

CONSOLIDATED
STATEMENT OF CONDITION

December 31, 2023



FOR IMMEDIATE RELEASE

Editorial Contact:

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Oregon Pacific Bank Announces 2023 Earnings Results

Florence, Ore., January 25, 2024 - 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, 2023.

HIGHLIGHTS:

- Fourth quarter net income of \$2.2 million; \$0.31 per diluted share.
- Quarterly loan growth of \$11.4 million or 2.18%.
- Quarterly tax equivalent net interest margin of 3.64%
- Annual return on average assets of 1.22%
- Annual loan growth of \$53.7 million or 11.11%
- Portland office grand opening November 1, 2023

Net income for the quarter ended December 31, 2023, was \$2.2 million, or \$0.31 per diluted share compared to \$2.3 million or \$0.33 per diluted share for the quarter ended September 30, 2023. On an annual basis, the Bank recorded net income totaling \$9.2 million, or \$1.30 per diluted share compared to \$7.1 million, or \$1.01 per diluted share for the same period in 2022.

“We are happy to report the Bank’s strong financial performance as 2023 comes to a close,” said Ron Green, President and Chief Executive Officer. “During the year, Oregon Pacific Bank made a material investment in expansion into the Portland Market, and we are happy to report that despite these expenses, the Bank achieved record profitability during 2023. We continue to look for the best bankers in the Portland-metro area, and in all markets that we serve, who might be seeking a team-oriented community bank culture. Strategic hires may occur in 2024 if opportunities arise. We continue to be excited about the prospects for organic growth throughout the state of Oregon.”

Period-end loans, net of deferred loan origination fees, totaled \$536.7 million, representing quarterly growth of \$11.4 million, or 2.18%. The fourth quarter loan yield grew to 5.15%, representing an increase of 0.08% over the prior quarter as new loan production is occurring at a rate higher than the existing portfolio yield. Quarterly loan production for new and renewed loans totaled \$33.5 million, with a weighted average effective rate of 6.90% and a weighted-average repricing life of 4.89 years.

During the quarter ended December 31, 2023, the Bank reversed \$70 thousand in provision for credit losses. This net reversal occurred due to the combination of \$80 thousand of provision for credit loss expense on loans and reversal of \$150 thousand for provision for credit loss expense on unfunded commitments. The reduction in provision for unfunded commitments occurred primarily due to advances on lines of credit, shifting the reserve from the reserve for unfunded commitments into the Allowance for Credit Losses and overall improvements in external credit quality indicators. During the quarter, the bank also 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 \$4.9 million. The increase occurred due to the downgrading of three loan relationships totaling \$2.5 million, \$1.2 million and \$880 thousand, respectively, into substandard classification. Two of the downgraded relationships are nonprofits that have experienced mid-year reductions in revenue and are updating their forecasted operating budgets to reflect expense adjustments for the coming fiscal year. One relationship is undergoing a property improvement plan for a conversion to a branded hotel flag that has experienced delays. All loans continue to pay as agreed and are well-secured with commercial real estate.

The Bank's cost of funds moved to 1.00% during the fourth quarter 2023, compared to 0.86% during the third quarter 2023, resulting in a quarterly increase in interest expense of \$342 thousand. The Bank experienced quarterly deposit contraction totaling \$9.5 million compared to deposit totals at September 30, 2023.

"Deposits contracted during the quarter as clients self-funded projects or looked for alternative investments," commented John Raleigh, Executive Vice President and Chief Lending Officer. "The Bank has focused on retaining relationship deposits through targeted incremental interest rate adjustments to remain competitive, also acknowledging that some deposit movement is not interest rate related."

During the fourth quarter a large client continued to utilize excess cash to fund a large construction project, with their deposit usage totaling approximately \$3 million. Additionally, another depositor utilized excess cash of \$2.6 million to purchase commercial real estate.

Noninterest income totaled \$1.8 million during the fourth quarter 2023 and represented growth of \$52 thousand over third quarter 2023. The largest increase in non-interest income occurred in the trust fee income category, which grew \$96 thousand over the prior quarter, primarily due to growth in trust assets under management (AUM). Trust revenue continues to be the Bank's strongest source of noninterest income and a differentiator amongst similarly sized community banks. Trust revenue has historically been consistent, and it is generally not affected by economic factors such as interest rates or the stock market that could impact other lines of noninterest income, including mortgage or investment advisory services. The Bank has five trust officers across its markets and believes this location-based service will enable future growth of this business line.

