



CONSOLIDATED
STATEMENT OF CONDITION

June 30, 2024



FOR IMMEDIATE RELEASE

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Oregon Pacific Bancorp Announces Second Quarter 2024 Earnings Results

Florence, Ore., July 18, 2024 – Oregon Pacific Bancorp (ORPB), the holding company of Oregon Pacific Bank, today reported financial results for the second quarter ended, June 30, 2024.

HIGHLIGHTS:

- Second quarter net income of \$1.9 million; \$0.26 per diluted share.
- Quarterly tax equivalent net interest margin of 3.65%.
- Quarterly cost of funds of 1.30%.
- Quarterly loan growth of \$12.1 million or 8.80% annualized.

Net income for the quarter ended June 30, 2024, was \$1.9 million, or \$0.26 per diluted share compared to \$1.6 million or \$0.22 per diluted share for the quarter ended March 31, 2024.

“We are pleased with the growth in our core earnings,” said Ron Green, President and Chief Executive Officer. “Expansion of our net interest margin coupled with growth in noninterest income centered around our trust, Oregon Pacific Wealth Management investment advisory services and mortgage income continue to trend positively. We remain uniquely positioned to offer these additional services and are optimistic about future opportunities for the Bank to attract clients who desire the traditional community banking model.”

During the quarter the Bank’s net interest margin expanded to 3.65%, up from 3.59% in the first quarter. The expansion was primarily driven by an increase in the asset yields, which grew from 4.88% in the first quarter of 2024 to 5.03% in the second quarter of 2024. This occurred in part due to the shift in asset mix as investment securities matured and shifted into higher yielding loans and fed funds, with that increase more than offsetting the growth in the cost of interest-bearing liabilities.

Period-end loans, net of deferred loan origination fees, totaled \$563 million, representing quarterly growth of \$12.1 million, or 8.80% annualized. The second quarter loan yield grew to 5.43%, representing an increase of 0.13% over the prior quarter as new loan production continued to occur at a rate higher than the existing portfolio yield. Quarterly loan production for new and renewed loans totaled \$31.6 million, with a weighted average effective rate of 7.50% and a weighted-average repricing life of 4.22 years.

During the second quarter ended June 30, 2024, the bank experienced an increase in classified assets, defined as loans and loan contingent liabilities internally graded substandard or worse, impaired loans, adversely classified securities and other real estate owned, totaling \$2 million. This occurred primarily due to the downgrade of one commercial and industrial lending relationship, totaling \$2 million, into substandard classification. The company is a manufacturer that has been impacted by a slowdown in the RV industry but is shifting focus onto non-RV related industries while working to reduce expenses. The relationship is comprised of three loans secured by business assets and is monitored monthly. All three loans continue to pay as agreed and no losses are currently anticipated.

During the quarter, the Bank recorded a recovery of \$91 thousand, attributable to a residential real estate loan which was charged off in 2011. In addition to the recovery, the Bank also recorded a \$141 thousand provision for credit losses, which resulted in a quarterly increase in the allowance for credit losses of \$232 thousand. The increase was primarily attributable to quarterly loan growth.

Period-end deposits totaled \$677.5 million and represented quarterly contraction of \$18.0 million. While the balances contracted on a quarterly basis, total deposits still reflect growth of \$17.0 million since December 31, 2023. The Bank's cost of funds experienced a small increase to 1.30%, up from 1.20% in the first quarter. The Bank is continuing to evaluate deposit pricing and will likely see quarterly increases in cost of funds based on competitive rate pressures to retain deposits.

Noninterest income totaled \$2.0 million during the second quarter 2024 and represented growth of \$171 thousand from first quarter 2024. The largest increase occurred in the trust fee income category, which grew \$37 thousand from the prior quarter. This increase was primarily tied to growth in Assets Under Management, which increased \$12.2 million as the Bank continues to onboard new trust clients. The Bank also experienced growth of \$63 thousand in the other income category compared to the first quarter 2024. This growth was partially attributable to a one-time incentive payment of \$34 thousand through Visa associated with our debit card processing. This payment is not anticipated to be received in future periods. During the second quarter 2024 noninterest expense totaled \$6.1 million, representing a decrease of \$130 thousand from the quarter ended March 31, 2024. The largest expense fluctuation occurred in the outside services category as the cost of the financial statement audit in the first quarter of \$69 thousand was not repeated during the second 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, 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.

