CONSOLIDATED STATEMENT OF CONDITION

June 30, 2023

Oregon Pacific Bancorp

Oregon Pacific Bank Announces Second Quarter Earnings Results

Florence, Ore., July 20, 2023—Oregon Pacific Bancorp (ORPB), the holding company of Oregon Pacific Bank, today reported financial results for the first quarter ended, June 30, 2023.

Highlights:

- Second quarter net income of $2.2 million; $0.31 per diluted share
- Quarterly loan growth of $16.8 million or 3.40%
- Quarterly tax equivalent net interest margin of 3.72%
- Federal Reserve approved conversion of Portland loan production office to full-service branch

Net income for the quarter ended June 30, 2023, was $2.2 million, or $0.31 per diluted share compared to $1.9 million or $0.27 per diluted share for the quarter ended June 30, 2022. Core earnings remained strong, but the Bank experienced some margin compression as pressure on cost of funds and deposit retention grew. The second quarter margin contracted to 3.72%, down from 3.87% in first quarter 2023, but still remains elevated when compared to the quarterly margin of 3.27% from second quarter 2022. The rapid pace of rate increases occurring between mid-2022 and early-2023 lead to record margin expansion and the industry is seeing some amount of compression as deposit rates lagged the increase in asset yields.

During the quarter the Bank received regulatory approval to convert the Portland Loan Production Office into a full-service Branch. The Bank has identified a permanent branch location located at 16101 SW 72nd Avenue, with an official branch opening anticipated during the third quarter.

“Conversion of the Portland Loan Production Office into a full-service branch further demonstrates the Bank’s commitment to growing the Portland Market,” said Ron Green, President and Chief Executive Officer. “We believe the strength of our Portland banking team, led by Market President Kyle Baisch, will have tremendous success as clients continue to see the value of relationships and the community bank model.”

Period-end loans, net of deferred loan origination fees, totaled $510.3 million, representing quarterly growth of $16.8 million. The first quarter loan yield grew to 4.96%, representing an increase of 0.11% over the prior quarter as new loan production is occurring at a rate higher than the portfolio yield. Quarterly loan production for new and renewed loans totaled $32.1 million, with a weighted average effective rate of 6.71%.

The Bank experienced quarterly deposit contraction totaling $12.4 million compared to deposit totals at March 31, 2023. During the second quarter two large clients reduced their deposit balances held with the Bank. A large nonprofit utilized excess cash to begin funding a large construction project and a commercial client completed a partner buyout. The deposit reductions associated with these two clients totaled $15.6 million compared to their balances at March 31, 2023.

“Deposit migration during the second quarter generally occurred as a result of normal operating activity, with rate-based migration occurring far less,” commented John Raleigh, Chief Lending Officer. "Deposit rates are still top of mind, but the targeted interest rate increases implemented during the second quarter have helped retain rate-sensitive clients while balancing the bank’s total cost of funds.”

The Bank’s cost of funds increased to 0.78% during the second quarter, compared to 0.51% during the first quarter, resulting in an increase in interest expense of $453 thousand during the quarter. The Bank continued to utilize Insured Cash Sweep (ICS) deposits to provide added FDIC insurance to customers seeking added protection. ICS deposits grew from $104.3 million at March 31, 2023 to $110.1 million at June 30, 2023 and are reflected in the interest checking line item of the balance sheet. Through June 30, 2023, the Bank’s ICS reciprocal concentration remains below 20% of deposits, so no portion of the ICS deposits are classified as brokered deposits for regulatory reporting purposes.

The securities portfolio contracted to $181.5 million during the quarter, down from $195.6 million at March 31, 2023. The reduction was attributable to an increase in the unrealized loss on the portfolio, normal portfolio cash flows and a sale of $9.5 million in securities. The sale candidates were tax-exempt municipal bonds purchased during 2016, which were able to be liquidated with a minimal loss of $30 thousand to generate cash flow to fund loan growth, while maintaining the overall security portfolio yield.

