2024

ANNUAL REPORT

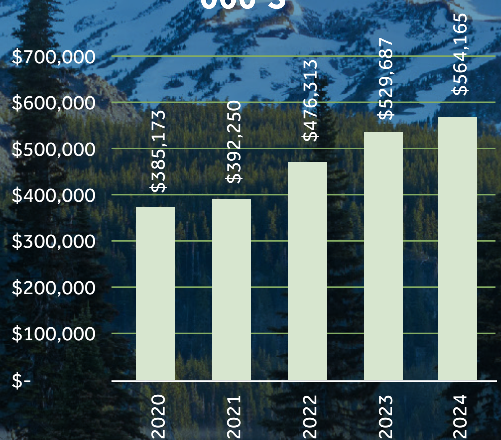
Oregon Pacific Bank
CELEBRATING 45 YEARS

COOS BAY | EUGENE | FLORENCE | MEDFORD | PORTLAND | ROSEBURG

MEMBER FDIC

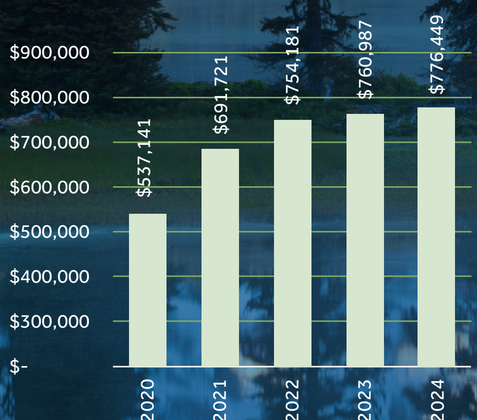
CONTENTS

LOANS – NET[1]
000'S

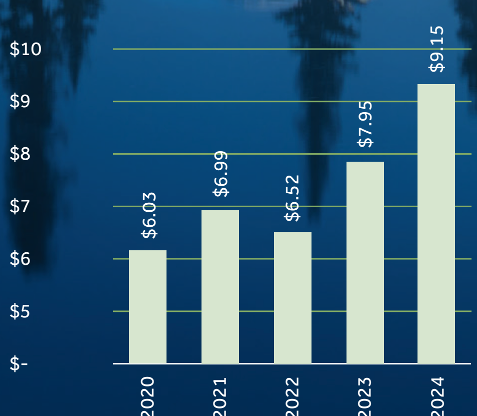


(1) Excludes loans held-for-sale.

TOTAL ASSETS
000'S



BOOK VALUE PER AVERAGE COMMON SHARE



TO OUR SHAREHOLDERS, CLIENTS, AND FRIENDS:

We are pleased to provide our 2024 Annual Report and audited financial statements. Oregon Pacific Bancorp and its wholly owned subsidiary, Oregon Pacific Bank, reported a net operating income of $7.5 million for the 12 months ended December 31, 2024, compared to $9.2 million for the same period in 2023. This equates to $1.05 earnings per share compared to $1.30 for the same period in 2023. Although earnings per share and return on average equity (ROAE) were down compared to the prior year, we are very proud of accomplishing our goal of producing an ROAE greater than 11%.

After the rapid increase in the Federal Reserve target interest rate in 2022 through the first quarter of 2023, and the subsequent contraction of deposits for the Bank in 2023, 2024 was a year of deposit stability. The Bank grew total deposits by 2.45% and is having continued success attracting new business deposit relationships. Oregon Pacific Bank maintains the precedent that we lead with relationship value first. Deposit pricing must remain reasonably competitive, but our ability to maintain a cost of funds below the peer group is tied to the success of our banking teams. They demonstrate daily to our clients that personal service and responsiveness has value.

Loan growth was also muted in 2024. Due to our slower deposit growth rate, management made a strategic decision in 2024 to decrease non-owner occupied commercial real estate loan originations. Our focus was exclusively on more traditional Commercial and Industrial lending which requires a more meaningful deposit relationship. The Bank experienced significant loan growth during the low point of the prior interest rate cycle and took on considerable duration risk to accomplish this growth. With new loans originating at market rates, and with the legacy portfolio beginning to reprice at current market rates, our average loan yield improved throughout the year. The Bank's 4th quarter net interest margin was 3.66%, slightly above the 2023 4th quarter margin, and we believe this margin can continue to expand in 2025. Oregon Pacific Bank continues to support our online business loan application portal for those clients who wish to originate their loans electronically. We also invested in more significant digital marketing and branding in 2024 to promote our digital offerings and overall brand. Although this has not yet generated material digital-only business, it has strengthened our online search engine optimization and overall online presence. All in all, we are pleased with the stabilization of our deposit and loan relationships and will continue to proactively seek opportunities to grow meaningful relationships where possible.

The Trust Services division of Oregon Pacific Bank, and Oregon Pacific Wealth Management, LLC both had a solid year of growth and profitability. Trust Assets Under Management grew 19.6% from December 31, 2023, to December 31, 2024, as the department continues to support the aging population in the markets we serve. Given the demographics and extraordinary value Trust Services provides, we believe opportunities for solid growth will continue. Trust Services is embarking on a material technology enhancement in late 2025. This will add additional expenses this year but should create a stronger operating environment, improved customer experience, and a greater opportunity for efficient growth. Oregon Pacific Wealth Management, LLC is a wholly owned subsidiary of Oregon Pacific Bank and is an SEC registered investment adviser. Assets Under Management grew $17.9 million in 2024, compared to the prior period, an increase of 12.2%. Standalone profitability for the firm was $271 thousand in pretax income, compared to $181 thousand in 2023. Both divisions continue their mission of growth, efficiency, and creating a strong and sustainable source of noninterest income for Oregon Pacific Bank. Pretax net income for Trust Services and Oregon Pacific Wealth Management represented 16.22% of the Bank's total consolidated pretax net income in 2024.

Credit Quality continues to be a focus for Oregon Pacific Bank, as the Bank maintains the position that we will not compromise asset quality for growth or profitability. During the fiscal period, the Bank has not materially changed its underwriting standards. Policy exceptions are well documented and appropriately mitigated. Although the percentage of loans recorded as nonperforming did slightly increase in 2024 from .08% to .14%, the increase is immaterial and still below peer average. Metrics on past due and adversely classified loans were down on December 31, 2024, compared to the prior year. Oregon Pacific Bank continues to maintain high concentrations of commercial real estate exposure compared to peers. We believe the risk associated with this exposure is properly mitigated through sold underwriting and material collateral margin. The weighted loan to value on this portfolio is below 60%. The Bank performs semi-annual stress tests on the portfolio and believes the loss potential in the highest stressed scenario is minimal.

Our culture continues to be based on how we create value for those we serve. Oregon Pacific Bank will remain steadfast and seek out opportunities for investments that we believe will create long-term value for our shareholders, clients, employees, and communities. This entrepreneurial mindset has been the cornerstone for the Bank and represents our fundamental purpose and commitment.

We hope you will be able to attend our virtual annual meeting on Wednesday, April 23, 2025, at 4 PM Pacific Time. Information regarding the meeting can be found in our proxy statement. Please contact CEO Ron Green by telephone at (541) 902-9800 or by email at ron.green@opbc.com if you have any questions. For more information about Oregon Pacific Bank, please visit us at www.oregonpacificbank.com.

Respectfully,

Jon Thompson

Jon Thompson
Chairman of the Board
Oregon Pacific Bancorp

Ronald S. Green

Ronald S. Green
President and CEO
Oregon Pacific Bancorp

ORGANIZATIONAL HIGHLIGHTS

Celebrating 45 Years of Community Banking

December 17, 2024, marked a significant milestone for Oregon Pacific Bank as we celebrated **45 years of dedicated service to our communities.** Since opening our doors in 1979, our mission has remained steadfast: to provide personal, relationship-based banking while supporting the businesses, individuals, and nonprofits that make Oregon thrive.

Through the decades, we have embraced innovation while staying true to our core values of integrity, service, and community. Our success is a testament to the trust and partnerships we have built, and we remain committed to fostering economic growth and financial well-being in the years to come.

As we celebrate this milestone year, we extend our deepest gratitude to our shareholders, clients, employees, and community partners. Together, we look forward to a future of continued growth, innovation, and service.

Community Impact

At Oregon Pacific Bank, we believe in giving back. In 2024, we contributed over $200,000 in charitable donations, nonprofit sponsorships, and local scholarships, reaffirming our dedication to making a difference. As a local employer, we are proud to provide opportunities to over 150 Oregonians, many of whom generously give their time to volunteer in the communities they serve.

150+
local employees

$200K
in charitable donations and sponsorships

1,600
total volunteer hours

NOTABLE ACHIEVEMENTS

Recognized as a Top Employer: Oregon Pacific Bank was honored as one of the **100 Best Companies to Work For in Oregon** for 2025 by *Oregon Business Magazine,* highlighting our strong workplace culture and commitment to employee well-being.