CONSOLIDATED BALANCE SHEETS

Unaudited (dollars in thousands)

	<u>June 30, 2024</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
ASSETS				
Cash and due from banks	\$ 6,505	\$ 10,464	\$ 8,106	\$ 10,951
Interest bearing deposits	10,559	25,851	6,246	22,967
Securities	162,483	170,740	177,599	181,530
Loans, net of deferred fees and costs	563,002	550,945	536,662	510,264
Allowance for credit losses	(7,250)	(7,018)	(6,975)	(6,887)
Premises and equipment, net	13,403	13,346	13,470	11,708
Bank owned life insurance	9,002	8,933	8,866	8,738
Deferred tax asset	5,784	5,742	5,758	5,978
Other assets	8,354	8,432	11,254	7,555
Total assets	<u>\$ 771,842</u>	<u>\$ 787,435</u>	<u>\$ 760,986</u>	<u>\$ 752,804</u>
LIABILITIES				
Deposits				
Demand - non-interest bearing	\$ 154,226	\$ 155,038	\$ 155,693	\$ 159,184
Demand - interest bearing	285,802	297,288	272,968	265,550
Money market	119,863	129,154	129,543	152,046
Savings	64,458	63,230	66,254	75,196
Certificates of deposit	53,126	50,735	35,991	25,696
Total deposits	<u>677,475</u>	<u>695,445</u>	<u>660,449</u>	<u>677,672</u>
FHLB borrowings	7,500	7,500	17,000	-
Junior subordinated debenture	4,124	4,124	4,124	4,124
Subordinated debenture	14,777	14,752	14,727	14,677
Other liabilities	8,101	7,611	8,304	6,482
Total liabilities	<u>711,977</u>	<u>729,432</u>	<u>704,604</u>	<u>702,955</u>
STOCKHOLDERS' EQUITY				
Common stock	21,388	21,280	21,291	21,135
Retained earnings	47,538	45,672	44,083	39,516
Accumulated other comprehensive income, net of tax	(9,061)	(8,949)	(8,992)	(10,802)
Total stockholders' equity	<u>59,865</u>	<u>58,003</u>	<u>56,382</u>	<u>49,849</u>
Total liabilities & stockholders' equity	<u>\$ 771,842</u>	<u>\$ 787,435</u>	<u>\$ 760,986</u>	<u>\$ 752,804</u>

CONSOLIDATED STATEMENTS OF INCOME

Unaudited (dollars in thousands, except per share data)

	THREE MONTHS ENDED			SIX MONTHS ENDED	
	<u>June 30, 2024</u>	<u>March 31, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
INTEREST INCOME					
Loans	\$ 7,548	\$ 7,143	\$ 6,249	\$ 14,691	\$ 12,073
Securities	1,515	1,539	1,641	3,054	3,328
Other interest income	224	198	316	422	717
Total interest income	<u>9,287</u>	<u>8,880</u>	<u>8,206</u>	<u>18,167</u>	<u>16,118</u>
INTEREST EXPENSE					
Deposits	2,214	1,999	1,311	4,213	2,169
Borrowed funds	335	372	229	707	455
Total interest expense	<u>2,549</u>	<u>2,371</u>	<u>1,540</u>	<u>4,920</u>	<u>2,624</u>
NET INTEREST INCOME	6,738	6,509	6,666	13,247	13,494
Provision (credit) for credit losses on loans	141	40	121	181	70
Provision (credit) for unfunded commitments	10	(40)	(107)	(30)	(107)
Net interest income after provision (credit) for credit losses	<u>6,587</u>	<u>6,509</u>	<u>6,652</u>	<u>13,096</u>	<u>13,531</u>
NONINTEREST INCOME					
Trust fee income	937	900	943	1,837	1,827
Service charges	361	347	342	708	667
Mortgage loan sales	61	32	28	93	66
Merchant card services	125	112	122	237	225
Oregon Pacific Wealth Management income	316	301	275	617	527
Other income	160	97	82	257	181
Total noninterest income	<u>1,960</u>	<u>1,789</u>	<u>1,792</u>	<u>3,749</u>	<u>3,493</u>
NONINTEREST EXPENSE					
Salaries and employee benefits	3,634	3,633	3,082	7,267	6,211
Outside services	639	718	588	1,357	1,140
Occupancy & equipment	478	510	451	988	899
Trust expense	635	617	533	1,252	1,014
Loan and collection, OREO expense	20	14	27	34	51
Advertising	96	55	145	151	247
Supplies and postage	68	79	79	147	167
Other operating expenses	516	590	537	1,106	1,026
Total noninterest expense	<u>6,086</u>	<u>6,216</u>	<u>5,442</u>	<u>12,302</u>	<u>10,755</u>
Income before taxes	2,461	2,082	3,002	4,543	6,269
Provision for income taxes	595	492	771	1,087	1,605
NET INCOME	<u>\$ 1,866</u>	<u>\$ 1,590</u>	<u>\$ 2,231</u>	<u>\$ 3,456</u>	<u>\$ 4,664</u>