Noninterest income totaled $1.8 million during the second quarter 2023 and represented growth of $91 thousand over first quarter 2023. The largest increase in non-interest income occurred in the trust fee income category, which increased $59 thousand over first quarter 2023. The increase was primarily attributable to growth in trust assets under management which totaled $222.9 million at June 30, 2023. On a year-over-year basis this represents growth of $27.5 million or 14.26%.

“The Trust business continues to be a strong source of non-interest income,” said Beth Knorr, Director of Trust Services. “Demand for Trust Services continues to grow and as a result, during the quarter the Bank added two new Trust Officers, Shaina Peters in Roseburg and Justin Miller in Coos Bay. The investment in additional trust personnel should position the Trust Department for anticipated future business growth.”

Noninterest expense for the second quarter 2023 totaled $5.4 million, representing an increase of $129 thousand over first quarter 2023. The largest expense fluctuation totaled $52 thousand and occurred in the trust expense category due to investment in trust-related personnel. Additionally, the other operating expense line item also grew $48 thousand over the prior quarter. This fluctuation was primarily attributable to increased FDIC insurance assessment as the FDIC approved a final rule in October 2022 to increase the initial base deposit insurance assessment rate by two basis points for the first quarterly assessment period of 2023, which was billed in second quarter 2023. This rate increase occurred before the failure of Silicon Valley Bank, and this line item may see additional fluctuation based on the final Silicon Valley Bank related special assessment.

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 income, 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.

For more information, we welcome you to reach out to:

Ron Green, President & Chief Executive Officer
ron.green@opbc.com | (541) 902-9800

CONSOLIDATED BALANCE SHEETS

Unaudited (dollars in thousands)

	June 30, 2023	March 31, 2023	June 30, 2022
ASSETS			
Cash and due from banks	$ 10,951	$ 8,783	$ 11,527
Interest bearing deposits	22,967	41,931	71,429
Securities	181,530	195,647	170,977
Loans, net of deferred fees and costs	510,264	493,480	435,478
Allowance for credit losses	(6,887)	(6,884)	(6,088)
Premises and equipment, net	11,708	9,867	9,558
Bank owned life insurance	8,738	8,677	8,509
Deferred tax asset	5,978	5,319	4,118
Other assets	7,555	7,669	7,024
Total assets	$ 752,804	$ 764,489	$ 712,532
LIABILITIES			
Deposits			
Demand - non-interest bearing	$ 159,184	$ 166,409	$ 189,112
Demand - interest bearing	265,550	264,029	187,348
Money market	152,046	165,118	163,728
Savings	75,196	78,415	83,517
Certificates of deposit	25,696	16,075	18,948
Total deposits	677,672	690,046	642,653
Junior subordinated debenture	4,124	4,124	4,124
Subordinated debenture	14,677	14,652	14,578
Other liabilities	6,482	6,300	6,153
Total liabilities	702,955	715,122	667,508
STOCKHOLDERS' EQUITY			
Common stock	21,135	21,103	20,977
Retained earnings	39,516	37,284	31,707
Accumulated other comprehensive income, net of tax	(10,802)	(9,020)	(7,660)
Total stockholders' equity	49,849	49,367	45,024
Total liabilities & stockholders' equity	$ 752,804	$ 764,489	$ 712,532

CONSOLIDATED STATEMENTS OF INCOME

Unaudited (dollars in thousands, except per share data)