Investing in Our Communities: Through our participation in the Federal Home Loan Bank of Des Moines **Member Impact Fund,** we facilitated two matching grants of $10,000 each, supporting the City of Coos Bay's Mingus Park Pool project and Habitat for Humanity Portland Region's AmeriCorps revitalization program.

Leadership Expansion: We welcomed Lance Rudge as **Executive Vice President and Chief Operating Officer (COO)**, a strategic addition to our leadership team. With over 20 years of industry experience, Lance's expertise positions the bank for continued growth and innovation.

Enhancing Business Banking: We launched **Oregon Pacific Loan Solutions,** a cutting-edge online application system designed to simplify small business lending. As one of the few community banks in the region offering a digital portal for commercial financing, we are setting a new standard for convenience while maintaining our hallmark personalized service.

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.

LEADERSHIP

OUR EXECUTIVE TEAM

Ron Green
President, Chief Executive Officer

Amber White
EVP, Chief Financial Officer

John Raleigh
EVP, Chief Lending Officer

James Atwood
EVP, Chief Credit Officer

Lance Rudge
EVP, Chief Operating Officer

Our culture continues to be based on how we create value for those we serve, with our promise to deliver in the best interest of our shareholders, our clients, our employees, and the communities we serve.

BOARD OF DIRECTORS

Jon Thompson
Board Chair
Business Owner,
Coast Broadcasting

Kerrie Johnson
Vice Chair
Owner, Loan Originator
at Blue-inc. Capital

Dan Jones
Business Owner,
DJ Financial

Joe Benetti
Business Owner,
Benetti's Italian Fine
Foods

Tim Campbell
Partner and Owner of
Campbell Commercial
Real Estate

Ron Green
President, Chief
Executive Officer of
Oregon Pacific Bank

Jason Hall
CPA Partner at
Hoffman, Stewart &
Schmidt, PC (HSS)

Bob Mans, OD
Co-Owner of
Florence Eye Clinic

Angelique Whitlow
Chief Financial
Officer at
Hunter-Davisson, Inc

Robbie Wright
General Manager and
Founder, Hyak

Oregon Pacific Bancorp and Subsidiary

Financial Highlights

	AS OF AND FOR THE YEARS ENDED DECEMBER 31,				
	2024	2023	2022	2021	2020
INCOME STATEMENT DATA					
Interest income	$ 37,302,582	$ 33,297,491	$ 24,895,555	$ 21,049,162	$ 18,875,941
Interest expense	10,366,508	6,397,077	1,524,202	730,090	812,562
Net interest income	26,936,074	26,900,414	23,371,353	20,319,072	18,063,379
Provision for credit losses	305,702	(230,061)	694,000	-	2,178,388
Net interest income after provision for credit losses	26,630,372	27,130,475	22,677,353	20,319,072	15,884,991
Noninterest income	7,939,948	7,155,688	7,354,653	6,616,177	5,146,145
Noninterest expense	24,625,257	22,015,625	20,519,878	16,524,308	15,216,614
Income before provision for income taxes	9,945,063	12,270,538	9,512,128	10,410,941	5,814,522
Provision for income taxes	2,424,378	3,038,648	2,368,228	2,610,437	1,461,328
Net income	$ 7,520,685	$ 9,231,890	$ 7,143,900	$ 7,800,504	$ 4,353,194
PER SHARE DATA					
Basic earnings per common share	$ 1.05	$ 1.30	$ 1.01	$ 1.11	$ 0.62
Diluted earnings per common share	$ 1.05	$ 1.30	$ 1.01	$ 1.11	$ 0.62
Book value per average common share	$ 9.15	$ 7.95	$ 6.52	$ 6.99	$ 6.03
Weighted average shares outstanding:					
Basic	7,130,343	7,093,015	7,067,099	7,037,256	7,001,302
Diluted	7,146,908	7,098,632	7,067,099	7,037,256	7,001,302
BALANCE SHEET DATA					
Investment securities	$ 155,258,193	$ 177,599,475	$ 195,881,655	$ 123,075,981	$ 37,805,811
Loans, net	$ 564,165,457	$ 529,687,311	$ 476,312,624	$ 392,250,439	$ 385,173,336
Total assets	$ 776,448,523	$ 760,986,932	$ 754,181,454	$ 691,721,417	$ 537,140,707
Total deposits	$ 676,618,182	$ 660,450,236	$ 682,867,284	$ 618,680,093	$ 486,343,803
Stockholders' equity	$ 65,290,575	$ 56,381,672	$ 46,087,978	$ 49,259,750	$ 42,275,232
SELECTED RATIOS					
Return on average assets	0.96%	1.22%	0.99%	1.21%	0.90%
Return on average equity	12.69%	18.76%	15.75%	17.08%	11.14%
Net loans to deposits	83.38%	80.20%	69.75%	63.40%	79.20%
Net interest margin[(1)]	3.63%	3.74%	3.42%	3.28%	3.95%
Efficiency ratio[(2)]	70.61%	64.65%	66.78%	61.35%	65.56%
ASSET QUALITY RATIOS					
Reserve for loans losses to:					
Ending total loans	1.29%	1.30%	1.38%	1.48%	1.47%
Nonperforming assets[(3)]	927.42%	1574.20%	12739.41%	636.24%	229.73%
Non-performing assets to ending total assets	0.10%	0.06%	0.01%	0.13%	0.47%
Net loan (recoveries) charge-offs to average loans	-0.02%	-0.02%	-0.02%	-0.03%	-0.01%
CAPITAL RATIOS (BANK)					
Average stockholders' equity to average assets	7.59%	6.52%	6.30%	7.06%	8.10%
Tier I capital ratio[(4)]	14.86%	14.28%	13.92%	17.12%	N/A[(7)]
Total risk-based capital ratio[(5)]	16.11%	15.53%	15.17%	18.38%	N/A[(7)]
Leverage ratio[(6)]	11.19%	10.70%	9.55%	9.73%	8.32%

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(1) Used tax effective yield for non-taxable securities interest earned.

(2) Efficiency ratio is noninterest expense divided by the sum of net interest income plus noninterest income.

(3) Nonperforming assets consists of nonaccrual loans, loans contractually past due 90 days or more, and other real estate owned.

(4) Tier I capital divided by risk-weighted assets.

(5) Total capital divided by risk-weighted assets.

(6) Tier I capital divided by quarterly average total assets.

(7) During 2020 the Bank opted into the CBLR framework and did not report risk based capital figures at this time.

Oregon Pacific Bancorp
and Subsidiary

Consolidated
Financial Statements

Years Ended
December 31, 2024
and 2023

Oregon Pacific Bancorp and Subsidiary

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Forvis Mazars, LLP
910 E. St. Louis Street
Springfield, MO 65806
P 417.865.8701 | F 417.865.0682
forvismazars.us

Independent Auditor's Report

Audit Committee and Board of Directors
Oregon Pacific Bancorp and Subsidiary
Eugene, Oregon

Opinion

We have audited the consolidated financial statements of Oregon Pacific Bancorp and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Oregon Pacific Bancorp and Subsidiary as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of Oregon Pacific Bancorp and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Oregon Pacific Bancorp and Subsidiary's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Oregon Pacific Bancorp and Subsidiary's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Oregon Pacific Bancorp and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Forvis Mazars, LLP

Springfield, Missouri
March 11, 2025

Oregon Pacific Bancorp and Subsidiary
Consolidated Balance Sheets
December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 9,521,108	$ 8,106,215
Interest-bearing deposits in banks	10,920,834	6,246,433
Available-for-sale debt securities, at fair value	155,258,193	177,599,475
Restricted equity securities	1,932,650	2,347,650
Loans, net of deferred loan fees	571,565,457	536,662,423
Allowance for credit losses	(7,400,000)	(6,975,112)
Premises and equipment, net of accumulated depreciation	13,279,415	13,469,746
Bank-owned life insurance	9,141,743	8,865,732
Deferred tax assets, net	5,398,423	5,758,257
Accrued interest receivable and other assets	6,830,700	8,906,113
TOTAL ASSETS	$ 776,448,523	$ 760,986,932
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand - non-interest bearing	$ 141,718,795	$ 155,693,078
Demand - interest bearing	277,931,969	272,968,053
Money market	135,255,480	129,543,290
Savings deposits	66,194,377	66,254,322
Time certificate accounts	55,517,561	35,991,493
Total deposits	676,618,182	660,450,236
Federal Home Loan Bank borrowings	7,500,000	17,000,000
Junior subordinated debenture	4,124,000	4,124,000
Subordinated debenture, net of issuance cost	14,827,136	14,727,316
Deferred compensation liability	2,460,655	2,426,104
Accrued interest payable and other liabilities	5,627,975	5,877,604
Total liabilities	711,157,948	704,605,260
Preferred stock; 200,000 shares authorized; no shares issued and oustanding	-	-
Common stock, no par value, 10,000,000 shares authorized; 7,138,259 and 7,094,180 shares issued and outstanding at December 31, 2024 and 2023, respectively	21,612,370	21,291,000
Undivided profits	51,603,166	44,082,481
Accumulated other comprehensive income, net of tax	(7,924,961)	(8,991,809)
Total stockholders’ equity	65,290,575	56,381,672
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$ 776,448,523	$ 760,986,932