Noninterest expense for the fourth quarter 2023 totaled \$5.7 million, representing an increase of \$108 thousand over the quarter ended September 30, 2023. The largest expense fluctuation totaled \$84 thousand and occurred in the occupancy and equipment category. The growth in this expense was attributable to two facility updates: 1) the opening of the Portland Office, located at 16101 SW 72nd Ave in Tigard on November 1, 2023 and 2) the full quarter of expense associated with the Bank's new administrative building, located in Eugene at 1045 Willagillespie Rd. The Bank purchased a building in December 2021 with plans to develop the building into the Eugene administrative headquarters due to the growth of Eugene-based employees. This building was renovated throughout 2023, with staff moving into the location in September 2023. The additional quarterly expense is anticipated to be a permanent change moving into 2024.

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.

ABOUT OPB

Oregon Pacific Bank is the longest-serving community bank in Lane County. Established in 1979, we have full-service branches in Coos Bay, Eugene, Florence, Medford, Portland, and Roseburg. We believe that banking is more than just numbers – it's about building relationships. We're dedicated to serving our local communities and businesses by providing personalized banking solutions.

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

JASON HALL, CPA | Partner, Hoffman, Stewart & Schmidt, PC (HSS)

KERRIE JOHNSON | Owner/Loan Originator, Gallic & Johnson Financial

BOB MANS, OD | Co-owner, Florence Eye Clinic

ANGELIQUE WHITLOW | CFO, Hunter-Davisson, Inc.

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>December 31, 2023</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>
ASSETS			
Cash and due from banks	\$ 8,106	\$ 8,925	\$ 10,657
Interest bearing deposits	6,246	11,216	39,863
Securities	177,599	176,593	195,881
Loans, net of deferred fees and costs	536,662	525,231	482,979
Allowance for credit losses	(6,975)	(6,892)	(6,666)
Premises and equipment, net	13,470	13,024	9,556
Bank owned life insurance	8,866	8,801	8,616
Deferred tax asset	5,758	6,604	5,631
Other assets	11,254	8,986	7,665
	<u>760,986</u>	<u>752,488</u>	<u>754,182</u>
Total assets	<u>\$ 760,986</u>	<u>\$ 752,488</u>	<u>\$ 754,182</u>
LIABILITIES			
Deposits			
Demand - non-interest bearing	\$ 155,693	\$ 160,272	\$ 180,589
Demand - interest bearing	272,968	270,677	236,511
Money market	129,543	139,033	165,671
Savings	66,254	69,018	82,662
Certificates of deposit	35,991	30,917	17,436
Total deposits	<u>660,449</u>	<u>669,917</u>	<u>682,869</u>
FHLB borrowings	17,000	5,000	-
Junior subordinated debenture	4,124	4,124	4,124
Subordinated debenture	14,727	14,702	14,627
Other liabilities	8,304	8,168	6,474
	<u>704,604</u>	<u>701,911</u>	<u>708,094</u>
Total liabilities	<u>704,604</u>	<u>701,911</u>	<u>708,094</u>
STOCKHOLDERS' EQUITY			
Common stock	21,291	21,212	21,099
Retained earnings	44,083	41,859	35,462
Accumulated other comprehensive income, net of tax	(8,992)	(12,494)	(10,473)
	<u>56,382</u>	<u>50,577</u>	<u>46,088</u>
Total stockholders' equity	<u>56,382</u>	<u>50,577</u>	<u>46,088</u>
Total liabilities & stockholders' equity	<u>\$ 760,986</u>	<u>\$ 752,488</u>	<u>\$ 754,182</u>

CONSOLIDATED STATEMENTS OF INCOME

Unaudited (dollars in thousands, except per share data)