	THREE MONTHS ENDED			SIX MONTHS ENDED	
	June 30, 2023	**March 31, 2023**	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
INTEREST INCOME					
Non-PPP loans	$ 6,249	$ 5,824	$ 4,568	$ 12,073	$ 8,854
PPP loans	-	-	145	-	349
Securities	1,641	1,687	828	3,328	1,383
Other interest income	316	401	147	717	202
Total interest income	8,206	7,912	5,688	16,118	10,788
INTEREST EXPENSE					
Deposits	1,311	858	108	2,169	217
Borrowed funds	229	226	191	455	371
Total interest expense	1,540	1,084	299	2,624	588
NET INTEREST INCOME	6,666	6,828	5,389	13,494	10,200
Provision (credit) for credit losses	14	(51)	100	(37)	150
Net interest income after provision (credit) for credit losses	6,652	6,879	5,289	13,531	10,050
NONINTEREST INCOME					
Trust fee income	943	884	804	1,827	1,582
Service charges	342	325	322	667	620
Mortgage loan sales	28	38	90	66	211
Merchant card services	122	103	134	225	242
Oregon Pacific Wealth Management income	275	252	252	527	502
Other income	82	99	179	181	269
Total noninterest income	1,792	1,701	1,781	3,493	3,426
NONINTEREST EXPENSE					
Salaries and employee benefits	3,082	3,129	2,642	6,211	5,256
Outside services	588	552	504	1,140	1,023
Occupancy & equipment	451	448	412	899	813
Trust expense	533	481	402	1,014	794
Loan and collection, OREO expense	27	24	23	51	50
Advertising	145	102	94	247	188
Supplies and postage	79	88	60	167	130
Other operating expenses	537	489	326	1,026	716
Total noninterest expense	5,442	5,313	4,463	10,755	8,970
Income before taxes	3,002	3,267	2,607	6,269	4,506
Provision for income taxes	771	834	663	1,605	1,118
NET INCOME	$ 2,231	$ 2,433	$ 1,944	$ 4,664	$ 3,388

Quarterly Highlights

	2nd Quarter 2023	1st Quarter 2023	4th Quarter 2022	3rd Quarter 2022	2nd Quarter 2022
Earnings					
Interest income	$ 8,206	$ 7,912	$ 7,651	$ 6,458	$ 5,688
Interest expense	1,540	1,084	581	356	299
Net interest income	$ 6,666	$ 6,828	$ 7,070	$ 6,102	$ 5,389
Provision for loan loss	14	(51)	335	209	100
Noninterest income	1,792	1,701	1,888	2,042	1,781
Noninterest expense	5,442	5,313	6,737	4,811	4,463
Provision for income taxes	771	834	459	792	663
Net income	$ 2,231	$ 2,433	$ 1,427	$ 2,332	$ 1,944
Average shares outstanding	7,097,866	7,085,840	7,070,425	7,070,433	7,070,686
Average diluted shares outstanding	7,104,366	7,089,090	NA	NA	NA
Period end shares outstanding	7,094,562	7,102,271	7,068,659	7,070,304	7,070,304
Period end diluted shares outstanding	7,101,062	7,108,771	NA	NA	NA
Earnings per share	$ 0.31	$ 0.34	$ 0.20	$ 0.33	$ 0.27
Diluted earnings per share	$ 0.31	$ 0.34	NA	NA	NA
Performance Ratios					
Return on average assets	1.19%	1.13%	0.74%	1.28%	1.12%
Return on average equity	18.12%	21.01%	13.34%	20.41%	17.34%
Net interest margin - tax equivalent	3.72%	3.87%	3.87%	3.54%	3.27%
Yield on loans	4.96%	4.85%	4.70%	4.50%	4.45%
Yield on loans - excluding PPP loans	4.96%	4.85%	4.70%	4.50%	4.33%
Yield on securities	3.37%	3.41%	3.02%	2.39%	1.91%
Cost of deposits	0.78%	0.51%	0.21%	0.09%	0.07%
Cost of interest-bearing liabilities	1.15%	0.84%	0.44%	0.29%	0.26%
Efficiency ratio	64.34%	62.29%	75.21%	59.07%	62.21%
Full-time equivalent employees	128	127	120	122	122
Capital					
Tier 1 capital	$ 77,917	$ 75,684	$ 73,882	$ 72,410	$ 70,041
Leverage ratio	10.24%	9.94%	9.55%	9.95%	9.96%
Common equity tier 1 ratio	14.18%	14.16%	13.92%	14.81%	14.79%
Tier 1 risk based ratio	14.18%	14.16%	13.92%	14.81%	14.79%
Total risk based ratio	15.43%	15.41%	15.17%	16.06%	16.04%
Book value per share	$ 7.03	$ 6.97	$ 6.52	$ 6.05	$ 6.37

