

CONSOLIDATED STATEMENT OF CONDITION

September 30, 2023



Oregon Pacific Bancorp Announces Third Quarter Earnings Results

Florence, Ore., October 19, 2023 - Oregon Pacific Bancorp (ORPB), the holding company of Oregon Pacific Bank, today reported financial results for the third quarter ended, September 30, 2023.

Highlights:

- Net income of \$2.3 million; \$0.33 per diluted share.
- Return on average assets of 1.22%.
- Quarterly loan growth of \$15.0 million or 2.93%.
- Net interest margin increased to 3.74%.

Net income for the quarter ended September 30, 2023, was \$2.3 million, or \$0.33 per diluted share compared to \$2.2 million or \$0.31 per diluted share for the quarter ended June 30, 2023. Core earnings remained strong, with net interest income expanding to \$6.8 million, up from \$6.7 million during the second quarter 2023. The third quarter net interest margin increased to 3.74%, up from 3.72% in the second quarter 2023. "We are pleased with the margin expansion experienced during the third quarter and strong loan production," said Ron Green, President and Chief Executive Officer. "The higher interest rate environment has been challenging for many community banks, but Oregon Pacific has focused on relationship deposits, which enabled us to maintain strong financial performance and continue to serve our clients."

The Bank's cost of funds moved to 0.86% during the third quarter, compared to 0.78% during the second quarter, resulting in an increase in interest expense of \$174 thousand during the quarter. The Bank experienced quarterly deposit contraction totaling \$7.8 million compared to deposit totals at June 30, 2023. During the third quarter a large client continued to utilize excess cash to fund a large construction project, with funding beginning in the second quarter 2023 and expecting to continue into fourth quarter. Third quarter funding totaled \$7.2 million and is anticipated to draw on an additional \$3 million of deposits into the fourth quarter. The Bank experienced a reduction in the savings and money market deposit totals, which decreased by a total of \$19.2 million during the third quarter, primarily tied to clients seeking higher yields. A reduction in money market and savings deposits was partially offset by an increase in interest bearing and non-interest-bearing demand deposits of \$6.2 million. Additionally, the Bank saw certificates of deposit grow to \$30.9 million, with clients looking to secure higher deposit rates. Disruption in the market due to a recent large merger has provided great opportunities for the transition of operating accounts looking for stable and available customer service. The Bank anticipates this activity will continue into the fourth quarter and 2024.

Period-end loans, net of deferred loan origination fees, totaled \$525.2 million, representing quarterly growth of \$15 million, which is 2.9% or 11.7% annualized. The third quarter loan yield grew to 5.07%, 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 \$39.5 million, with a weighted average effective rate of 7.38% and a weighted-average repricing life of 4.32 years. During the quarter the Bank recorded a credit to the provision for loan losses totaling \$123 thousand. This was primarily tied to a reduction in the reserve for unfunded commitments.

During the quarter the Bank saw a small increase in classified assets totaling \$502 thousand. This increase was attributable to downgrades of two loans totaling \$589 thousand, which was partially offset by the payoff of one relationship. The downgrades represent two lending relationships, both of which are secured by commercial real estate. The Bank believes both relationships are adequately collateralized and does not currently recognize any impairment. The Bank's credit administration team continues to proactively work with lending staff to identify any possible credit stress, placing particular attention on the office sector. At September 30, 2023, commercial real estate loans classified as office loans totaled \$78.3 million, with an average loan size of \$850 thousand, with 31.7%, or \$24.9 million classified as owner-occupied. 98.2% of the office portfolio is located within the state of Oregon. The aggregate loan-to-value of the office portfolio was 45.4%.

Noninterest income totaled \$1.8 million during the third quarter 2023 and represented growth of \$13 thousand over second quarter 2023. The largest increase in non-interest income occurred in the Merchant card services category which grew \$40 thousand over the prior quarter. This fluctuation is typical of seasonal merchant activity as many Florence-based merchant clients experience an increase in tourism during the summer. Offsetting that growth was a quarterly reduction in trust income of \$95 thousand. The Bank's trust department experienced a small reduction in assets under management (AUM) of \$3.6 million or 1.62% during the third quarter. The trust business includes terminating trusts which occur typically after the death of the grantor, and assets are distributed to beneficiaries over a period of 12 to 24 months. This can cause occasional reductions in AUM due to the temporary nature of some trust assets.