The accompanying notes are an integral part of the consolidated financial statements

Oregon Pacific Bancorp and Subsidiary

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2024 and 2023

	2024	2023
INTEREST INCOME		
Loans	$ 30,378,373	$ 25,531,285
Taxable securities	5,679,244	6,214,479
Tax-exempt securities	227,013	289,134
Interest-bearing deposits in banks	1,017,952	1,262,593
	37,302,582	33,297,491
INTEREST EXPENSE		
Interest-bearing demand deposits	6,503,341	4,396,551
Savings deposits	430,517	356,380
Time certificate accounts	2,088,424	578,526
Other borrowings	1,344,226	1,065,620
	10,366,508	6,397,077
Net interest income	26,936,074	26,900,414
PROVISION EXPENSE		
Provision for credit losses	330,801	150,071
Recapture for unfunded commitments	(25,099)	(380,132)
	305,702	(230,061)
Net interest income after provision for credit losses	26,630,372	27,130,475
NONINTEREST INCOME		
Trust fee income	4,001,330	3,619,388
Service charges and fees	1,457,093	1,374,342
Mortgage loan sales	203,777	147,305
Merchant card services	519,061	515,226
Oregon Pacific Wealth Management income (OPWM)	1,301,181	1,094,987
Increase in cash surrender value of bank-owned life insurance	276,011	249,464
Fee income on insured deposit products	52,766	39,984
Other income	128,729	114,992
	7,939,948	7,155,688
NONINTEREST EXPENSE		
Salaries and benefits	14,337,064	12,593,217
Outside services	2,814,051	2,448,669
Occupancy	1,985,050	1,895,157
Trust department expenses	2,587,894	2,034,655
Loan and collection expense	70,486	76,208
Advertising	327,513	416,578
Card services	407,824	393,409
Deferred compensation expense	154,575	177,570
Supplies	140,014	181,927
Postage and freight	147,997	167,528
Federal Deposit Insurance Corporation assessment	349,583	352,211
Business travel, meals, and entertainment	239,627	185,337
Business development	345,634	300,783
Other expenses	717,945	792,376
	24,625,257	22,015,625
INCOME BEFORE PROVISION FOR INCOME TAXES	$ 9,945,063	$ 12,270,538
PROVISION FOR INCOME TAXES	2,424,378	3,038,648
NET INCOME	$ 7,520,685	$ 9,231,890
OTHER COMPREHENSIVE INCOME		
Unrealized income on available-for-sale debt securities, net of tax of $394,588 in 2024, and $547,867 in 2023	1,066,848	1,481,270
COMPREHENSIVE INCOME	$ 8,587,533	$ 10,713,160
BASIC EARNINGS PER SHARE	$ 1.05	$ 1.30
DILUTED EARNINGS PER SHARE	$ 1.05	$ 1.30

The accompanying notes are an integral part of the consolidated financial statements

Oregon Pacific Bancorp and Subsidiary
Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2024 and 2023

	Common Stock		Undivided	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Profits	Income (Loss)	Equity
Balances - December 31, 2022	7,068,659	$ 21,099,455	$ 35,461,602	$ (10,473,079)	$ 46,087,978
Net income	-	-	9,231,890	-	9,231,890
Other comprehensive income - net	-	-	-	1,481,270	1,481,270
Stock-based compensation	44,226	319,254	-	-	319,254
Vested restricted stock surrendered to cover tax withholdings	(18,705)	(127,709)	-	-	(127,709)
Adoption of ASU 2016-13	-	-	(611,011)	-	(611,011)
Balances - December 31, 2023	$ 7,094,180	$ 21,291,000	$ 44,082,481	$ (8,991,809)	$ 56,381,672
Net income	-	-	7,520,685	-	7,520,685
Other comprehensive income - net	-	-	-	1,066,848	1,066,848
Stock-based compensation	58,747	446,443	-	-	446,443
Vested restricted stock surrendered to cover tax withholdings	(14,668)	(125,073)	-	-	(125,073)
Balances - December 31, 2024	$ 7,138,259	$ 21,612,370	$ 51,603,166	$ (7,924,961)	$ 65,290,575

The accompanying notes are an integral part of the consolidated financial statements

Oregon Pacific Bancorp and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 7,520,685	$ 9,231,890
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision (recapture) for credit losses	305,702	(230,061)
Depreciation and amortization	1,131,036	1,097,643
Loss on sale of investment securities	-	30,322
Deferred income taxes	(34,754)	(449,420)
Stock-based compensation expense, net of shares forfeited for tax	321,370	191,545
Loss on sales of premises, equipment, and other real estate owned	400	-
Change in cash surrender value of bank-owned life insurance	(276,011)	(249,464)
Change in deferred loan fees	37,879	134,408
Change in accrued interest receivable and other assets	276,853	(3,001,556)
Change in accrued interest payable and other liabilities	(189,979)	1,432,145
Net cash from operating activities	9,093,181	8,187,452
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities, calls and sales of available-for-sale debt securities	26,735,729	21,255,958
Purchases or payups of available-for-sale debt securities	(1,156,127)	(1,218,283)
Purchases (redemption) of restricted equity securities	415,000	(358,850)
Net (increase) decrease in interest-bearing deposits in banks	(4,674,401)	33,616,903
Net increase in loans	(34,846,826)	(53,719,166)
Purchases of premises and equipment	(493,018)	(4,605,502)
Purchase of tax credit investments	(326,591)	(292,587)
Net cash used in investing activities	(14,346,234)	(5,321,527)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	16,167,946	(22,417,048)
Proceeds from Federal Home Loan Bank borrowings	42,020,000	34,530,000
Repayments of Federal Home Loan Bank borrowings	(51,520,000)	(17,530,000)
Net cash from (used in) financing activities	6,667,946	(5,417,048)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,414,893	(2,551,123)
Cash and cash equivalents - beginning of year	8,106,215	10,657,338
CASH AND CASH EQUIVALENTS - End of Year	$ 9,521,108	$ 8,106,215
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest	$ 10,268,279	$ 6,298,576
Income taxes - net	$ 2,346,000	$ 3,267,000
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Unrealized loss on available-for-sale debt securities - net	$ 1,066,848	$ 1,481,270
Adoption of ASU 2016-13	$ -	$ (611,011)

The accompanying notes are an integral part of the consolidated financial statements

Note 1 - Basis of Presentation, Description of Business, and Summary of Significant Accounting Policies

Basis of presentation

The accompanying consolidated financial statements include the accounts of Oregon Pacific Bancorp ("Bancorp"), a bank holding company; its wholly-owned subsidiary, Oregon Pacific Banking Company dba Oregon Pacific Bank ("the Bank"); and the Bank's wholly-owned subsidiary, Oregon Pacific Wealth Management, LLC ("OPWM") (collectively, "the Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company has also established a subsidiary grantor trust in connection with the issuance of trust preferred securities (see Note 8). In accordance with accounting principles generally accepted in the United States of America ("U.S.") ("GAAP"), the accounts and transactions of this trust are not included in the accompanying consolidated financial statements.

Description of business

The Bank is an Oregon state-chartered institution with headquarters in Florence, Oregon. The Bank provides banking products and services from its full-service branches in Florence, Eugene, Portland, Coos Bay, Roseburg, and Medford. The Bank also offers trust services in Florence, Coos Bay, Medford, Eugene and Roseburg. Specializing in offering comprehensive financial services to local families and business owners, the Bank services customers in Lane, Douglas, Coos, Jackson, Josephine and Washington Counties. These financial services include full-service banking for both individual and business customers which includes checking, savings, money market, and time deposit accounts. For technology needs, internet banking, online billpay, and mobile banking services are available. The Bank also offers a variety of lending services including commercial and consumer. The Bank's merchant services department handles payment processing solutions for business clients. Wealth management services are also available through the Bank's wholly owned subsidiary, Oregon Pacific Wealth Management, allowing the Bank to offer non-deposit products.

Method of accounting

The Company prepares its consolidated financial statements in conformity with GAAP and prevailing practices within the banking industry. The Company utilizes the accrual method of accounting which recognizes income and gains when earned and expenses and losses when incurred. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, as of the date of the consolidated balance sheet, and the reported amounts of income, gains, expenses, and losses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to material change in the near term relate to the allowance for credit losses.

Subsequent events

Management has evaluated, for potential recognition or disclosure in the consolidated financial statements, subsequent events that have occurred through March 11, 2025, which is the date that the consolidated financial statements were available to be issued.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks (including cash items in process of collection).

Interest-bearing deposits in banks

Interest-bearing deposits in banks include federal funds sold. Generally, federal funds are sold for one-day periods.

Investments in debt securities

Investments in debt securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at cost, adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using the interest method over the period to maturity.