Quarterly Highlights

	2nd Quarter 2023	1st Quarter 2023	4th Quarter 2022	3rd Quarter 2022	2nd Quarter 2022
Asset quality					
Allowance for loan losses (ALLL)	$ 6,887	$ 6,884	$ 6,666	$ 6,328	$ 6,088
Nonperforming loans (NPLs)	$ 178	$ 72	$ 52	$ 424	$ 960
Nonperforming assets (NPAs)	$ 178	$ 72	$ 52	$ 424	$ 960
Classified Assets [1]	$ 3,750	$ 3,842	$ 3,877	$ 4,574	$ 5,089
Net loan charge offs (recoveries)	$ (3)	$ (88)	$ (4)	$ (31)	$ (29)
ACL as a percentage of net loans	1.35%	1.39%	1.38%	1.39%	1.40%
ACL as a percentage of NPLs	3869.10%	9561.11%	12819.23%	1492.45%	634.17%
Net charge offs (recoveries) to average loans	0.00%	-0.02%	0.00%	-0.01%	-0.01%
Net NPLs as a percentage of total loans	0.03%	0.01%	0.01%	0.09%	0.22%
Nonperforming assets as a percentage of total assets	0.02%	0.10%	0.01%	0.05%	0.13%
Classified Asset Ratio [2]	4.42%	4.65%	4.81%	5.81%	6.68%
Past due as a percentage of total loans	0.12%	0.06%	0.19%	0.13%	0.12%
Off-balance sheet figures					
Off-balance sheet demand deposits [3]	$ -	$ -	$ 18,976	$ 60,588	$ 121,645
Unused credit commitments	$ 97,111	$ 85,390	$ 89,680	$ 85,880	$ 93,411
Trust assets under management (AUM)	$ 222,880	$ 219,731	$ 215,736	$ 193,448	$ 195,058
Oregon Pacific Wealth Management AUM	$ 141,990	$ 133,138	$ 117,549	$ 116,193	$ 114,973
End of period balances					
Total securities	$ 181,530	$ 195,647	$ 195,881	$ 188,366	$ 170,977
Total short term deposits	$ 22,967	$ 41,931	$ 39,863	$ 97,840	$ 71,429
Total loans net of allowance	$ 503,377	$ 486,596	$ 476,313	$ 450,299	$ 429,390
Total earning assets	$ 716,793	$ 733,090	$ 720,712	$ 744,786	$ 679,835
Total assets	$ 752,804	$ 764,489	$ 754,182	$ 780,711	$ 712,532
Total noninterest bearing deposits	$ 159,184	$ 166,409	$ 180,589	$ 195,536	$ 189,112
Total deposits	$ 677,672	$ 690,046	$ 682,869	$ 712,710	$ 642,653
Average balances					
Total securities	$ 190,818	$ 196,060	$ 192,348	$ 186,535	$ 165,729
Total short term deposits	$ 24,616	$ 35,240	$ 68,808	$ 57,557	$ 73,515
Total loans net of allowance	$ 498,069	$ 480,046	$ 459,440	$ 436,522	$ 418,445
Total earning assets	$ 722,420	$ 720,003	$ 728,980	$ 688,723	$ 665,637
Total assets	$ 751,845	$ 752,094	$ 761,361	$ 720,465	$ 697,913
Total noninterest bearing deposits	$ 154,949	$ 167,863	$ 178,226	$ 191,292	$ 178,626
Total deposits	$ 675,954	$ 678,528	$ 692,412	$ 648,827	$ 627,700

[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

BOARD OF DIRECTORS

JON THOMPSON
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Co-Owner, KCST Radio Station

DAN JONES
Vice Chair of the Board/
Owner, DJ Financial

JOE BENETTI
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Fine Foods

TIM CAMPBELL
Partner/Owner, Campbell
Commercial Real Estate

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President/CEO,
Oregon Pacific Bank

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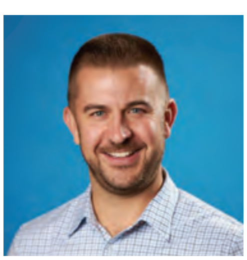
Owner/Loan Originator,
Blue-inc. Capital