Quarterly Highlights

	2nd Quarter 2024	1st Quarter 2024	4th Quarter 2023	3rd Quarter 2023	2nd Quarter 2023
Earnings					
Interest income	\$ 9,287	\$ 8,880	\$ 8,651	\$ 8,528	\$ 8,206
Interest expense	2,549	2,371	2,056	1,714	1,540
Net interest income	\$ 6,738	\$ 6,509	\$ 6,595	\$ 6,814	\$ 6,666
Provision (credit) for credit losses on loans	141	40	80	-	121
Provision (credit) for unfunded commitments	10	(40)	(150)	(123)	(107)
Noninterest income	1,960	1,789	1,857	1,805	1,792
Noninterest expense	6,086	6,216	5,683	5,575	5,442
Provision for income taxes	595	492	614	820	771
Net income	<u>\$ 1,866</u>	<u>\$ 1,590</u>	<u>\$ 2,225</u>	<u>\$ 2,347</u>	<u>\$ 2,231</u>
Average shares outstanding	7,135,227	7,115,125	7,094,180	7,094,180	7,097,866
Average diluted shares outstanding	7,154,631	7,128,148	7,100,680	7,100,680	7,104,366
Period end shares outstanding	7,135,227	7,135,615	7,094,180	7,094,180	7,094,562
Period end diluted shares outstanding	7,154,631	7,155,019	7,100,680	7,100,680	7,101,062
Earnings per share	\$ 0.26	\$ 0.22	\$ 0.31	\$ 0.33	\$ 0.31
Diluted earnings per share	\$ 0.26	\$ 0.22	\$ 0.31	\$ 0.33	\$ 0.31
Performance Ratios					
Return on average assets	0.96%	0.83%	1.17%	1.22%	1.19%
Return on average equity	13.01%	11.43%	17.45%	18.65%	18.12%
Net interest margin - tax equivalent	3.65%	3.59%	3.64%	3.74%	3.72%
Yield on loans	5.43%	5.30%	5.15%	5.07%	4.96%
Yield on securities	3.62%	3.54%	3.53%	3.43%	3.37%
Cost of deposits	1.30%	1.20%	1.00%	0.86%	0.78%
Cost of interest-bearing liabilities	1.83%	1.74%	1.52%	1.26%	1.15%
Efficiency ratio	70.00%	74.91%	67.25%	64.73%	64.34%
Full-time equivalent employees	143	142	134	131	128
Capital					
Tier 1 capital	\$ 85,416	\$ 83,699	\$ 82,278	\$ 80,082	\$ 77,917
Leverage ratio	10.82%	10.78%	10.70%	10.40%	10.24%
Common equity tier 1 ratio	14.36%	14.33%	14.28%	14.34%	14.18%
Tier 1 risk based ratio	14.36%	14.33%	14.28%	14.34%	14.18%
Total risk based ratio	15.61%	15.58%	15.53%	15.59%	15.43%
Book value per share	\$ 8.39	\$ 8.13	\$ 7.95	\$ 7.13	\$ 7.03

