\$ 3,388</u>	<u>\$ 3,889</u>

Quarterly Highlights

	2nd Quarter 2022	1st Quarter 2022	4th Quarter 2021	3rd Quarter 2021	2nd Quarter 2021
Earnings					
Net interest income	\$ 5,389	\$ 4,810	\$ 5,018	\$ 5,251	\$ 4,865
Provision for loan loss	100	50	-	-	-
Noninterest income	1,781	1,645	1,762	1,629	1,812
Noninterest expense	4,463	4,506	4,298	4,152	4,105
Provision for income taxes	663	455	612	686	650
Net income	<u>\$ 1,944</u>	<u>\$ 1,444</u>	<u>\$ 1,870</u>	<u>\$ 2,042</u>	<u>\$ 1,922</u>
Average shares outstanding	7,070,686	7,057,361	7,042,478	7,042,478	7,041,041
Earnings per share	\$ 0.27	\$ 0.20	\$ 0.27	\$ 0.29	\$ 0.27
Performance Ratios					
Return on average assets	1.12%	0.84%	1.09%	1.22%	1.17%
Return on average equity	17.34%	12.02%	15.44%	17.24%	17.24%
Net interest margin - tax equivalent	3.27%	2.93%	3.04%	3.25%	3.09%
Yield on loans	4.45%	4.50%	4.99%	5.11%	4.78%
Yield on loans - excluding PPP loans	4.33%	4.37%	4.47%	4.49%	4.63%
Yield on securities	1.91%	1.49%	1.39%	1.39%	1.53%
Cost of deposits	0.07%	0.07%	0.07%	0.08%	0.08%
Efficiency ratio	62.21%	69.81%	63.39%	60.35%	61.48%
Full-time equivalent employees	122	122	118	116	114
Capital					
Tier 1 capital	\$ 70,041	\$ 68,040	\$ 66,593	\$ 64,685	\$ 49,097
Leverage ratio	9.96%	9.72%	9.73%	9.70%	7.45%
Common equity tier 1 ratio	14.79%	16.42%	17.12%	18.50%	15.25%
Tier 1 risk based ratio	14.79%	16.42%	17.12%	18.50%	15.25%
Total risk based ratio	16.04%	17.68%	18.38%	19.75%	16.51%
Book value per share	\$ 6.37	\$ 6.52	\$ 6.99	\$ 6.80	\$ 6.57
Asset quality					
Allowance for loan losses (ALLL)	\$ 6,088	\$ 5,959	\$ 5,905	\$ 6,026	\$ 6,024
Nonperforming loans (NPLs)	\$ 960	\$ 593	\$ 928	\$ 1,388	\$ 1,517
Nonperforming assets (NPAs)	\$ 960	\$ 593	\$ 928	\$ 1,388	\$ 1,517
Classified Assets ⁽¹⁾	\$ 5,089	\$ 6,349	\$ 8,756	\$ 8,156	\$ 12,627
Net loan charge offs (recoveries)	\$ (29)	\$ (4)	\$ 122	\$ (2)	\$ (3)
ALLL as a percentage of net loans	1.40%	1.45%	1.48%	1.54%	1.54%
ALLL as a percentage of net loans (excluding PPP)	1.40%	1.46%	1.52%	1.67%	1.79%
ALLL as a percentage of NPLs	634.17%	1004.89%	636.31%	434.15%	397.10%
Net charge offs (recoveries) to average loans	-0.01%	0.00%	0.03%	0.00%	0.00%
Net NPLs as a percentage of total loans	0.22%	0.15%	0.24%	0.35%	0.39%
Nonperforming assets as a percentage of total assets	0.13%	0.08%	0.13%	0.20%	0.23%
Classified Asset Ratio ⁽²⁾	6.68%	8.58%	12.08%	11.53%	22.91%
Past due as a percentage of total loans	0.12%	0.21%	0.21%	0.03%	0.36%
Off-balance sheet figures					
Off-balance sheet demand deposits ⁽³⁾	\$ 121,645	\$ 78,674	\$ 55,477	\$ 57,105	\$ 54,299
Off-balance sheet time deposits ⁽⁴⁾	\$ -	\$ 37,500	\$ 47,500	\$ 49,500	\$ 39,500
Unused credit commitments	\$ 93,411	\$ 95,570	\$ 83,778	\$ 86,816	\$ 83,807
Trust assets under management (AUM)	\$ 195,058	\$ 199,983	\$ 201,264	\$ 188,420	\$ 183,175
Oregon Pacific Wealth Management AUM	\$ 114,973	\$ 127,749	\$ 130,099	\$ 122,274	\$ 103,401
End of period balances					
Total securities	\$ 170,977	\$ 157,922	\$ 123,076	\$ 82,398	\$ 65,509
Total short term deposits	\$ 71,429	\$ 98,345	\$ 143,192	\$ 186,565	\$ 181,966
Total loans net of allowance	\$ 429,390	\$ 406,229	\$ 392,250	\$ 385,620	\$ 384,076
Total earning assets	\$ 679,835	\$ 670,406	\$ 665,780	\$ 661,966	\$ 638,932
Total assets	\$ 712,532	\$ 706,527	\$ 691,721	\$ 684,314	\$ 663,683
Total noninterest bearing deposits	\$ 189,112	\$ 178,367	\$ 171,380	\$ 180,991	\$ 181,406
Total deposits	\$ 642,653	\$ 636,384	\$ 618,679	\$ 612,950	\$ 609,458
Average balances					
Total securities	\$ 165,729	\$ 143,830	\$ 102,431	\$ 73,271	\$ 56,913
Total short term deposits	\$ 73,515	\$ 120,674	\$ 165,901	\$ 176,914	\$ 183,008
Total loans net of allowance	\$ 418,445	\$ 398,423	\$ 383,161	\$ 388,212	\$ 389,766
Total earning assets	\$ 665,637	\$ 670,330	\$ 658,872	\$ 645,779	\$ 637,066
Total assets	\$ 697,913	\$ 699,808	\$ 682,779	\$ 666,455	\$ 659,644
Total noninterest bearing deposits	\$ 178,626	\$ 171,184	\$ 170,600	\$ 183,950	\$ 178,155
Total deposits	\$ 627,700	\$ 626,023	\$ 610,981	\$ 610,247	\$ 606,476

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ Deposits sold through IntraFi Network Deposits Insured Cash Sweep (ICS) program

⁽⁴⁾ Deposits sold through IntraFi Network Deposits CDARs program