Investments in debt securities that are purchased and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses included in noninterest income.

Investments in debt securities that are not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of the related deferred income tax effect, excluded from earnings and reported as other comprehensive income or loss. All of the Company's investments in debt securities held during 2024 and 2023 were classified as available-for-sale.

Management determines the appropriate classification of debt securities at the time of purchase. Realized gains and losses on the sales of investments in debt securities are determined using the specific-identification method. See Note 12 for a description of the Company's methodologies for determining the fair value of investments in debt securities.

Restricted equity securities

As of December 31, 2024, restricted equity securities consisted of $794,100 of Federal Home Loan Bank ("FHLB") of Des Moines stock and $1,138,550 of Federal Reserve Bank ("FRB") stock. As of December 31, 2023, restricted equity securities consisted of $1,217,500 of FHLB of Des Moines stock and $1,130,150 of FRB stock.

As a member of the FHLB system, the Bank is required to maintain a minimum investment in FHLB stock based on specific percentages of its outstanding mortgages, total assets, or FHLB advances. As of December 31, 2024, and 2023, the Bank met its minimum required investment. The Bank is also required to maintain activity based stock, which is tied to the volume of outstanding borrowings. The Bank may request redemption at par value of any FHLB stock in excess of the minimum required investment; however, stock redemptions are at the discretion of FHLB.

The Bank’s investment in FHLB stock (which has limited marketability) is carried at cost, which approximates fair value. The Bank evaluates its FHLB stock for impairment as needed. The Bank's determination of whether this investment is impaired is based on its assessment of the ultimate recoverability of cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of cost is influenced by criteria such as (1) the significance of any decline in net assets of the FHLB as compared with the capital stock amount and the length of time any decline has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, (3) the impact of legislative and regulatory changes on institutions and, accordingly, the customer base of the FHLB, and (4) the liquidity position of the FHLB. Based on its evaluation, the Bank determined that there was no impairment of its FHLB stock as of December 31, 2024 and 2023.

The Bank's investment in FRB stock is carried at par value (which represents the Bank's cost), which approximates fair value. The Bank accounts for its investment in FRB stock in accordance with GAAP as described above for FHLB stock. Management believes that there is no impairment of the carrying value of FRB stock as of December 31, 2024 and 2023.

Loans

Loans are stated at the amount of unpaid principal, reduced by the allowance for credit losses and deferred loan fees.

Interest income on all loans is accrued as earned on the simple interest method based on daily balances of the principal amount outstanding. The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to make payments as they become due. When accrual of interest is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due.

The Bank charges fees for originating loans. These fees, net of certain loan origination costs, are deferred and generally amortized to interest income over the term of the related loan. If the loan is repaid prior to maturity, the remaining unamortized net deferred loan origination fee is recognized in interest income at the time of repayment.

Allowance for credit losses – loans

The allowance for credit losses is an estimate of expected losses inherent within the Company's existing loans held for investment portfolio. The allowance requires complex subjective judgments as a result of the need to make estimates about matters that are uncertain. The allowance is maintained at a level currently considered adequate to provide for potential credit losses based on management's assessment of the various factors affecting the portfolio.

The allowance is based on estimates, and ultimate losses may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. Therefore, the Bank cannot provide assurance that, in any particular period, the Bank will not have significant losses in relation to the amount reserved. The allowance is increased by provisions charged to income and reduced by loans charged-off, net of recoveries. Credit losses are charged against the reserve when management deems a loan balance to be uncollectible.

The allowance for credit loss is an estimation process that considers the effects of past events, current conditions, and reasonable and supportable forecasts on the collectability of financial assets as of the reporting date. The allowance for credit losses requires understanding estimates of lifetime credit loss. A custom segmentation of pooled loans was selected for estimating credit losses. The pooled loans are aggregated based on groupings of federal call report codes having similar risk characteristics with sufficient loan observations to maintain statistical relevance. The final segmentation of loans identified includes construction, commercial and industrial, consumer, commercial real estate/non-owner occupied, commercial real estate/owner-occupied, other, and residential. Management estimates expected loss rates by measuring industry loss rates and forecast economic factors that include National Gross Domestic Product, Oregon Unemployment Rate, and the Oregon Home Price Index to establish calculated loss rates. Additional Qualitative Adjustments that measure portfolio or segment specific risks are combined with the calculated loss rate to estimate the total reserve. The allowance for credit loss considers additional qualitative factors when significant events and conditions occur including but not limited to pandemics, natural disasters, and changes in portfolio condition that increases segment risk. Smaller loan segments with insufficient data are analyzed using the remaining life methodology. The methodology is forward-looking and is run using peer call report data.

Loans identified as having dissimilar risk characteristics are reviewed on an individual basis even when no expectation of collectability is identified. Risk characteristics including loan/portfolio exposure, unique collateral, historical loss experience, loan classification, delinquency, and interest accrual status are considered when analyzing expected credit loss for loans on an individual basis. Estimating losses for individual loans is determined by measuring the recorded investment to the net realizable value of the collateral or the value of future cash flows. When the value of the collateral or future cashflows are equal to or greater than the recorded investment, no reserve is necessary.

A provision for credit losses is charged against income and is added to the allowance for credit losses based on quarterly comprehensive analyses of the loan portfolio. The allowance for credit losses is allocated to certain loan categories based on the relative risk characteristics, asset classifications, and actual loss experience of the loan portfolio. While management has allocated the allowance for credit losses to various loan portfolio segments, the allowance is general in nature and is available for the loan portfolio in its entirety.

The ultimate recovery of the carrying value of loans is susceptible to future market conditions beyond the Bank's control, which may result in losses or recoveries differing from those provided in the accompanying consolidated financial statements.

Allowance for credit losses – securities

When the fair value of an AFS debt security falls below the amortized cost basis, it is evaluated to determine if any of the decline in value is attributable to credit loss. Decreases in fair value attributable to credit loss would be recorded directly to earnings with a corresponding allowance for credit losses, limited by the amount that the fair value is less than the amortized cost basis. If the credit quality subsequently improves the allowance would be reversed up to a maximum of the previously recorded credit losses. If the Bank intends to sell an impaired AFS debt security, or if it is more likely than not that the Company will be required to sell the security prior to recovering the amortized cost basis, the entire fair value adjustment would be immediately recognized in earnings with no corresponding allowance for credit losses.

Allowance for unfunded loan commitments

The Bank maintains a separate allowance for estimated losses related to unfunded loan commitments. Management estimates the amount of probable losses related to unfunded loan commitments by applying the estimated loss factors used in the allowance for credit loss methodology to the expected amount of commitments that will actually require funding. The allowance for unfunded loan commitments totaled $460,000 as of December 31, 2024, and $485,099 as of December 31, 2023. In accordance with industry practice and regulatory guidance, the allowance for estimated losses related to unfunded loan commitments is included in accrued interest payable and other liabilities in the accompanying consolidated balance sheets. Increases (decreases) in the allowance for unfunded loan commitments are recorded as provision (recapture) for credit loss expense in the accompanying consolidated statements of comprehensive income.

Premises and equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets, which range from two to 39 years. Leasehold improvements are amortized over the lesser of the terms of the related leases or their estimated useful lives. Capital improvements or equipment purchases greater than $1,000 are capitalized, while maintenance and repairs are charged to expense. Gains or losses on dispositions are reflected in earnings as incurred.

Leases

The Bank reviews all contracts at inception to determine if the agreement contains a lease. The Company enters into leases in the normal course of business, primarily related to office space and bank branches. If the Bank determines a lease exists, the Bank evaluates whether they are operating or financing leases at the lease commencement date. The Bank accounts for the lease and non-lease components separately. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets and operating lease liabilities are recognized at lease commencement based on the present value of the lease payments over the lease term. The present value of lease payments is determined based on the Bank's incremental borrowing rate, and any other relevant information identified at lease commencement. Lease expense is recognized on a straight-line basis.

Impairment of long-lived assets

The Bank accounts for long-lived assets, including intangibles other than goodwill, at amortized cost. Management reviews long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. If there is an indication of impairment, management would prepare an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these estimated cash flows were less than the carrying amount of the asset, an impairment loss would be recognized to write down the asset to its estimated fair value.

Bank-owned life insurance ("BOLI")

The Bank has purchased single premium BOLI policies on certain executives and other employees. The policies are recorded at their cash surrender values (net of surrender charges). Changes in cash surrender values are included in noninterest income in the accompanying consolidated statements of comprehensive income.