Quarterly Highlights

	2nd Quarter 2024	1st Quarter 2024	4th Quarter 2023	3rd Quarter 2023	2nd Quarter 2023
Asset quality					
Allowance for credit losses (ACL)	\$ 7,250	\$ 7,018	\$ 6,975	\$ 6,892	\$ 6,887
Nonperforming loans (NPLs)	\$ 275	\$ 113	\$ 443	\$ 456	\$ 178
Nonperforming assets (NPAs)	\$ 275	\$ 113	\$ 443	\$ 456	\$ 178
Classified Assets ⁽¹⁾	\$ 11,778	\$ 9,668	\$ 9,186	\$ 4,252	\$ 3,750
Net loan charge offs (recoveries)	\$ (91)	\$ (3)	\$ (3)	\$ (6)	\$ (3)
ACL as a percentage of net loans	1.29%	1.27%	1.30%	1.31%	1.35%
ACL as a percentage of NPLs	2636.36%	6210.62%	1574.49%	1511.40%	3869.10%
Net charge offs (recoveries) to average loans	-0.02%	0.00%	0.00%	0.00%	0.00%
Net NPLs as a percentage of total loans	0.05%	0.02%	0.08%	0.09%	0.03%
Nonperforming assets as a percentage of total assets	0.04%	0.01%	0.06%	0.06%	0.02%
Classified Asset Ratio ⁽²⁾	12.63%	10.66%	10.29%	4.89%	4.42%
Past due as a percentage of total loans	0.19%	0.29%	0.15%	0.12%	0.12%
Off-balance sheet figures					
Unused credit commitments	\$ 97,763	\$ 99,498	\$ 105,900	\$ 103,163	\$ 97,111
Trust assets under management (AUM)	\$ 254,380	\$ 242,222	\$ 226,695	\$ 219,268	\$ 222,880
Oregon Pacific Wealth Management AUM	\$ 159,201	\$ 153,228	\$ 147,159	\$ 140,153	\$ 141,990
End of period balances					
Total securities	\$ 162,483	\$ 170,740	\$ 177,599	\$ 176,593	\$ 181,530
Total short term deposits	\$ 10,559	\$ 25,851	\$ 6,246	\$ 11,216	\$ 22,967
Total loans net of allowance	\$ 555,752	\$ 543,927	\$ 529,687	\$ 518,339	\$ 503,377
Total earning assets	\$ 737,936	\$ 749,463	\$ 722,855	\$ 715,273	\$ 716,793
Total assets	\$ 771,842	\$ 787,435	\$ 760,986	\$ 752,488	\$ 752,804
Total noninterest bearing deposits	\$ 154,226	\$ 155,038	\$ 155,693	\$ 160,272	\$ 159,184
Total deposits	\$ 677,475	\$ 695,445	\$ 660,449	\$ 669,917	\$ 677,672
Average balances					
Total securities	\$ 166,077	\$ 172,769	\$ 176,066	\$ 180,344	\$ 190,818
Total short term deposits	\$ 16,430	\$ 14,663	\$ 12,637	\$ 27,510	\$ 24,616
Total loans net of allowance	\$ 552,490	\$ 535,251	\$ 522,432	\$ 508,385	\$ 498,069
Total earning assets	\$ 744,050	\$ 731,735	\$ 720,383	\$ 725,179	\$ 722,420
Total assets	\$ 780,003	\$ 767,409	\$ 756,740	\$ 759,592	\$ 751,845
Total noninterest bearing deposits	\$ 156,858	\$ 156,513	\$ 156,729	\$ 163,669	\$ 154,949
Total deposits	\$ 685,983	\$ 672,409	\$ 668,296	\$ 681,749	\$ 675,954

⁽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 credit losses.

ABOUT OPB

Oregon Pacific Bancorp is the holding company for Oregon Pacific Bank, a community bank deeply rooted in fostering meaningful relationships. With a dedicated focus on businesses and nonprofits, we prioritize personalized service and swift, local decision-making. Our commitment lies in cultivating authentic connections and consistently surpassing expectations. At Oregon Pacific Bank, we pride ourselves on being adept problem solvers, keenly attuned to the aspirations and challenges of our clients. We firmly believe that by empowering businesses and nonprofits to flourish, we contribute to the overall prosperity of our communities.

Since our inception on December 17, 1979, we have steadily expanded our footprint, proudly offering banking services through our full-service branches strategically located in Coos Bay, Eugene, Florence, Medford, Portland, and Roseburg.

OUR MISSION

To create value for all we serve through the delivery of meaningful and relevant financial services.

OUR VISION

To be the premier business-minded community bank whose value to the community, shareholders, clients, and employees comes from supporting business and nonprofit agencies through banking services, volunteer work, and philanthropy.