Noninterest expense for the third quarter 2023 totaled \$5.6 million, representing an increase of \$133 thousand over the quarter ended June 30, 2023. The largest expense fluctuation totaled \$90 thousand and occurred in the outside services category. A portion of the increase was due to the one-time data conversion from the Bank's prior loan imaging software to a new software, which totaled \$38 thousand. Salaries and benefits also increased during the quarter by \$82 thousand. This increase was attributable to two factors: 1) growth in salary expense due to the hiring of operational staff for the Portland office and the full quarter of salary expense for the second quarter new hires, which grew \$37 thousand, and 2) a reduction in the number of new and renewed loans during the quarter which impacted the deferred loan origination costs, which are reflected as a credit to salary expense. The third quarter ASC 310-20 loan origination costs totaled \$164 thousand, a reduction of \$41 thousand from the prior quarter. These variances were partially offset by a reduction in advertising expense of \$52 thousand as the bank discontinued its Money Matters television advertising, which was airing on loan KVAL news.

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:

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CONSOLIDATED BALANCE SHEETS

Unaudited (dollars in thousands)

	September 30, 2023	June 30, 2023	September 30, 2022
ASSETS			
Cash and due from banks	\$ 8,925	\$ 10,951	\$ 13,402
Interest bearing deposits	11,216	22,967	97,840
Securities	176,593	181,530	188,366
Loans, net of deferred fees and costs	525,231	510,264	456,627
Allowance for credit losses	(6,892)	(6,887)	(6,328)
Premises and equipment, net	13,024	11,708	9,501
Bank owned life insurance	8,801	8,738	8,563
Deferred tax asset	6,604	5,978	5,836
Other assets	8,986	7,555	6,904
Total assets	<u>\$ 752,488</u>	<u>\$ 752,804</u>	<u>\$ 780,711</u>
LIABILITIES			
Deposits			
Demand - non-interest bearing	\$ 160,272	\$ 159,184	\$ 195,536
Demand - interest bearing	270,677	265,550	242,974
Money market	139,033	152,046	170,439
Savings	69,018	75,196	85,548
Certificates of deposit	30,917	25,696	18,213
Total deposits	<u>669,917</u>	<u>677,672</u>	<u>712,710</u>
FHLB borrowings	5,000	-	-
Junior subordinated debenture	4,124	4,124	4,124
Subordinated debenture	14,702	14,677	14,603
Other liabilities	8,168	6,482	6,499
Total liabilities	<u>701,911</u>	<u>702,955</u>	<u>737,936</u>
STOCKHOLDERS' EQUITY			
Common stock	21,212	21,135	21,042
Retained earnings	41,859	39,516	34,038
Accumulated other comprehensive income, net of tax	(12,494)	(10,802)	(12,305)
Total stockholders' equity	<u>50,577</u>	<u>49,849</u>	<u>42,775</u>
Total liabilities & stockholders' equity	<u>\$ 752,488</u>	<u>\$ 752,804</u>	<u>\$ 780,711</u>

CONSOLIDATED STATEMENTS OF INCOME

Unaudited (dollars in thousands, except per share data)

	THREE MONTHS ENDED			NINE MONTHS ENDED	
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
INTEREST INCOME					
Non-PPP loans	\$ 6,587	\$ 6,249	\$ 5,022	\$ 18,660	\$ 13,875
PPP loans	-	-	-	-	349
Securities	1,568	1,641	1,131	4,896	2,514
Other interest income	373	316	305	1,090	507
Total interest income	<u>8,528</u>	<u>8,206</u>	<u>6,458</u>	<u>24,646</u>	<u>17,245</u>
INTEREST EXPENSE					
Deposits	1,483	1,311	152	3,653	368
Borrowed funds	231	229	204	686	575
Total interest expense	<u>1,714</u>	<u>1,540</u>	<u>356</u>	<u>4,339</u>	<u>943</u>
NET INTEREST INCOME					
	6,814	6,666	6,102	20,307	16,302
(Credit) provision for credit losses	<u>(123)</u>	<u>14</u>	<u>209</u>	<u>(160)</u>	<u>359</u>
Net interest income after (credit) provision for credit losses	<u>6,937</u>	<u>6,652</u>	<u>5,893</u>	<u>20,467</u>	<u>15,943</u>
NONINTEREST INCOME					
Trust fee income	848	943	783	2,675	2,366
Service charges	359	342	324	1,026	944
Mortgage loan sales	25	28	29	91	240
Merchant card services	162	122	153	386	394
Oregon Pacific Wealth Management income	294	275	239	821	741
Other income	117	82	514	299	783
Total noninterest income	<u>1,805</u>	<u>1,792</u>	<u>2,042</u>	<u>5,298</u>	<u>5,468</u>
NONINTEREST EXPENSE					
Salaries and employee benefits	3,164	3,082	2,787	9,374	8,043
Outside services	678	588	583	1,818	1,606
Occupancy & equipment	456	451	413	1,355	1,226
Trust expense	545	533	432	1,560	1,226
Loan and collection, OREO expense	9	27	21	60	71
Advertising	93	145	141	339	329
Supplies and postage	98	79	74	264	204
Other operating expenses	532	537	360	1,558	1,077
Total noninterest expense	<u>5,575</u>	<u>5,442</u>	<u>4,811</u>	<u>16,328</u>	<u>13,782</u>
Income before taxes	3,167	3,002	3,124	9,437	7,629
Provision for income taxes	<u>820</u>	<u>771</u>	<u>792</u>	<u>2,424</u>	<u>1,909</u>
NET INCOME	<u>\$ 2,347</u>	<u>\$ 2,231</u>	<u>\$ 2,332</u>	<u>\$ 7,013</u>	<u>\$ 5,720</u>

