

CONSOLIDATED STATEMENT OF CONDITION

March 31, 2023



FOR IMMEDIATE RELEASE

Editorial Contact:

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Oregon Pacific Bank Announces First Quarter Earnings Results

Florence, Ore., April 18, 2023—Oregon Pacific Bancorp (ORPB), the holding company of Oregon Pacific Bank, today reported financial results for the first quarter ended, March 31, 2023.

Highlights:

- First quarter net income of \$2.4 million; \$0.34 per diluted share.
- Quarterly loan growth of \$10.5 million or annualized growth of 8.82%.
- Quarterly deposit growth of \$7.2 million or annualized growth of 4.26%.
- Quarterly tax equivalent net interest margin of 3.87%

Net income for the quarter ended March 31, 2023, was \$2.4 million, or \$0.34 per diluted share compared to \$1.4 million or \$0.20 per diluted share for the quarter ended March 31, 2022. Ron Green, President and Chief Executive Officer said today upon the release of Oregon Pacific Bank's earnings, "We are pleased with our first quarter results for 2023, reflecting period-ending, year-over-year growth in net loans, deposits, and earnings per share." He continued, "During the recent events surrounding the closure of two larger financial institutions in the United States, our historical emphasis on balance sheet diversification, and our focus on attracting business banking relationships that value service, continues to serve the Bank well. Our increase in cost of funds has been at a rate lower than most of our peers. Although we are aware that some business depositors have invested their excess liquidity in non-banking products, such as U.S. Treasuries, we have not lost any business relationships to other local or regional commercial banks purely for reasons of clients demanding a higher yield on deposits. We will continue to lead with our value-proposition of service first and our desire to create mutual value for the Bank and its customers."

Period-end loans, net of deferred loan origination fees, totaled \$493.5 million, representing quarterly growth of \$10.5 million. The first quarter loan yield grew to 4.85%, an increase of 0.15% over the prior quarter. Effective January 1, 2023, the Bank adopted Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments ("ASU 2016-13") and all related amendments. The day 1 adoption of ASU 2016-13 and related amendments resulted in an increase of \$60 thousand to the Bank's allowance for credit losses on loans, an increase of \$777 thousand to the Bank's allowance for unfunded commitments and letters of credit and a net-of-tax cumulative-effect adjustment of \$611 thousand to decrease the beginning balance of retained earnings. The Bank's estimate of provision for credit losses for the first quarter of 2023, under the new CECL methodology, resulted in a reversal of \$51 thousand of provision expense, which was comprised of an increase to the allowance for credit losses on loans of \$70 thousand and a reduction in the reserve for unfunded commitments of \$121 thousand. In addition to provision for credit losses, the Bank also recognized recoveries of \$88 thousand during the quarter.

The Bank experienced quarterly deposit growth totaling \$7.2 million or an annualized increase of 4.26%. Included in the first quarter deposit growth was approximately \$19.1 million in deposits that migrated from off-balance sheet holdings with IntraFi Network, into on-balance sheet reciprocal balances. As of March 31, 2023, the Bank has migrated all off-balance sheet deposits into a reciprocal position. During the quarter the Bank experienced an increase in requests for the full FDIC insurance coverage associated with the Insured Cash Sweep accounts. Excluding the reciprocal migration, the Bank's ICS balances grew \$22.5 million. The ICS balances are currently listed under the demand interest bearing category on the balance sheet. As deposit rate pressure continues, the Bank's cost of funds increased to 0.51% during the first quarter 2023, up from the 0.21% reported in the fourth quarter 2022. The Bank has also analyzed deposit balances and below is a breakout of deposit balances as of March 31, 2023, by type.