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Business Owner, Coast Broadcasting



DAN JONES
Vice Chair, Board of Directors
Business Owner, DJ Financial



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President and Chief Executive Officer,
Oregon Pacific Bank



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Stewart & Schmidt, PC (HSS)



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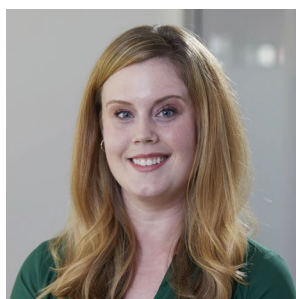


RICK YECNY
Certified Public Accountant,
Holloway and Associates CPAs

BANK EXECUTIVE OFFICERS



RON GREEN
President,
Chief Executive Officer



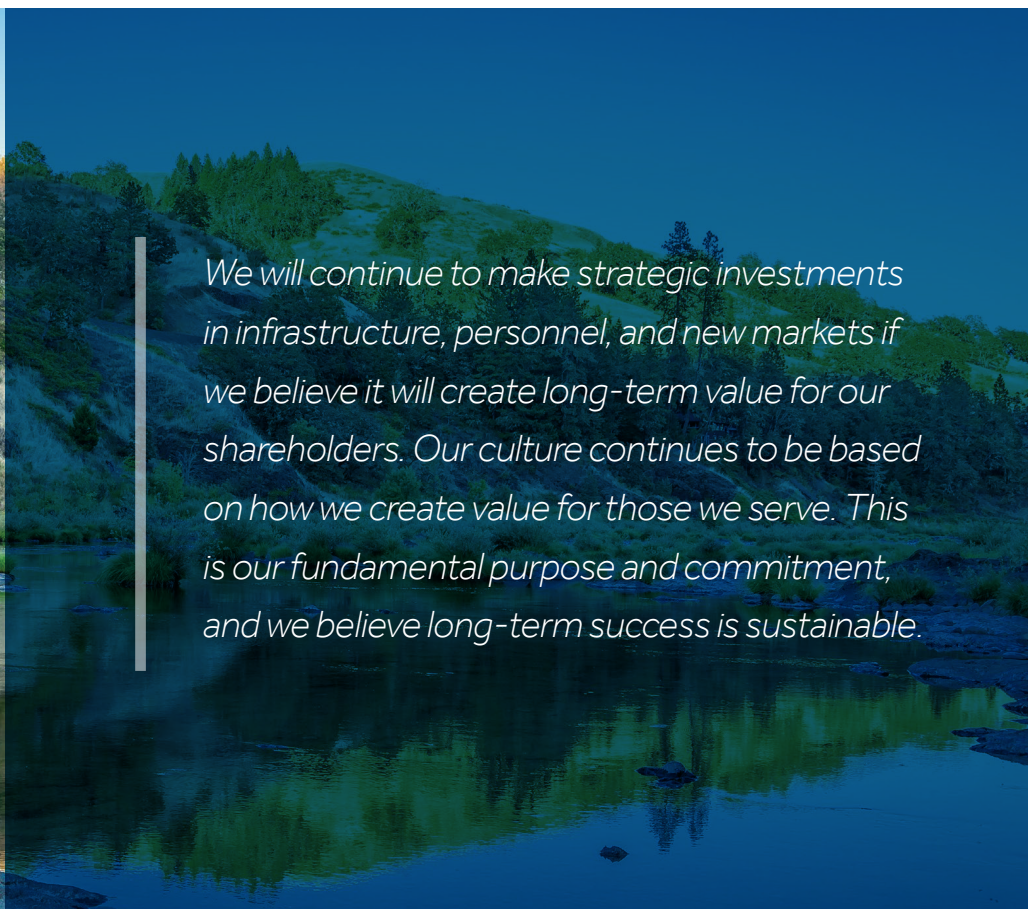
AMBER WHITE
Executive Vice President,
Chief Financial Officer



JAMES ATWOOD
Executive Vice President,
Chief Credit Officer



JOHN RALEIGH
Executive Vice President,
Chief Lending Officer



We will continue to make strategic investments in infrastructure, personnel, and new markets if we believe it will create long-term value for our shareholders. Our culture continues to be based on how we create value for those we serve. This is our fundamental purpose and commitment, and we believe long-term success is sustainable.