

CONSOLIDATED  
STATEMENT OF CONDITION

December 31, 2022



## FOR IMMEDIATE RELEASE

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## Oregon Pacific Bank Announces 2022 Earnings Results

**Florence, Ore., January 19, 2023** - Oregon Pacific Bancorp (ORPB), the holding company of Oregon Pacific Bank, today reported financial results for the fourth quarter ended, and year ended, December 31, 2022.

### Highlights:

- Fourth quarter net income of \$1.4 million; \$0.20 per diluted share
- Annual non-PPP loan growth of \$94.8 million or 24.42%
- Annual deposit growth of \$64.2 million or 10.38%
- Quarterly tax equivalent net interest margin of 3.87%
- Bank expanded into Portland, opening a loan production office in December

Net income for the quarter ended December 31, 2022, was \$1.4 million, or \$0.20 per diluted share. On an annual basis, the Bank recorded net income totaling \$7.1 million, or \$1.01 per diluted share compared to \$7.8 million, or \$1.11 per diluted share for the same period in 2021.

Ron Green, President and Chief Executive Officer said today upon the release of Oregon Pacific's earnings, "Our bankers' work is reflected in our financial results with record production driving annualized loan growth of 24 percent and exceptional credit metrics." He continued, "Our investments in new and existing markets continue to result in core loan production capabilities."

Period-end loans, net of deferred loan origination fees, totaled \$483.0 million, representing quarterly growth of \$26.4 million, and annual non-PPP growth of \$94.8 million. The fourth quarter yield on non-PPP loans totaled 4.70%, an increase of 0.20% over the prior quarter. During the quarter the Bank saw a decrease in classified assets totaling \$697 thousand, bringing the classified asset ratio to 4.81% as of December 31, 2022. This decrease was primarily attributable to a payoff of one residential loan relationship. The Bank also funded provision for loan loss expense of \$335 thousand, which was largely the result of loan growth experienced during the quarter, as credit metrics including nonaccrual loan totals and past due totals remain strong.

The Bank experienced deposit contraction totaling \$29.8 million or a decline of 4.2% during the quarter. On an annual basis deposits grew \$64.2 million or 10.38%.

"During fourth quarter, the Bank experienced a decrease in deposits as customers pursued higher yields on their non-operating cash balances," commented John Raleigh, Chief Lending Officer. "The Bank was positioned with sufficient liquidity where it was not forced to aggressively compete for high-cost deposits and some deposit runoff was anticipated."

The Bank's cost of funds increased to 0.21% in fourth quarter, up from the 0.09% reported in third quarter 2022. In market rate competition increased during the quarter, with some local and regional banks offering higher yield CD specials for new depositors. While CD rates do not typically attract business depositors, the Bank did experience some consumer deposit contraction. Business related deposits were less impacted by local competition, and more

impacted by online banks offering high yield money market rates or brokerage firms offering money market mutual funds.

Noninterest income totaled \$1.9 million during fourth quarter 2022 and represented a decrease of \$154 thousand from third quarter 2022. The largest decrease 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 Network deposits, which totaled \$191 during fourth quarter, down from \$437 thousand in third quarter.

During the quarter the Bank implemented a security repositioning strategy, which resulted in a pre-tax loss on sale of securities totaling \$1.8 million, or an after-tax loss of \$1.4 million. The Bank elected to sell \$15.5 million of securities, purchased in early 2021, with a weighted average yield of 1.23% and a remaining weighted average life of 5.42 years. These securities were replaced by \$13.8 million of securities, yielding 4.79%, based on the most recent monthly prepayments, and a weighted average life of 6.53 years. The replacement strategy is forecasted to result in additional interest income of \$479 thousand annually and is expected to fully offset the loss in less than four years, based on current prepayment assumptions. This strategy was executed in mid-December and the increased yield on the portfolio was only realized for a small portion of the quarter.

“This security sale strategy was possible due to the strong financial results in 2022,” said Amber White, Executive Vice President and CFO. “While 2022 profitability was impacted by the sale, the bank’s margin is better positioned for 2023 and beyond, leading to enhanced shareholder value.”