Deposit Detail - March 31, 2023

Unaudited (dollars in thousands)

	Consumer			Business		
	Account Balance	Number of Accounts	Avg, Bal. Per Account	Account Balance	Number of Accounts	Avg, Bal. Per Account
Demand - non-interest bearing	\$ 62,014	4,854	\$ 13	\$ 104,395	1,993	\$ 52
Demand - interest bearing	52,858	801	66	106,819	730	146
Demand - ICS	6,045	8	756	98,307	36	2,731
Money market	80,729	655	123	84,389	335	252
Savings	65,773	2,534	26	12,642	240	53
Certificates of deposit	16,075	374	43	-	-	-
	<u>\$ 283,494</u>	<u>9,226</u>		<u>\$ 406,552</u>	<u>3,334</u>	

The securities portfolio contracted slightly from \$195.9 million at December 31, 2022, down to \$195.6 million at March 31, 2023. The contraction was attributable to portfolio cash flows, which was partially offset by a reduction in the unrealized loss on the portfolio, as the Bank did not purchase any securities during the quarter. The unrealized loss at March 31, 2023 reflected a reduction of \$1.9 million, moving to \$12.4 million, down from \$14.3 million at December 31, 2022. The increase in market values was primarily attributable to a reduction in longer-term interest rates positively affecting the market values. The weighted average life of the portfolio was 5.2 years and the modified duration of 4.4 years at March 31, 2023. During the quarter the yield on securities grew to 3.41%, up from 3.02% in the fourth quarter 2022, with securities income increasing \$217 thousand over fourth quarter 2022, which was primarily attributable to the securities repositioning strategy executed during fourth quarter 2022.

Noninterest income totaled \$1.7 million during the first quarter 2023 and represented a decrease of \$187 thousand from fourth 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 \$7 thousand during first quarter 2023, down from \$191 thousand in fourth quarter 2022. With the Bank migrating all IntraFi deposits into a reciprocal position, this source of noninterest income is not anticipated in future periods.

First quarter 2023 noninterest expense totaled \$5.3 million, down \$1.4 million from the \$6.7 million recorded during fourth quarter 2022. During the fourth quarter 2022 the Bank recognized a loss on sale of securities of \$1.8 million. Excluding the loss on sale of securities, noninterest expense increased \$405 thousand over the fourth quarter 2022. The largest fluctuation occurred in the salaries and employee benefits category which grew \$342 thousand, primarily attributable to the full quarter of salary expense associated with the Portland Market expansion.

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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
ASSETS			
Cash and due from banks	\$ 8,783	\$ 10,657	\$ 16,039
Interest bearing deposits	41,931	39,863	98,345
Securities	195,647	195,881	157,922
Non PPP Loans, net of deferred fees and costs	493,480	482,979	407,405
PPP Loans, net of deferred fees and costs	-	-	4,783
Total Loans, net of deferred fees and costs	493,480	482,979	412,188
Allowance for credit losses	(6,884)	(6,666)	(5,959)
Premises and equipment, net	9,867	9,556	9,645
Bank owned life insurance	8,677	8,616	8,456
Deferred tax asset	5,319	5,631	2,998
Other assets	7,669	7,665	6,893
	<u>764,489</u>	<u>754,182</u>	<u>706,527</u>
Total assets	\$ 764,489	\$ 754,182	\$ 706,527
LIABILITIES			
Deposits			
Demand - non-interest bearing	\$ 166,409	\$ 180,589	\$ 178,367
Demand - interest bearing	264,029	236,511	187,276
Money market	165,118	165,671	167,681
Savings	78,415	82,662	83,477
Certificates of deposit	16,075	17,436	19,583
Total deposits	690,046	682,869	636,384
Junior subordinated debenture	4,124	4,124	4,124
Subordinated debenture	14,652	14,627	14,553
Other liabilities	6,300	6,474	5,420
	<u>715,122</u>	<u>708,094</u>	<u>660,481</u>
Total liabilities	715,122	708,094	660,481
STOCKHOLDERS' EQUITY			
Common stock	21,103	21,099	20,917
Retained earnings	37,284	35,462	29,762
Accumulated other comprehensive income, net of tax	(9,020)	(10,473)	(4,633)
	<u>49,367</u>	<u>46,088</u>	<u>46,046</u>
Total stockholders' equity	49,367	46,088	46,046
Total liabilities & stockholders' equity	\$ 764,489	\$ 754,182	\$ 706,527

CONSOLIDATED STATEMENTS OF INCOME

Unaudited (dollars in thousands, except per share data)