Quarterly Highlights

	3rd Quarter 2023	2nd Quarter 2023	1st Quarter 2023	4th Quarter 2022	3rd Quarter 2022
Earnings					
Interest income	\$ 8,528	\$ 8,206	\$ 7,912	\$ 7,651	\$ 6,458
Interest expense	1,714	1,540	1,084	581	356
Net interest income	\$ 6,814	\$ 6,666	\$ 6,828	\$ 7,070	\$ 6,102
Provision for loan loss	(123)	14	(51)	335	209
Noninterest income	1,805	1,792	1,701	1,888	2,042
Noninterest expense	5,575	5,442	5,313	6,737	4,811
Provision for income taxes	820	771	834	459	792
Net income	\$ 2,347	\$ 2,231	\$ 2,433	\$ 1,427	\$ 2,332
Average shares outstanding	7,094,180	7,097,866	7,085,840	7,070,425	7,070,433
Average diluted shares outstanding	7,100,680	7,104,366	7,089,090	NA	NA
Period end shares outstanding	7,094,180	7,094,562	7,102,271	7,068,659	7,070,304
Period end diluted shares outstanding	7,100,680	7,101,062	7,108,771	NA	NA
Earnings per share	\$ 0.33	\$ 0.31	\$ 0.34	\$ 0.20	\$ 0.33
Diluted earnings per share	\$ 0.33	\$ 0.31	\$ 0.34	NA	NA
Performance Ratios					
Return on average assets	1.22%	1.19%	1.13%	0.74%	1.28%
Return on average equity	18.65%	18.12%	21.01%	13.34%	20.41%
Net interest margin - tax equivalent	3.74%	3.72%	3.87%	3.87%	3.54%
Yield on loans	5.07%	4.96%	4.85%	4.70%	4.50%
Yield on securities	3.43%	3.37%	3.41%	3.02%	2.39%
Cost of deposits	0.86%	0.78%	0.51%	0.21%	0.09%
Cost of interest-bearing liabilities	1.26%	1.15%	0.84%	0.44%	0.29%
Efficiency ratio	64.73%	64.34%	62.29%	75.21%	59.07%
Full-time equivalent employees	131	128	127	120	122
Capital					
Tier 1 capital	\$ 80,082	\$ 77,917	\$ 75,684	\$ 73,882	\$ 72,410
Leverage ratio	10.40%	10.24%	9.94%	9.55%	9.95%
Common equity tier 1 ratio	14.34%	14.18%	14.16%	13.92%	14.81%
Tier 1 risk based ratio	14.34%	14.18%	14.16%	13.92%	14.81%
Total risk based ratio	15.59%	15.43%	15.41%	15.17%	16.06%
Book value per share	\$ 7.13	\$ 7.03	\$ 6.97	\$ 6.52	\$ 6.05