The overall securities portfolio saw a reduction in the unrealized loss on securities of \$2.6 million, moving to \$14.3 million on December 31, 2022, down from \$16.9 million at September 30, 2022. This was attributable to recognition of the loss on sale, combined with an increase in the market value of some securities. The weighted average life of the portfolio reduced to 5.2 years at December 31, 2022, down from 5.5 years at September 30, 2022. During the quarter the yield on securities grew to 3.02%, up from 2.39% in third quarter, which contributed an additional \$339 thousand of interest income.

Excluding the loss on sale of securities, noninterest expense in the fourth quarter 2022 totaled \$4.9 million, an increase of \$97 thousand over third quarter 2022. Included in fourth quarter expenses were one-time expenses totaling \$122 thousand associated with the hiring of the Portland team. The hiring of the Portland team did not occur until the end of fourth quarter and the full impact of the personnel and occupancy expense was not reflected in fourth quarter results. The initial impact of the Portland team is expected to increase quarterly expense by \$340 thousand but may grow as a permanent location is identified and as the Bank moves forward with a branch application and staffing.

### **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, investment yields,, 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)

	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
<b>ASSETS</b>			
Cash and due from banks	\$ 10,657	\$ 13,402	\$ 8,643
Interest bearing deposits	39,863	97,840	143,192
Securities	195,881	188,366	123,076
Non PPP Loans, net of deferred fees and costs	482,979	456,627	388,187
PPP Loans, net of deferred fees and costs	-	-	9,968
Total Loans, net of deferred fees and costs	482,979	456,627	398,155
Allowance for loan losses	(6,666)	(6,328)	(5,905)
Premises and equipment, net	9,556	9,501	9,721
Bank owned life insurance	8,616	8,563	8,402
Deferred tax asset	5,631	5,836	1,270
Other assets	7,665	6,904	5,167
<b>Total assets</b>	<u>\$ 754,182</u>	<u>\$ 780,711</u>	<u>\$ 691,721</u>
<b>LIABILITIES</b>			
<b>Deposits</b>			
Demand - non-interest bearing	\$ 180,589	\$ 195,536	\$ 171,380
Demand - interest bearing	236,511	242,974	181,885
Money market	165,671	170,439	164,742
Savings	82,662	85,548	80,856
Certificates of deposit	17,436	18,213	19,816
Total deposits	682,869	712,710	618,679
Junior subordinated debenture	4,124	4,124	4,124
Subordinated debenture	14,627	14,603	14,528
Other liabilities	6,474	6,499	5,130
<b>Total liabilities</b>	<u>708,094</u>	<u>737,936</u>	<u>642,461</u>
<b>STOCKHOLDERS' EQUITY</b>			
Common stock	21,099	21,042	20,904
Retained earnings	35,462	34,038	28,318
Accumulated other comprehensive income, net of tax	(10,473)	(12,305)	38
<b>Total stockholders' equity</b>	<u>46,088</u>	<u>42,775</u>	<u>49,260</u>
<b>Total liabilities &amp; stockholders' equity</b>	<u>\$ 754,182</u>	<u>\$ 780,711</u>	<u>\$ 691,721</u>

**CONSOLIDATED STATEMENTS OF INCOME**

Unaudited (dollars in thousands, except per share data)