THREE MONTHS ENDED

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
INTEREST INCOME			
Non-PPP loans	\$ 5,824	\$ 5,517	\$ 4,284
PPP loans	-	-	205
Securities	1,687	1,470	556
Other interest income	401	664	55
Total interest income	<u>7,912</u>	<u>7,651</u>	<u>5,100</u>
INTEREST EXPENSE			
Deposits	858	361	109
Borrowed funds	226	220	181
Total interest expense	<u>1,084</u>	<u>581</u>	<u>290</u>
NET INTEREST INCOME	6,828	7,070	4,810
Provision (credit) for credit losses	(51)	335	50
Net interest income after provision (credit) for credit losses	<u>6,879</u>	<u>6,735</u>	<u>4,760</u>
NONINTEREST INCOME			
Trust fee income	884	841	778
Service charges	325	329	298
Mortgage loan sales	38	57	123
Merchant card services	103	121	108
Oregon Pacific Wealth Management income	252	236	250
Other income	99	304	88
Total noninterest income	<u>1,701</u>	<u>1,888</u>	<u>1,645</u>
NONINTEREST EXPENSE			
Salaries and employee benefits	3,129	2,787	2,614
Loss on sale of securities	-	1,829	-
Outside services	552	593	520
Occupancy & equipment	448	432	401
Trust expense	481	461	392
Loan and collection, OREO expense	24	(8)	27
Advertising	102	111	94
Supplies and postage	88	75	69
Other operating expenses	489	457	389
Total noninterest expense	<u>5,313</u>	<u>6,737</u>	<u>4,506</u>
Income before taxes	3,267	1,886	1,899
Provision for income taxes	834	459	455
NET INCOME	<u>\$ 2,433</u>	<u>\$ 1,427</u>	<u>\$ 1,444</u>

Quarterly Highlights

	1st Quarter 2023	4th Quarter 2022	3rd Quarter 2022	2nd Quarter 2022	1st Quarter 2022
Earnings					
Net interest income	\$ 6,828	\$ 7,070	\$ 6,102	\$ 5,389	\$ 4,810
Provision for loan loss	(51)	335	209	100	50
Noninterest income	1,701	1,888	2,042	1,781	1,645
Noninterest expense	5,313	6,737	4,811	4,463	4,506
Provision for income taxes	834	459	792	663	455
Net income	<u>\$ 2,433</u>	<u>\$ 1,427</u>	<u>\$ 2,332</u>	<u>\$ 1,944</u>	<u>\$ 1,444</u>
Average shares outstanding	7,085,840	7,070,425	7,070,433	7,070,686	7,057,361
Average diluted shares outstanding	7,089,090	NA	NA	NA	NA
Earnings per share	\$ 0.34	\$ 0.20	\$ 0.33	\$ 0.27	\$ 0.20
Diluted earnings per share	\$ 0.34	NA	NA	NA	NA
Performance Ratios					
Return on average assets	1.13%	0.74%	1.28%	1.12%	0.84%
Return on average equity	21.01%	13.34%	20.41%	17.34%	12.02%
Net interest margin - tax equivalent	3.87%	3.87%	3.54%	3.27%	2.93%
Yield on loans	4.85%	4.70%	4.50%	4.45%	4.50%
Yield on loans - excluding PPP loans	4.85%	4.70%	4.50%	4.33%	4.37%
Yield on securities	3.41%	3.02%	2.39%	1.91%	1.49%
Cost of deposits	0.51%	0.21%	0.09%	0.07%	0.07%
Efficiency ratio	62.29%	75.21%	59.07%	62.21%	69.81%
Full-time equivalent employees	127	120	122	122	122
Capital					
Tier 1 capital	\$ 75,684	\$ 73,882	\$ 72,410	\$ 70,041	\$ 68,040
Leverage ratio	9.94%	9.55%	9.95%	9.96%	9.72%
Common equity tier 1 ratio	14.16%	13.92%	14.81%	14.79%	16.42%
Tier 1 risk based ratio	14.16%	13.92%	14.81%	14.79%	16.42%
Total risk based ratio	15.41%	15.17%	16.06%	16.04%	17.68%
Book value per share	\$ 6.97	\$ 6.52	\$ 6.05	\$ 6.37	\$ 6.52