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
	December 31,	September 30,	December 31,	December 31,	December 31,
	2023	2023	2022	2023	2022
INTEREST INCOME					
Non-PPP loans	\$ 6,871	\$ 6,587	\$ 5,517	\$ 25,531	\$ 19,392
PPP loans	-	-	-	-	349
Securities	1,608	1,568	1,470	6,504	3,984
Other interest income	172	373	664	1,263	1,170
Total interest income	<u>8,651</u>	<u>8,528</u>	<u>7,651</u>	<u>33,298</u>	<u>24,895</u>
INTEREST EXPENSE					
Deposits	1,677	1,483	361	5,331	729
Borrowed funds	379	231	220	1,066	795
Total interest expense	<u>2,056</u>	<u>1,714</u>	<u>581</u>	<u>6,397</u>	<u>1,524</u>
NET INTEREST INCOME	6,595	6,814	7,070	26,901	23,371
(Credit) provision for credit losses	(70)	(123)	335	(230)	694
Net interest income after (credit) provision for credit losses	<u>6,665</u>	<u>6,937</u>	<u>6,735</u>	<u>27,131</u>	<u>22,677</u>
NONINTEREST INCOME					
Trust fee income	944	848	841	3,619	3,206
Service charges	348	359	329	1,374	1,273
Mortgage loan sales	56	25	57	147	297
Merchant card services	129	162	121	515	515
Oregon Pacific Wealth Management income	274	294	236	1,095	977
Other income	106	117	304	405	1,085
Total noninterest income	<u>1,857</u>	<u>1,805</u>	<u>1,888</u>	<u>7,155</u>	<u>7,353</u>
NONINTEREST EXPENSE					
Salaries and employee benefits	3,218	3,164	2,787	12,594	10,830
Outside services	631	678	593	2,449	2,199
Occupancy & equipment	540	456	432	1,895	1,657
Trust expense	542	545	461	2,102	1,686
Loan and collection, OREO expense	16	9	(8)	76	63
Advertising	77	93	111	417	440
Supplies and postage	98	98	75	363	279
Loss on sale of securities	-	-	1,829	-	1,829
Other operating expenses	561	532	457	2,119	1,536
Total noninterest expense	<u>5,683</u>	<u>5,575</u>	<u>6,737</u>	<u>22,015</u>	<u>20,519</u>
Income before taxes	2,839	3,167	1,886	12,271	9,511
Provision for income taxes	614	820	459	3,039	2,368
NET INCOME	<u>\$ 2,225</u>	<u>\$ 2,347</u>	<u>\$ 1,427</u>	<u>\$ 9,232</u>	<u>\$ 7,143</u>

Quarterly Highlights

	4th Quarter 2023	3rd Quarter 2023	2nd Quarter 2023	1st Quarter 2023	4th Quarter 2022
Earnings					
Interest income	\$ 8,651	\$ 8,528	\$ 8,206	\$ 7,912	\$ 7,651
Interest expense	2,056	1,714	1,540	1,084	581
Net interest income	\$ 6,595	\$ 6,814	\$ 6,666	\$ 6,828	\$ 7,070
Provision for loan loss	(70)	(123)	14	(51)	335
Noninterest income	1,857	1,805	1,792	1,701	1,888
Noninterest expense	5,683	5,575	5,442	5,313	6,737
Provision for income taxes	614	820	771	834	459
Net income	<u>\$ 2,225</u>	<u>\$ 2,347</u>	<u>\$ 2,231</u>	<u>\$ 2,433</u>	<u>\$ 1,427</u>
Average shares outstanding	7,094,180	7,094,180	7,097,866	7,085,840	7,070,425
Average diluted shares outstanding	7,100,680	7,100,680	7,104,366	7,089,090	NA
Period end shares outstanding	7,094,180	7,094,180	7,094,562	7,102,271	7,068,659
Period end diluted shares outstanding	7,100,680	7,100,680	7,101,062	7,108,771	NA
Earnings per share	\$ 0.31	\$ 0.33	\$ 0.31	\$ 0.34	\$ 0.20
Diluted earnings per share	\$ 0.31	\$ 0.33	\$ 0.31	\$ 0.34	NA
Performance Ratios					
Return on average assets	1.17%	1.22%	1.19%	1.13%	0.74%
Return on average equity	17.45%	18.65%	18.12%	21.01%	13.34%
Net interest margin - tax equivalent	3.64%	3.74%	3.72%	3.87%	3.87%
Yield on loans	5.15%	5.07%	4.96%	4.85%	4.70%
Yield on securities	3.53%	3.43%	3.37%	3.41%	3.02%
Cost of deposits	1.00%	0.86%	0.78%	0.51%	0.21%
Cost of interest-bearing liabilities	1.52%	1.26%	1.15%	0.84%	0.44%
Efficiency ratio	67.25%	64.73%	64.34%	62.29%	75.21%
Full-time equivalent employees	134	131	128	127	120
Capital					
Tier 1 capital	\$ 82,278	\$ 80,082	\$ 77,917	\$ 75,684	\$ 73,882
Leverage ratio	10.70%	10.40%	10.24%	9.94%	9.55%
Common equity tier 1 ratio	14.28%	14.34%	14.18%	14.16%	13.92%
Tier 1 risk based ratio	14.28%	14.34%	14.18%	14.16%	13.92%
Total risk based ratio	15.53%	15.59%	15.43%	15.41%	15.17%
Book value per share	\$ 7.95	\$ 7.13	\$ 7.03	\$ 6.97	\$ 6.52