	<b>THREE MONTHS ENDED</b>			<b>TWELVE MONTHS ENDED</b>	
	<b>December 31,</b>	<b>September 30,</b>	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>INTEREST INCOME</b>					
Non-PPP loans	\$ 5,517	\$ 5,022	\$ 4,194	\$ 19,392	\$ 15,575
PPP loans	-	-	697	349	4,217
Securities	1,470	1,131	364	3,984	1,046
Other interest income	664	305	63	1,170	212
Total interest income	<u>7,651</u>	<u>6,458</u>	<u>5,318</u>	<u>24,895</u>	<u>21,050</u>
<b>INTEREST EXPENSE</b>					
Deposits	361	152	115	729	450
Borrowed funds	220	204	185	795	280
Total interest expense	<u>581</u>	<u>356</u>	<u>300</u>	<u>1,524</u>	<u>730</u>
<b>NET INTEREST INCOME</b>	7,070	6,102	5,018	23,371	20,320
Provision for loan losses	335	209	-	694	-
Net interest income after provision for loan losses	<u>6,735</u>	<u>5,893</u>	<u>5,018</u>	<u>22,677</u>	<u>20,320</u>
<b>NONINTEREST INCOME</b>					
Trust fee income	841	783	819	3,206	3,029
Service charges	329	324	303	1,273	1,122
Mortgage loan sales	57	29	163	297	688
Investment sales commissions	-	-	20	-	118
Merchant card services	121	153	120	515	471
Oregon Pacific Wealth Management income	236	239	259	977	870
Other income	304	514	78	1,085	320
Total noninterest income	<u>1,888</u>	<u>2,042</u>	<u>1,762</u>	<u>7,353</u>	<u>6,618</u>
<b>NONINTEREST EXPENSE</b>					
Salaries and employee benefits	2,787	2,787	2,383	10,830	9,362
Loss on sale of securities	1,829	-	-	1,829	-
Outside services	593	583	511	2,199	1,888
Occupancy & equipment	432	413	366	1,657	1,422
Trust expense	461	432	384	1,686	1,452
Loan and collection, OREO expense	(8)	21	40	63	135
Advertising	111	141	61	440	289
Supplies and postage	75	74	63	279	251
Other operating expenses	457	360	490	1,536	1,728
Total noninterest expense	<u>6,737</u>	<u>4,811</u>	<u>4,298</u>	<u>20,519</u>	<u>16,527</u>
Income before taxes	1,886	3,124	2,482	9,511	10,411
Provision for income taxes	459	792	612	2,368	2,610
<b>NET INCOME</b>	<u>\$ 1,427</u>	<u>\$ 2,332</u>	<u>\$ 1,870</u>	<u>\$ 7,143</u>	<u>\$ 7,801</u>