Other Real Estate Owned (“OREO”)

OREO, acquired through foreclosure or deeds in lieu of foreclosure, is carried at the lower of cost or estimated net realizable value. When the property is acquired, any excess of the loan balance over the estimated net realizable value is charged to the allowance for credit losses. Holding costs, subsequent write-downs to net realizable value, if any, or any disposition gains or losses are included in noninterest income and expense. Costs relating to the development and improvement of the properties are capitalized. The valuation of OREO is subjective in nature and may be adjusted in the future because of changes in economic conditions. The valuation of OREO is also subject to review by bank regulatory authorities who may require increases or decreases to carrying amounts based on their evaluation of the information available to them at the time of their examination of the Bank. Management considers third-party appraisals, as well as independent fair market value assessments from realtors or other persons involved in selling OREO, in determining the fair value of particular properties. In addition, as certain of these third-party appraisals and independent fair market value assessments are only updated periodically, changes in the values of specific properties may have occurred subsequent to the most recent appraisals. Accordingly, the amounts of any such potential changes and any related adjustments are generally recorded at the time such information is received.

As of December 31, 2024 and 2023, the Bank held no OREO properties.

Transfers of financial assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Preferred stock

The Company's preferred stock is issuable with the par value, dividend, voting, and other features determined by the Company's Board of Directors (the Board) or by action of the stockholders of the Company. As of December 31, 2024 and 2023, there were no shares of preferred stock outstanding.

Stock-based compensation

The Company has stock-based compensation plans, which are described more fully in Note 13. The Company recognizes as compensation expense all stock-based awards made to employees and Board members. The compensation cost is measured based upon the grant-date fair value of the related stock-based awards and is recognized over the service period of the stock-based awards, which is generally the same as the vesting period. The Company’s accounting policy is to recognize forfeitures as they occur.

Advertising

Advertising costs are generally charged to expense during the year in which they are incurred. Advertising costs totaled $327,513 for the year ending December 31, 2024, and $416,578 for the year ending December 31, 2023.

Income taxes

The provision for income taxes is based on income and expenses as reported for consolidated financial statement purposes using the "asset and liability method" for accounting for deferred taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Income tax positions that meet the "more-likely-than-not" recognition threshold are measured at the largest amount of income tax benefit that is more than 50 percent likely to be realized upon settlement with the applicable taxing authority. The portion of the benefits associated with income tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized income tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized income tax benefits would be classified as additional income taxes in the consolidated statements of comprehensive income. The Company has evaluated its income tax positions as of December 31, 2024, and 2023. Based on this evaluation, the Company has determined that it does not have any uncertain income tax positions for which an unrecognized income tax liability should be recorded.

The Company files a federal income tax return in the U.S. and a state income tax return in Oregon. The Company is subject to U.S. federal income and state tax examinations for the years 2022, 2023, and 2024. The Company is no longer subject to U.S. federal income and state tax examinations for years before 2021.

Trust and Wealth Management assets

The Bank offers trust services through its full-service trust department. In addition, the Bank offers investment advisory services through the Bank’s wholly owned subsidiary, Oregon Pacific Wealth Management LLC (OPWM). Other than cash on deposit at the Bank, assets of the trust department or OPWM are not included in the accompanying consolidated financial statements, because they are not assets of the Bank. Assets (unaudited) totaling approximately $441 million and $373 million, were held in trust and/or managed by OPWM as of December 31, 2024 and 2023, respectively.

Operating segments

While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on a Company-wide basis. Operating segments are aggregated into one as operating results for all segments are similar. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable segment.

Reclassifications

Certain reclassifications have been made to prior year balances to conform to the current year presentation. These reclassifications had no effect on net income.

Revisions

Certain immaterial revisions have been made to the 2023 consolidated financial statements for the purchase of tax credit investments. These revisions did not have a significant impact on the financial statement line items impacted.

New authoritative accounting guidance

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. For non-SEC public business entities, the ASU is effective for fiscal years beginning after December 15, 2025. The ASU makes changes to annual disclosures of income taxes paid for all entities. Entities are required to disclose the amount of income taxes paid, net of refunds received, disaggregated by federal, state and foreign jurisdiction. Additionally, entities are required to disclose income taxes paid, net of refunds received, for individual jurisdictions that comprise 5% or more of total income taxes paid. The ASU requires a rate reconciliation that discloses specific categories and provides additional information for reconciling items that meet a quantitative threshold. The Company will adopt ASU 2023-09 effective for fiscal years beginning after December 15, 2025. The Company is currently evaluating the impact of the ASU on the Company's disclosures.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, effective January 1, 2024. This guidance requires additional details and increased frequency of a public entity's reportable segments to help financial statement users better understand the expense categories and amounts included within segment profit or loss. The guidance requires that on both an annual and an interim basis, significant segment expenses by reportable segment are required to be disclosed if they are regularly provided to the chief operating decision maker and included in each reported measure of segment profit or loss. The adoption of ASU 2023-07 did not have a material impact on the Company's consolidated financial statements, however, did require new disclosures.

In March 2023, the FASB issued ASU No. 2023-02, Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method. For non-SEC public business entities, the ASU is effective for periods beginning after December 15, 2023. This guidance requires entities using proportional amortization to treat delayed equity contributions consistently; a liability is recognized for delayed equity contributions that are unconditional and legally binding or for equity contributions that are contingent upon a future event when that contingent event becomes probable. The adoption of ASU 2023-02 did not have a material impact on the Company's consolidated financial statements.

In December 2022, the FASB issued ASU No. 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848, which defers the sunset date of the original guidance from December 31, 2022 to December 31, 2024. The original ASU was issued to provide temporary optional guidance to ease the potential burden in accounting for reference rate reform. The guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference London Inter-Bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued. The last expedient is a one-time election to sell or transfer debt securities classified as held to maturity. The Company continues to work through the cessation of LIBOR, including the modification to its junior subordinated debenture which is directly influenced by LIBOR. The Company has utilized the reference rate reform transition guidance, as applicable, and has not had, and is not expected to have, a material impact on its consolidated financial statements or financial disclosures.

The Company adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, effective January 1, 2023. The guidance replaces the incurred loss methodology with an expected loss methodology that is referred to as the CECL methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance, including loan commitments, standby letters of credits, financial guarantees, and other similar instruments. The Company adopted ASC 326 using the modified retrospective method for loans and off-balance sheet credit exposures. The Company recorded a one-time cumulative-effect adjustment to the allowance for credit losses on loans of $60,000. This adjustment brought the balance of the allowance for credit losses to $6.73 million as of January 1, 2023. In addition, the Company recorded a $777 thousand liability for unfunded commitments as of January 1, 2023. The after-tax effect decreased retained earnings by $611 thousand. The adjustment was based upon the Company's analysis of then-current conditions, assumptions and economic forecasts at January 1, 2023.

Note 2 - Investment Securities

Available-for-sale debt securities as of December 31, 2024 and 2023 consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2024				
Unrealized Loss Position - Less than 12 Months				
U.S. Treasury and agencies	$ 4,985,432	$ -	$ (156,822)	$ 4,828,610
Obligations of state and political subdivisions	-	-	-	-
Mortgage-backed securities	3,157,662	-	(101,657)	3,056,005
Subordinated notes	-	-	-	-
	8,143,094	-	(258,479)	7,884,615
Unrealized Loss Position - More than 12 Months				
U.S. Treasury and agencies	$ 13,495,293	$ -	$ (255,768)	$ 13,239,525
Obligations of state and political subdivisions	31,336,486	-	(2,919,341)	28,417,145
Mortgage-backed securities	97,880,964	-	(5,653,287)	92,227,677
Subordinated notes	9,750,000	-	(1,807,075)	7,942,925
	152,462,743	-	(10,635,471)	141,827,272
Unrealized Gain Position				
U.S. Treasury and agencies	$ -	$ -	$ -	$ -
Obligations of state and political subdivisions	-	-	-	-
Mortgage-backed securities	5,508,465	37,841	-	5,546,306
Subordinated notes	-	-	-	-
	5,508,465	37,841	-	5,546,306
	$ 166,114,302	$ 37,841	$ (10,893,950)	$ 155,258,193
2023				
Unrealized Loss Position - Less than 12 Months				
U.S. Treasury and agencies	$ 7,970,557	$ -	$ (297,647)	$ 7,672,910
Obligations of state and political subdivisions	-	-	-	-
Mortgage-backed securities	3,417,568	-	(19,435)	3,398,133
Subordinated notes	-	-	-	-
	11,388,125	-	(317,082)	11,071,043
Unrealized Loss Position - More than 12 Months				
U.S. Treasury and agencies	$ 21,476,532	$ -	$ (697,717)	$ 20,778,815
Obligations of state and political subdivisions	31,531,798	-	(3,037,533)	28,494,265
Mortgage-backed securities	112,164,775	-	(6,187,784)	105,976,991
Subordinated notes	9,750,000	-	(2,118,057)	7,631,943
	174,923,105	-	(12,041,091)	162,882,014
Unrealized Gain Position				
U.S. Treasury and agencies	$ -	$ -	$ -	$ -
Obligations of state and political subdivisions	-	-	-	-
Mortgage-backed securities	3,605,791	40,627	-	3,646,418
Subordinated notes	-	-	-	-
	3,605,791	40,627	-	3,646,418
	$ 189,917,021	$ 40,627	$ (12,358,173)	$ 177,599,475

As of December 31, 2024 and 2023, the Bank held 157 investment securities, of which 154 were in unrealized loss positions, and 163 investment securities, of which 159 were in unrealized loss positions, respectively.