Quarterly Highlights

	4th Quarter 2023	3rd Quarter 2023	2nd Quarter 2023	1st Quarter 2023	4th Quarter 2022
Asset quality					
Allowance for credit losses (ACL)	\$ 6,975	\$ 6,892	\$ 6,887	\$ 6,884	\$ 6,666
Nonperforming loans (NPLs)	\$ 443	\$ 456	\$ 178	\$ 72	\$ 52
Nonperforming assets (NPAs)	\$ 443	\$ 456	\$ 178	\$ 72	\$ 52
Classified Assets ⁽¹⁾	\$ 9,186	\$ 4,252	\$ 3,750	\$ 3,842	\$ 3,877
Net loan charge offs (recoveries)	\$ (3)	\$ (6)	\$ (3)	\$ (88)	\$ (4)
ACL as a percentage of net loans	1.30%	1.31%	1.35%	1.39%	1.38%
ACL as a percentage of NPLs	1574.49%	1511.40%	3869.10%	9561.11%	12819.23%
Net charge offs (recoveries) to average loans	0.00%	0.00%	0.00%	-0.02%	0.00%
Net NPLs as a percentage of total loans	0.08%	0.09%	0.03%	0.01%	0.01%
Nonperforming assets as a percentage of total assets	0.06%	0.06%	0.02%	0.10%	0.01%
Classified Asset Ratio ⁽²⁾	10.29%	4.89%	4.42%	4.65%	4.81%
Past due as a percentage of total loans	0.15%	0.12%	0.12%	0.06%	0.19%
Off-balance sheet figures					
Off-balance sheet demand deposits ⁽³⁾	\$ -	\$ -	\$ -	\$ -	\$ 18,976
Unused credit commitments	\$ 105,900	\$ 103,163	\$ 97,111	\$ 85,390	\$ 89,680
Trust assets under management (AUM)	\$ 226,695	\$ 219,268	\$ 222,880	\$ 219,731	\$ 215,736
Oregon Pacific Wealth Management AUM	\$ 147,159	\$ 140,153	\$ 141,990	\$ 133,138	\$ 117,549
End of period balances					
Total securities	\$ 177,599	\$ 176,593	\$ 181,530	\$ 195,647	\$ 195,881
Total short term deposits	\$ 6,246	\$ 11,216	\$ 22,967	\$ 41,931	\$ 39,863
Total loans net of allowance	\$ 529,687	\$ 518,339	\$ 503,377	\$ 486,596	\$ 476,313
Total earning assets	\$ 722,855	\$ 715,273	\$ 716,793	\$ 733,090	\$ 720,712
Total assets	\$ 760,986	\$ 752,488	\$ 752,804	\$ 764,489	\$ 754,182
Total noninterest bearing deposits	\$ 155,693	\$ 160,272	\$ 159,184	\$ 166,409	\$ 180,589
Total deposits	\$ 660,449	\$ 669,917	\$ 677,672	\$ 690,046	\$ 682,869
Average balances					
Total securities	\$ 176,066	\$ 180,344	\$ 190,818	\$ 196,060	\$ 192,348
Total short term deposits	\$ 12,637	\$ 27,510	\$ 24,616	\$ 35,240	\$ 68,808
Total loans net of allowance	\$ 522,432	\$ 508,385	\$ 498,069	\$ 480,046	\$ 459,440
Total earning assets	\$ 720,383	\$ 725,179	\$ 722,420	\$ 720,003	\$ 728,980
Total assets	\$ 756,740	\$ 759,592	\$ 751,845	\$ 752,094	\$ 761,361
Total noninterest bearing deposits	\$ 156,729	\$ 163,669	\$ 154,949	\$ 167,863	\$ 178,226
Total deposits	\$ 668,296	\$ 681,749	\$ 675,954	\$ 678,528	\$ 692,412

⁽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.

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