Quarterly Highlights

	3rd Quarter 2023	2nd Quarter 2023	1st Quarter 2023	4th Quarter 2022	3rd Quarter 2022
Asset quality					
Allowance for loan losses (ALLL)	\$ 6,892	\$ 6,887	\$ 6,884	\$ 6,666	\$ 6,328
Nonperforming loans (NPLs)	\$ 456	\$ 178	\$ 72	\$ 52	\$ 424
Nonperforming assets (NPAs)	\$ 456	\$ 178	\$ 72	\$ 52	\$ 424
Classified Assets ⁽¹⁾	\$ 4,252	\$ 3,750	\$ 3,842	\$ 3,877	\$ 4,574
Net loan charge offs (recoveries)	\$ (6)	\$ (3)	\$ (88)	\$ (4)	\$ (31)
ACL as a percentage of net loans	1.31%	1.35%	1.39%	1.38%	1.39%
ACL as a percentage of NPLs	1511.40%	3869.10%	9561.11%	12819.23%	1492.45%
Net charge offs (recoveries) to average loans	0.00%	0.00%	-0.02%	0.00%	-0.01%
Net NPLs as a percentage of total loans	0.09%	0.03%	0.01%	0.01%	0.09%
Nonperforming assets as a percentage of total assets	0.06%	0.02%	0.10%	0.01%	0.05%
Classified Asset Ratio ⁽²⁾	4.89%	4.42%	4.65%	4.81%	5.81%
Past due as a percentage of total loans	0.12%	0.12%	0.06%	0.19%	0.13%
Off-balance sheet figures					
Off-balance sheet demand deposits ⁽³⁾	\$ -	\$ -	\$ -	\$ 18,976	\$ 60,588
Unused credit commitments	\$ 103,163	\$ 97,111	\$ 85,390	\$ 89,680	\$ 85,880
Trust assets under management (AUM)	\$ 219,268	\$ 222,880	\$ 219,731	\$ 215,736	\$ 193,448
Oregon Pacific Wealth Management AUM	\$ 140,153	\$ 141,990	\$ 133,138	\$ 117,549	\$ 116,193
End of period balances					
Total securities	\$ 176,593	\$ 181,530	\$ 195,647	\$ 195,881	\$ 188,366
Total short term deposits	\$ 11,216	\$ 22,967	\$ 41,931	\$ 39,863	\$ 97,840
Total loans net of allowance	\$ 518,339	\$ 503,377	\$ 486,596	\$ 476,313	\$ 450,299
Total earning assets	\$ 715,273	\$ 716,793	\$ 733,090	\$ 720,712	\$ 744,786
Total assets	\$ 752,488	\$ 752,804	\$ 764,489	\$ 754,182	\$ 780,711
Total noninterest bearing deposits	\$ 160,272	\$ 159,184	\$ 166,409	\$ 180,589	\$ 195,536
Total deposits	\$ 669,917	\$ 677,672	\$ 690,046	\$ 682,869	\$ 712,710
Average balances					
Total securities	\$ 180,344	\$ 190,818	\$ 196,060	\$ 192,348	\$ 186,535
Total short term deposits	\$ 27,510	\$ 24,616	\$ 35,240	\$ 68,808	\$ 57,557
Total loans net of allowance	\$ 508,385	\$ 498,069	\$ 480,046	\$ 459,440	\$ 436,522
Total earning assets	\$ 725,179	\$ 722,420	\$ 720,003	\$ 728,980	\$ 688,723
Total assets	\$ 759,592	\$ 751,845	\$ 752,094	\$ 761,361	\$ 720,465
Total noninterest bearing deposits	\$ 163,669	\$ 154,949	\$ 167,863	\$ 178,226	\$ 191,292
Total deposits	\$ 681,749	\$ 675,954	\$ 678,528	\$ 692,412	\$ 648,827

⁽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



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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



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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



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Co-Owner, Hyak

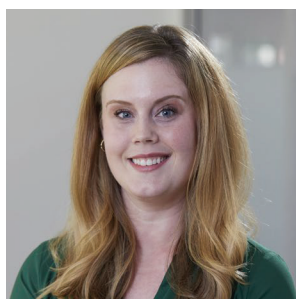


RICK YECNY
Certified Public Accountant,
Holloway & Associates CPAs

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.

ABOUT OPB

The Bank for Your Business

Established on December 17, 1979, OPB has grown to include full-service branches in Coos Bay, Florence, Eugene, Medford, and Roseburg, and a newly opened Loan Production Office in Tigard to serve the Portland Metro area. We have years of experience working with private and public sector businesses, medical professionals, non-profit organizations, and special districts. We are committed to local growth and development, investing dollars directly back into the communities we serve.

Relationship Banking

At OPB, we lead with relationships. Our local team provides sound solutions to our business and nonprofit partners that come from years of community banking experience. Professional yet approachable, our team's greatest joy is taking the time to get to know our clients and finding the right solutions to fit each new need as it arises. Our banking model is not just a one stop transaction, but a complex relationship that only grows stronger over time. We are proud to be the bank for your business.

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.

COMMUNITY IMPACT

In 2022, we contributed over \$129,000 across our communities in charitable donations and nonprofit sponsorships, and we now employ 140 people across our service area.



\$129K

Charitable donations and sponsorships



140

Employees