The amortized cost and estimated fair value of investment securities as of December 31, 2024, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 10,980,092	$ 10,880,750
Due after one year through five years	18,521,417	17,511,669
Due after five years through ten years	28,065,702	24,721,946
Thereafter	2,000,000	1,313,840
Securities not due on a single maturity date	106,547,091	100,829,988
	$ 166,114,302	$ 155,258,193

As of December 31, 2024 and 2023, investment securities with an amortized cost of $6,087,961 and $6,781,567 and estimated fair values of $5,733,064 and $6,376,630, respectively, were pledged to secure deposits of public funds and pledged to secure trust operations as required or permitted by law.

Allowance for Credit Losses

The Company evaluates all securities quarterly to determine if any securities in a loss position require a provision for credit losses in accordance with ASC 326, Measurement of Credit Losses on Financial Instruments.

The Company holds certain mortgage-backed securities, collateralized mortgage obligations, and SBA securities issued by U.S. government-sponsored entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. Likewise, the Company has not experienced historical losses on these types of securities. Accordingly, no allowance for credit losses has been recorded for these securities.

Regarding securities issued by state and political subdivisions, management considers the following when evaluating these securities: (i) current issuer bond ratings, (ii) historical loss rates for given bond ratings, (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities, (iv) updated financial information of the issuer, (v) internal forecasts and (vi) whether such securities provide insurance or other credit enhancement or are pre-refunded by the issuers. These securities are highly rated by major rating agencies and have a long history of no credit losses. Likewise, the Company has not experienced historical losses on these types of securities. Accordingly, no allowance for credit losses has been recorded for these securities.

Regarding private label mortgage-backed securities, management worked with a third party to estimate potential losses under various loss scenarios and compared those potential losses against the credit support that exists on the securities. As of December 31, 2024, the bank has not identified any impairment on the private label portfolio. Accordingly, no allowance for credit losses has been recorded for these securities. The book values of the private label mortgage-backed securities as of December 31, 2024 and 2023 were $2,683,728 and $2,929,439, respectively.

Regarding the bank's subordinated notes, management completes a quarterly financial review based upon regulatory filings to determine if there is a downgrade in the banks' financial performance, which may result in impairment of the subordinated note. As of December 31, 2024 and 2023, the bank identified no impairment. Accordingly, no allowance for credit losses has been recorded for these securities.

Note 3 - Loans and Allowance for Credit Losses

Loans as of December 31, 2024, and 2023 consisted of the following:

	2024	2023
Construction	$ 32,918,034	$ 37,114,059
Residential real estate	62,480,685	66,735,430
Owner occupied commercial real estate	90,475,127	76,797,863
Non-owner occupied commercial real estate	305,797,405	278,577,283
Commercial	75,256,000	71,854,858
Consumer	676,048	1,294,961
Other	5,409,827	5,697,759
Total loans	573,013,126	538,072,213
Less allowance for credit losses	(7,400,000)	(6,975,112)
Less deferred loan fees	(1,447,669)	(1,409,790)
Loans - net	$ 564,165,457	$ 529,687,311

A substantial portion of the Bank's loans are collateralized by real estate in the geographic areas it serves and, accordingly, the ultimate collectability of a substantial portion of the Bank's loan portfolio is susceptible to changes in the local economic conditions in such markets.

In the normal course of business, the Bank participates portions of loans to third parties in order to extend the Bank's lending capability or to mitigate risk. As of December 31, 2024 and 2023, the portion of these loans participated to third parties (which are not included in the accompanying consolidated financial statements) totaled $2,937,974 and $2,973,521, respectively. The Bank also purchases portions of loans from third parties. As of December 31, 2024 and 2023, the Bank had $25,299,353 and $28,140,624, respectively, of loans which were purchased from third parties (which are included in the accompanying consolidated financial statements).

As of December 31, 2024, loans totaling $306,636,022 were pledged to secure borrowings from the FHLB and FRB.

The Bank has lending policies, practices, and procedures in place that are designed to generate loan income within an acceptable level of risk. The Board reviews and approves the Bank’s loan policies on an annual basis or when changes and/or additions are recommended to the Board by management. A reporting and review process is provided by management to the Board with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies, and non-performing and potential problem loans. Diversification within the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

Loans are underwritten after evaluating and understanding the borrower's loan request. Underwriting standards are designed to promote relationship banking by understanding a borrower's entire banking need. The Bank examines current and projected cash flows to determine the ability of the borrower to repay its obligation as agreed upon and, secondarily, evaluates the underlying collateral provided by the borrower.

The Bank obtains an independent third-party review of its loan portfolio on a regular basis for quality and accuracy in underwriting loans. Results of these reviews are presented to management and the Board. The loan review process complements and reinforces the ongoing risk identification and assessment decisions made by the Bank's lenders and credit personnel, as well as the Bank’s policies and procedures.

Owner and non-owner occupied commercial real estate loans, are viewed primarily as cash flow loans and secondarily as loans secured by real estate, and the collateral securing these loans may fluctuate in value. Commercial real estate lending typically involves higher loan principal amounts, and the repayment of these loans is generally largely dependent on the successful operations of the real property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy than other loan types.

Commercial and other loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as forecasted and the collateral securing these loans may fluctuate in value. Most commercial and industrial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee; however, some short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Construction real estate loans are made to both commercial and consumer clients and are viewed primarily as cash flow loans and secondarily as loans secured by real estate, and the collateral securing these loans may fluctuate in value. Underwriting of these loans is more complex than typical owner and non-owner occupied real estate loans. Construction real estate loans maybe be more adversely affected by conditions in the real estate markets or in the general economy than other loan types.

Residential real estate loans are generally secured by first or second mortgage liens and are exposed to the risk that the collateral securing these loans may fluctuate in value due to economic or individual performance factors.

Consumer loans are loans made to purchase personal property such as automobiles, boats, and recreational vehicles. The terms and rates are established periodically by management. Consumer loans tend to be relatively small, and the amounts are spread across many individual borrowers, thereby minimizing the risk of significant loss to the Bank.

Past due loans are loans for which principal and interest were not paid timely according to the contractual payment terms. The following tables present, by portfolio segment, the recorded investment in loans by aging category, non-accrual status, and in total, as of December 31, 2024 and 2023:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days and Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current	Total Loans
2024							
Construction	$ -	$ -	$ -	$ 149,874	$ 149,874	$ 32,768,160	$ 32,918,034
Residential real estate	61,786	273,333	-	-	335,119	62,145,566	62,480,685
Owner-occupied commercial real estate	-	-	-	-	-	90,475,127	90,475,127
Non-owner occupied commercial RE	-	-	-	648,041	648,041	305,149,364	305,797,405
Commercial	-	-	-	-	-	75,256,000	75,256,000
Consumer	-	-	-	-	-	676,048	676,048
Other	-	-	-	-	-	5,409,827	5,409,827
Total	$ 61,786	$ 273,333	$ -	$ 797,915	$ 1,133,034	$ 571,880,092	$ 573,013,126
2023							
Construction	$ -	$ 263,936	$ -	$ -	$ 263,936	$ 36,850,123	$ 37,114,059
Residential real estate	121,059	33,973	-	44,484	199,516	66,535,914	66,735,430
Owner-occupied commercial real estate	-	-	-	307,812	307,812	76,490,051	76,797,863
Non-owner occupied commercial RE	-	-	-	-	-	278,577,283	278,577,283
Commercial	350,000	-	-	87,287	437,287	71,417,571	71,854,858
Consumer	-	-	-	3,506	3,506	1,291,455	1,294,961
Other	-	-	-	-	-	5,697,759	5,697,759
Total	$ 471,059	$ 297,909	$ -	$ 443,089	$ 1,212,057	$ 536,860,156	$ 538,072,213

As of December 31, 2024 there was one borrower on nonaccrual status that had a related allowance for credit losses of $246,442. As of December 31, 2023, all loans that were on nonaccrual status had no related allowance for credit losses recorded.

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2024, and December 31, 2023.