Quarterly Highlights

	1st Quarter 2023	4th Quarter 2022	3rd Quarter 2022	2nd Quarter 2022	1st Quarter 2022
Asset quality					
Allowance for loan losses (ALLL)	\$ 6,884	\$ 6,666	\$ 6,328	\$ 6,088	\$ 5,959
Nonperforming loans (NPLs)	\$ 72	\$ 52	\$ 424	\$ 960	\$ 593
Nonperforming assets (NPAs)	\$ 72	\$ 52	\$ 424	\$ 960	\$ 593
Classified Assets ⁽¹⁾	\$ 3,842	\$ 3,877	\$ 4,574	\$ 5,089	\$ 6,349
Net loan charge offs (recoveries)	\$ (88)	\$ (4)	\$ (31)	\$ (29)	\$ (4)
ACL as a percentage of net loans	1.39%	1.38%	1.39%	1.40%	1.45%
ACL as a percentage of net loans (excluding PPP)	1.39%	1.38%	1.39%	1.40%	1.46%
ACL as a percentage of NPLs	9561.11%	12819.23%	1492.45%	634.17%	1004.89%
Net charge offs (recoveries) to average loans	-0.02%	0.00%	-0.01%	-0.01%	0.00%
Net NPLs as a percentage of total loans	0.01%	0.01%	0.09%	0.22%	0.15%
Nonperforming assets as a percentage of total assets	0.01%	0.01%	0.05%	0.13%	0.08%
Classified Asset Ratio ⁽²⁾	4.65%	4.81%	5.81%	6.68%	8.58%
Past due as a percentage of total loans	0.06%	0.19%	0.13%	0.12%	0.21%
Off-balance sheet figures					
Off-balance sheet demand deposits ⁽³⁾	\$ -	\$ 18,976	\$ 60,588	\$ 121,645	\$ 78,674
Off-balance sheet time deposits ⁽⁴⁾	\$ -	\$ -	\$ -	\$ -	\$ 37,500
Unused credit commitments	\$ 85,390	\$ 89,680	\$ 85,880	\$ 93,411	\$ 95,570
Trust assets under management (AUM)	\$ 219,731	\$ 215,736	\$ 193,448	\$ 195,058	\$ 199,983
Oregon Pacific Wealth Management AUM	\$ 113,138	\$ 117,549	\$ 116,193	\$ 114,973	\$ 127,749
End of period balances					
Total securities	\$ 195,647	\$ 195,881	\$ 188,366	\$ 170,977	\$ 157,922
Total short term deposits	\$ 41,931	\$ 39,863	\$ 97,840	\$ 71,429	\$ 98,345
Total loans net of allowance	\$ 486,596	\$ 476,313	\$ 450,299	\$ 429,390	\$ 406,229
Total earning assets	\$ 733,090	\$ 720,712	\$ 744,786	\$ 679,835	\$ 670,406
Total assets	\$ 764,489	\$ 754,182	\$ 780,711	\$ 712,532	\$ 706,527
Total noninterest bearing deposits	\$ 166,409	\$ 180,589	\$ 195,536	\$ 189,112	\$ 178,367
Total deposits	\$ 690,046	\$ 682,869	\$ 712,710	\$ 642,653	\$ 636,384
Average balances					
Total securities	\$ 196,060	\$ 192,348	\$ 186,535	\$ 165,729	\$ 143,830
Total short term deposits	\$ 35,240	\$ 68,808	\$ 57,557	\$ 73,515	\$ 120,674
Total loans net of allowance	\$ 480,046	\$ 459,440	\$ 436,522	\$ 418,445	\$ 398,423
Total earning assets	\$ 720,003	\$ 728,980	\$ 688,723	\$ 665,637	\$ 670,330
Total assets	\$ 752,094	\$ 761,361	\$ 720,465	\$ 697,913	\$ 699,808
Total noninterest bearing deposits	\$ 167,863	\$ 178,226	\$ 191,292	\$ 178,626	\$ 171,184
Total deposits	\$ 678,528	\$ 692,412	\$ 648,827	\$ 627,700	\$ 626,023

⁽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 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 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

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



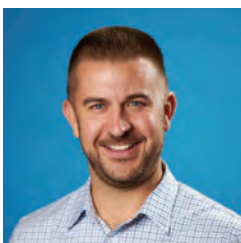
KERRIE JOHNSON
Owner/Loan Originator,
Blue-inc. Capital