### Quarterly Highlights

	4th Quarter 2022	3rd Quarter 2022	2nd Quarter 2022	1st Quarter 2022	4th Quarter 2021
<b>Earnings</b>					
Net interest income	\$ 7,070	\$ 6,102	\$ 5,389	\$ 4,810	\$ 5,018
Provision for loan loss	335	209	100	50	-
Noninterest income	1,888	2,042	1,781	1,645	1,762
Noninterest expense	6,737	4,811	4,463	4,506	4,298
Provision for income taxes	459	792	663	455	612
Net income	<u>\$ 1,427</u>	<u>\$ 2,332</u>	<u>\$ 1,944</u>	<u>\$ 1,444</u>	<u>\$ 1,870</u>
Average shares outstanding	7,070,425	7,070,433	7,070,686	7,057,361	7,042,478
Earnings per share	\$ 0.20	\$ 0.33	\$ 0.27	\$ 0.20	\$ 0.27
<b>Performance Ratios</b>					
Return on average assets	0.74%	1.28%	1.12%	0.84%	1.09%
Return on average equity	13.34%	20.41%	17.34%	12.02%	15.44%
Net interest margin - tax equivalent	3.87%	3.54%	3.27%	2.93%	3.04%
Yield on loans	4.70%	4.50%	4.45%	4.50%	4.99%
Yield on loans - excluding PPP loans	4.70%	4.50%	4.33%	4.37%	4.47%
Yield on securities	3.02%	2.39%	1.91%	1.49%	1.39%
Cost of deposits	0.21%	0.09%	0.07%	0.07%	0.07%
Efficiency ratio	75.21%	59.07%	62.21%	69.81%	63.39%
Full-time equivalent employees	120	122	122	122	118
<b>Capital</b>					
Tier 1 capital	\$ 73,882	\$ 72,410	\$ 70,041	\$ 68,040	\$ 66,593
Leverage ratio	9.55%	9.95%	9.96%	9.72%	9.73%
Common equity tier 1 ratio	13.92%	14.81%	14.79%	16.42%	17.12%
Tier 1 risk based ratio	13.92%	14.81%	14.79%	16.42%	17.12%
Total risk based ratio	15.17%	16.06%	16.04%	17.68%	18.38%
Book value per share	\$ 6.52	\$ 6.05	\$ 6.37	\$ 6.52	\$ 6.99
<b>Asset quality</b>					
Allowance for loan losses (ALLL)	\$ 6,666	\$ 6,328	\$ 6,088	\$ 5,959	\$ 5,905
Nonperforming loans (NPLs)	\$ 52	\$ 424	\$ 960	\$ 593	\$ 928
Nonperforming assets (NPAs)	\$ 52	\$ 424	\$ 960	\$ 593	\$ 928
Classified Assets <sup>(1)</sup>	\$ 3,877	\$ 4,574	\$ 5,089	\$ 6,349	\$ 8,756
Net loan charge offs (recoveries)	\$ (4)	\$ (31)	\$ (29)	\$ (4)	\$ 122
ALLL as a percentage of net loans	1.38%	1.39%	1.40%	1.45%	1.48%
ALLL as a percentage of net loans (excluding PPP)	1.38%	1.39%	1.40%	1.46%	1.52%
ALLL as a percentage of NPLs	12819.23%	1492.45%	634.17%	1004.89%	636.31%
Net charge offs (recoveries) to average loans	0.00%	-0.01%	-0.01%	0.00%	0.03%
Net NPLs as a percentage of total loans	0.01%	0.09%	0.22%	0.15%	0.24%
Nonperforming assets as a percentage of total assets	0.01%	0.05%	0.13%	0.08%	0.13%
Classified Asset Ratio <sup>(2)</sup>	4.81%	5.81%	6.68%	8.58%	12.08%
Past due as a percentage of total loans	0.19%	0.13%	0.12%	0.21%	0.21%
<b>Off-balance sheet figures</b>					
Off-balance sheet demand deposits <sup>(3)</sup>	\$ 18,976	\$ 60,588	\$ 121,645	\$ 78,674	\$ 55,477
Off-balance sheet time deposits <sup>(4)</sup>	\$ -	\$ -	\$ -	\$ 37,500	\$ 47,500
Unused credit commitments	\$ 89,680	\$ 85,880	\$ 93,411	\$ 95,570	\$ 83,778
Trust assets under management (AUM)	\$ 215,736	\$ 193,448	\$ 195,058	\$ 199,983	\$ 201,264
Oregon Pacific Wealth Management AUM	\$ 117,549	\$ 116,193	\$ 114,973	\$ 127,749	\$ 130,099
<b>End of period balances</b>					
Total securities	\$ 195,881	\$ 188,366	\$ 170,977	\$ 157,922	\$ 123,076
Total short term deposits	\$ 39,863	\$ 97,840	\$ 71,429	\$ 98,345	\$ 143,192
Total loans net of allowance	\$ 476,313	\$ 450,299	\$ 429,390	\$ 406,229	\$ 392,250
Total earning assets	\$ 720,712	\$ 744,786	\$ 679,835	\$ 670,406	\$ 665,780
Total assets	\$ 754,182	\$ 780,711	\$ 712,532	\$ 706,527	\$ 691,721
Total noninterest bearing deposits	\$ 180,589	\$ 195,536	\$ 189,112	\$ 178,367	\$ 171,380
Total deposits	\$ 682,869	\$ 712,710	\$ 642,653	\$ 636,384	\$ 618,679
<b>Average balances</b>					
Total securities	\$ 192,348	\$ 186,535	\$ 165,729	\$ 143,830	\$ 102,431
Total short term deposits	\$ 68,808	\$ 57,557	\$ 73,515	\$ 120,674	\$ 165,901
Total loans net of allowance	\$ 459,440	\$ 436,522	\$ 418,445	\$ 398,423	\$ 383,161
Total earning assets	\$ 728,980	\$ 688,723	\$ 665,637	\$ 670,330	\$ 658,872
Total assets	\$ 761,361	\$ 720,465	\$ 697,913	\$ 699,808	\$ 682,779
Total noninterest bearing deposits	\$ 178,226	\$ 191,292	\$ 178,626	\$ 171,184	\$ 170,600
Total deposits	\$ 692,412	\$ 648,827	\$ 627,700	\$ 626,023	\$ 610,981

<sup>(1)</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>(2)</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>(3)</sup> Deposits sold through IntraFI Network Deposits Insured Cash Sweep (ICS) program

<sup>(4)</sup> Deposits sold through IntraFI Network Deposits CDARs program

## Oregon Pacific Bank at a Glance

Established on December 17, 1979 we are proud to offer business banking services with full-service branches in Coos Bay, Eugene, Florence, Medford, and Roseburg, with a Loan Production Office in the Portland Area. 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