	Construction	Residential Real Estate	Owner Occupied Commercial Real Estate	Non-owner Occupied Commercial Real Estate	Commercial	Consumer	Other	Un-allocated	Total
2024									
Allowance for credit losses									
Beginning balance January 1, 2024	$ 558,388	$ 1,166,110	$ 741,109	$ 3,692,325	$ 774,163	$ 3,279	$ 39,738	$ -	$ 6,975,112
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	1,635	92,452	-	-	-	-	-	-	94,087
Provision (credit)	36,329	(359,890)	150,428	367,347	135,958	2,796	(2,167)	-	330,801
Ending balance December 31, 2024	$ 596,352	$ 898,672	$ 891,537	$ 4,059,672	$ 910,121	$ 6,075	$ 37,571	$ -	$ 7,400,000
2023									
Allowance for credit losses									
Beginning balance January 1, 2023	$ 560,089	$ 688,234	$ 1,069,358	$ 3,347,387	$ 835,293	$ 5,307	$ 15,900	$ 144,582	$ 6,666,150
CECL Day 1 adjustment	762,601	381,134	(382,255)	(615,688)	61,848	627	(3,685)	(144,582)	60,000
Ending balance January 1, 2023	1,322,690	1,069,368	687,103	2,731,699	897,141	5,934	12,215	-	6,726,150
Charge-offs	-	-	-	-	-	(341)	-	-	(341)
Recoveries	6,000	4,632	-	-	88,600	-	-	-	99,232
Provision (credit)	(770,302)	92,110	54,006	960,626	(211,578)	(2,314)	27,523	-	150,071
Ending balance December 31, 2023	$ 558,388	$ 1,166,110	$ 741,109	$ 3,692,325	$ 774,163	$ 3,279	$ 39,738	$ -	$ 6,975,112

The following table presents the activity in the allowance for unfunded commitments (recorded in accrued interest payable and other liabilities on the consolidated balance sheets) by portfolio segment for the year ended December 31, 2024, and December 31, 2023.

2024	Construction	Residential Real Estate	Owner Occupied Commercial Real Estate	Non-owner Occupied Commercial Real Estate	Commercial	Consumer	Other	Un-allocated	Total
Allowance for unfunded commitments									
Beginning balance January 1, 2024	$ 213,575	$ 48,324	$ 23,335	$ 20,759	$ 173,315	$ 2,008	$ 3,783	$ -	$ 485,099
Provision (credit)	(45,273)	(12,801)	(3,273)	(2,507)	33,586	(1,026)	6,195	-	(25,099)
Ending balance December 31, 2024	168,302	35,523	20,062	18,252	206,901	982	9,978	-	460,000
2023									
Allowance for unfunded commitments									
Beginning balance January 1, 2023	$ 17,545	$ 8,400	$ 374	$ 1,538	$ 46,818	$ 1,001	$ 2,364	$ 10,191	$ 88,231
CECL Day 1 adjustment	589,928	46,503	718	8,658	130,964	4,002	6,418	(10,191)	777,000
Ending balance January 1, 2023	607,473	54,903	1,092	10,196	177,782	5,003	8,782	-	865,231
Provision (credit)	(393,898)	(6,579)	22,243	10,563	(4,467)	(2,995)	(4,999)	-	(380,132)
Ending balance December 31, 2023	$ 213,575	$ 48,324	$ 23,335	$ 20,759	$ 173,315	$ 2,008	$ 3,783	$ -	$ 485,099

Collateral-Dependent Loans and Leases

Loans are classified as collateral dependent when it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due, and repayment is expected to be provided substantially through the operation or sale of the collateral. There have been no significant changes in the level of collateralization from the prior periods. The following table summarizes the amortized cost basis of the collateral-dependent loans and leases by the type of collateral securing the assets as of December 31, 2024 and 2023:

	Residential Real Estate	Commercial Real Estate	General Business Assets	Other	Total
2024					
Construction	$ 149,960	$ -	$ -	$ -	$ 149,960
Residential real estate	-	-	-	-	-
Owner occupied commercial real estate	-	-	-	-	-
Non-owner occupied commercial real estate	-	648,042	-	-	648,042
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
Other	-	-	-	616,648	616,648
Total, net of deferred fees and costs	$ 149,960	$ 648,042	$ -	$ 616,648	$ 1,414,650
2023					
Construction	$ -	$ -	$ -	$ -	$ -
Residential real estate	44,421	-	-	-	44,421
Owner occupied commercial real estate	-	306,533	-	-	306,533
Non-owner occupied commercial real estate	-	-	-	-	-
Commercial	-	-	87,249	-	87,249
Consumer	-	-	-	3,506	3,506
Other	-	-	-	560,220	560,220
Total, net of deferred fees and costs	$ 44,421	$ 306,533	$ 87,249	$ 563,726	$ 1,001,929

Risk Rating

The Bank utilizes an internal asset classification system as a means of reporting problem and potential problem loans. Loan risk ratings are updated whenever information comes to management's attention that indicates that a loan's risk has changed. The following is a detailed description of these credit risk ratings:

Pass (Ratings 1 – 6) - These loans range from minimal to acceptable credit risk.

Watch (Rating 7) – These loans have a lower than average, but still acceptable, credit risk and are performing as agreed.

Special Mention (Rating 8) - These loans have potential weaknesses that, if not checked or corrected, may inadequately protect the Bank's position at some future date. Loans in this category warrant more than usual management attention but do not justify a Substandard classification.

Substandard (Rating 9) - Substandard loans have well-defined weaknesses that jeopardize the ability of the borrower to repay in full. These loans are inadequately protected by either the sound net worth and payment capacity of the borrower or the value of pledged collateral. These are loans with a distinct possibility of loss. Loans moving toward foreclosure and/or legal action due to credit quality deterioration are rated 9 or higher by the Bank.

Doubtful (Rating 10) - Doubtful loans have an extremely high probability of loss. These loans have all the critical weaknesses found in a Substandard loan; however, the weaknesses are elevated to the point that, based upon current information, collection or liquidation in full is improbable.

Loss (Rating 11) – Loans classified as Loss are considered uncollectible and are charged off.

The following table presents a summary of loans by risk category separated by origination and loan class as of December 31, 2024.

	Term Loans by Origination Year						Revolving	
	2024	2023	2022	2021	2020	Prior	Loans	Total
Construction								
Pass	$ 8,703,643	$ 7,542,145	$ 4,178,568	$ 1,343,917	$ 288,858	$ 163,254	$ 2,810,487	$ 25,030,872
Watch/special mention	-	-	-	-	7,737,288	-	-	7,737,288
Substandard/doubtful	-	149,874	-	-	-	-	-	149,874
Total	$ 8,703,643	$ 7,692,019	$ 4,178,568	$ 1,343,917	$ 8,026,146	$ 163,254	$ 2,810,487	$ 32,918,034
Current-period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential real estate								
Pass	$ 2,946,567	$ 16,301,339	$ 8,175,452	$ 9,036,035	$ 4,213,672	$ 13,570,095	$ 6,355,009	$ 60,598,169
Watch/special mention	-	-	-	380,459	-	321,852	-	702,311
Substandard/doubtful	-	273,333	-	842,048	-	64,824	-	1,180,205
Total	$ 2,946,567	$ 16,574,672	$ 8,175,452	$ 10,258,542	$ 4,213,672	$ 13,956,771	$ 6,355,009	$ 62,480,685
Current-period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Owner occupied commercial real estate								
Pass	$ 17,869,971	$ 13,082,873	$ 8,490,792	$ 14,023,600	$ 6,003,079	$ 21,948,984	$ 972,933	$ 82,392,232
Watch/special mention	-	910,902	1,291,694	2,139,728	-	-	755,000	5,097,324
Substandard/doubtful	-	-	-	627,187	-	2,358,384	-	2,985,571
Total	$ 17,869,971	$ 13,993,775	$ 9,782,486	$ 16,790,515	$ 6,003,079	$ 24,307,368	$ 1,727,933	$ 90,475,127
Current-period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-owner occupied commercial real estate								
Pass	$ 21,744,257	$ 47,973,717	$ 65,146,799	$ 54,552,662	$ 31,592,376	$ 69,980,359	$ 1,282,454	$ 292,272,624
Watch/special mention	-	-	10,542,298	18,252	1,606,324	621,351	-	12,788,225
Substandard/doubtful	-	-	-	17,885	42,897	675,774	-	736,556
Total	$ 21,744,257	$ 47,973,717	$ 75,689,097	$ 54,588,799	$ 33,241,597	$ 71,277,484	$ 1,282,454	$ 305,797,405
Current-period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial								
Pass	$ 12,043,397	$ 10,059,288	$ 14,437,230	$ 6,002,211	$ 3,408,825	$ 4,449,587	$ 16,537,719	$ 66,938,257
Watch/special mention	3,113,677	26,182	-	-	-	-	2,772,818	5,912,677
Substandard/doubtful	-	2,017,489	82,238	-	-	-	305,339	2,405,066
Total	$ 15,157,074	$ 12,102,959	$ 14,519,468	$ 6,002,211	$ 3,408,825	$ 4,449,587	$ 19,615,876	$ 75,256,000
Current-period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer								
Pass	$ 505,548	$ 13,446	$ 22,509	$ 17,028	$ 12,666	$ -	$ 104,028	$ 675,225
Watch/special mention	-	-	823	-	-	-	-	823
Substandard/doubtful	-	-	-	-	-	-	-	-
Total	$ 505,548	$ 13,446	$ 23,332	$ 17,028	$ 12,666	$ -	$ 104,028	$ 676,048
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other								
Pass	$ 494,729	$ 3,149,046	$ 656,049	$ 336,533	$ -	$ 690,912	$ 82,558	$ 5,409,827
Watch/special mention	-	-	-	-	-	-	-	-
Substandard/doubtful	-	-	-	-	-	-	-	-
Total	$ 494,729	$ 3,149,046	$ 656,049	$ 336,533	$ -	$ 690,912	$ 82,558	$ 5,409,827
Current-period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Combined								
Pass	$ 64,308,112	$ 98,121,854	$ 101,107,399	$ 85,311,986	$ 45,519,476	$ 110,803,191	$ 28,145,188	$ 533,317,206
Watch/special mention	3,113,677	937,084	11,834,815	2,538,439	9,343,612	943,203	3,527,818	32,238,648
Substandard/doubtful	-	2,440,696	82,238	1,487,120	42,897	3,098,982	305,339	7,457,272
Total	$ 67,421,789	$ 101,499,634	$ 113,024,452	$ 89,337,545	$ 54,905,985	$ 114,845,376	$ 31,978,345	$ 573,013,126
Total current-period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

The following table presents a summary of loans by risk category separated by origination and loan class as of December 31, 2023.