BOB MANS, OD
Co-owner,
Florence Eye Clinic



SABRINA PARSONS
CEO, Palo Alto Software



ROBBIE WRIGHT
Co-Owner, Hyak

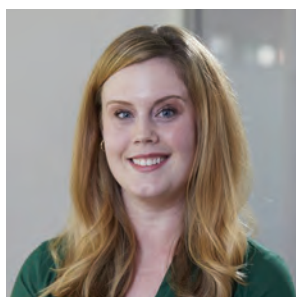


RICK YECNY
Certified Public Accountant,
Holloway & Associates CPAs

BANK EXECUTIVE OFFICERS



RON GREEN
President,
Chief Executive Officer



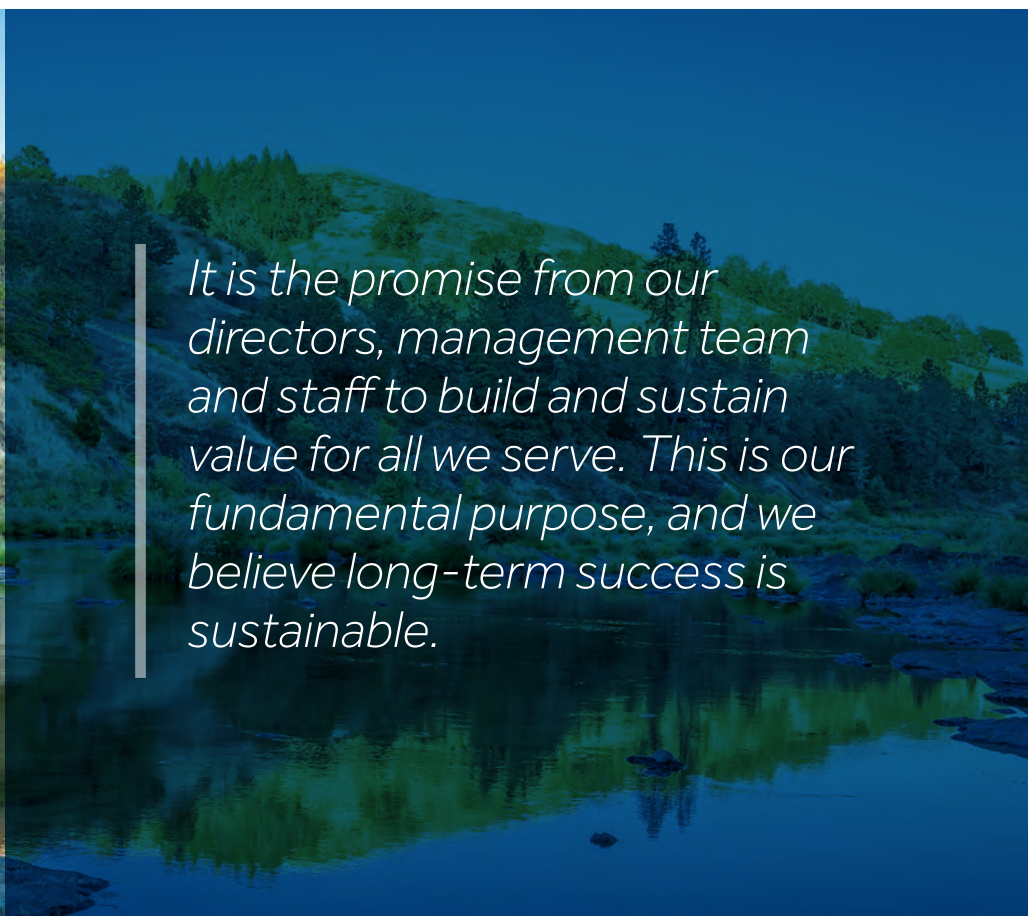
AMBER WHITE
Executive Vice President,
Chief Financial Officer



JAMES ATWOOD
Executive Vice President,
Chief Credit Officer



JOHN RALEIGH
Executive Vice President,
Chief Lending Officer



It is the promise from our directors, management team and staff to build and sustain value for all we serve. This is our fundamental purpose, and we believe long-term success is sustainable.