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

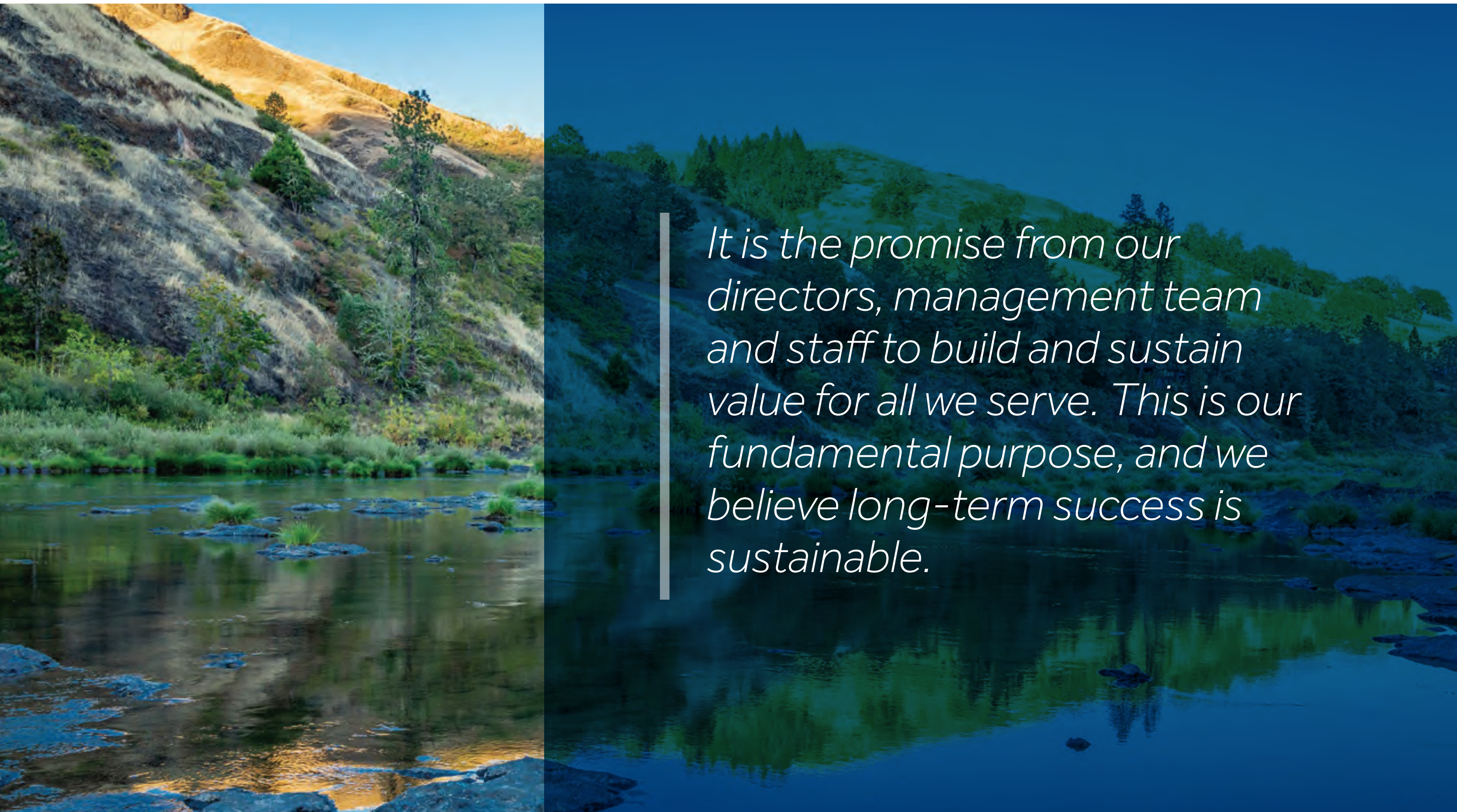
BANK EXECUTIVE OFFICERS

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.