	Term Loans by Origination Year						Revolving	
	2023	2022	2021	2020	2019	Prior	Loans	Total
Construction								
Pass	$ 11,770,231	$ 10,391,560	$ 3,881,899	$ 7,924,062	$ 104,068	$ 88,326	$ -	$ 34,160,146
Watch/special mention	-	1,129,720	1,560,257	-	-	-	-	2,689,977
Substandard/doubtful	263,936	-	-			-	-	263,936
Total	$ 12,034,167	$ 11,521,280	$ 5,442,156	$ 7,924,062	$ 104,068	$ 88,326	$ -	$ 37,114,059
Current-period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ 341	$ 341
Residential real estate								
Pass	$ 16,008,162	$ 9,987,036	$ 11,365,381	$ 4,532,975	$ 6,118,145	$ 9,014,858	$ 6,422,590	$ 63,449,147
Watch/special mention	1,096,478	-	867,281	-	234,760	894,553	77,313	3,170,385
Substandard/doubtful	-	-	-	-	-	115,898	-	115,898
Total	$ 17,104,640	$ 9,987,036	$ 12,232,662	$ 4,532,975	$ 6,352,905	$ 10,025,309	$ 6,499,903	$ 66,735,430
Current-period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Owner occupied commercial real								
Pass	$ 10,489,853	$ 8,139,389	$ 17,063,985	$ 8,603,771	$ 6,466,597	$ 17,391,559	$ 746,488	$ 68,901,642
Watch/special mention	-	1,144,456	-	-	-	978,765	-	2,123,221
Substandard/doubtful	-	2,697,123	658,690	-	-	2,417,187	-	5,773,000
Total	$ 10,489,853	$ 11,980,968	$ 17,722,675	$ 8,603,771	$ 6,466,597	$ 20,787,511	$ 746,488	$ 76,797,863
Current-period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-owner occupied commercial real								
Pass	$ 39,189,397	$ 57,804,552	$ 55,903,854	$ 33,710,572	$ 37,980,331	$ 38,137,260	$ 786,387	$ 263,512,353
Watch/special mention	-	7,343,206	3,086,487	1,663,823	-	639,113	-	12,732,629
Substandard/doubtful	-	-	18,508	43,805	1,172,567	1,097,421	-	2,332,301
Total	$ 39,189,397	$ 65,147,758	$ 59,008,849	$ 35,418,200	$ 39,152,898	$ 39,873,794	$ 786,387	$ 278,577,283
Current-period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial								
Pass	$ 16,161,353	$ 18,451,274	$ 8,367,103	$ 5,897,235	$ 4,688,016	$ 2,779,950	$ 13,610,929	$ 69,955,860
Watch/special mention	-	229,492	10,424	495,897	-	176,482	899,416	1,811,711
Substandard/doubtful	-	-		-	87,287	-	-	87,287
Total	$ 16,161,353	$ 18,680,766	$ 8,377,527	$ 6,393,132	$ 4,775,303	$ 2,956,432	$ 14,510,345	$ 71,854,858
Current-period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer								
Pass	$ 1,104,287	$ 54,795	$ 30,839	$ 45,340	$ 6,795	$ 2,981	$ 44,172	$ 1,289,209
Watch/special mention	-	2,246	-	-	-	-	-	2,246
Substandard/doubtful	-	-	-	-	3,506	-	-	3,506
Total	$ 1,104,287	$ 57,041	$ 30,839	$ 45,340	$ 10,301	$ 2,981	$ 44,172	$ 1,294,961
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other								
Pass	$ 3,397,892	$ 667,282	$ 345,473	$ -	$ -	$ 1,287,112	$ -	$ 5,697,759
Watch/special mention					-	-		-
Substandard/doubtful					-	-		-
Total	$ 3,397,892	$ 667,282	$ 345,473	$ -	$ -	$ 1,287,112	$ -	$ 5,697,759
Current-period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Combined								
Pass	$ 98,121,175	$ 105,495,888	$ 96,958,534	$ 60,713,955	$ 55,363,952	$ 68,702,046	$ 21,610,566	$ 506,966,116
Watch/special mention	1,096,478	9,849,120	5,524,449	2,159,720	234,760	2,688,913	976,729	22,530,169
Substandard/doubtful	263,936	2,697,123	677,198	43,805	1,263,360	3,630,506	-	8,575,928
Total	$ 99,481,589	$ 118,042,131	$ 103,160,181	$ 62,917,480	$ 56,862,072	$ 75,021,465	$ 22,587,295	$ 538,072,213
Current-period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ 341	$ 341

Loan Modifications for Debtors Experiencing Financial Difficulties

The Bank may implement modifications to loans for debtors experiencing financial difficulties. Modifications can include principal forgiveness, interest rate reduction, an other-than-insignificant payment delay, or a term extension.

During the periods ended December 31, 2024 and 2023, no loan modifications occurred to borrowers experiencing financial difficulties.

Portfolio Risk

The Bank's operations, like those of other financial institutions operating in the Bank's market, are significantly influenced by various economic conditions including local economies, the strength of the real estate market, and the fiscal and regulatory policies of the federal and state governments and the regulatory authorities that govern financial institutions. Any downturn in the real estate markets could materially and adversely affect the Bank's business, because a significant portion of the Bank's loans are secured by real estate. The Bank's ability to recover on defaulted loans by selling the real estate collateral would then be diminished and the Bank would be more likely to suffer losses on defaulted loans. Consequently, the Bank's results of operations and financial condition are dependent upon the general trends in the economy, and, in particular, the residential and commercial real estate markets. If there is a decline in real estate values, the collateral for the Bank's loans would provide less security. Real estate values could be affected by, among other things, a worsening of economic conditions, an increase in foreclosures, a decline in home sale volumes, and an increase in interest rates. Furthermore, the Bank may experience an increase in the number of borrowers who become delinquent, file for protection under bankruptcy laws, or default on their loans or other obligations to the Bank given a sustained weakness or a weakening in business and economic conditions generally or specifically in the principal markets in which the Bank does business. An increase in the number of delinquencies, bankruptcies, or defaults could result in a higher level of nonperforming assets, net charge-offs, and provision for credit losses.

Note 4 - Loan Servicing

Loans serviced by the Bank for the U.S. Department of Agriculture are not included in the accompanying consolidated balance sheets. The unpaid principal balance of such serviced loans as of December 31, 2024 and 2023 was $2,592,168 and $2,615,598, respectively. As of December 31, 2024 and 2023, the Bank only serviced loans for the U.S. Department of Agriculture.

Note 5 - Premises and Equipment

Premises and equipment consisted of the following as of December 31, 2024 and 2023:

	2024	2023
Land	$ 2,509,152	$ 2,509,152
Building and improvements	14,457,093	10,255,188
Construction in progress	35,700	4,077,825
Furniture and equipment	4,413,057	4,386,197
Leasehold improvements	1,099,024	1,077,248
Total premises and equipment	22,514,026	22,305,610
Less accumulated depreciation and amortization	(9,234,611)	(8,835,864)
Premises and equipment, net	$ 13,279,415	$ 13,469,746

Depreciation expense for the years ended December 31, 2024 and 2023 was $682,949 and $691,887, respectively.

Note 6 - Time Deposits

Time deposits that meet or exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limit of $250,000 aggregated $15,880,840 and $7,079,979 as of December 31, 2024 and 2023, respectively.

As of December 31, 2024, the scheduled annual maturities of time deposits were as follows:

2025	$	41,468,283
2026		1,765,945
2027		6,008,360
2028		706,195
2029		5,568,778
	$	55,517,561

Note 7 - Short-Term Borrowings and FHLB Borrowings

As of December 31, 2024, the Bank has available lines of credit of $3,000,000 with U.S. Bank and $20,000,000 with Pacific Coast Bankers' Bank. The Bank had no amounts outstanding on such lines of credit. As of December 31, 2024, the Bank also has an available line of credit with the FRB discount window totaling $4,051,658 subject to certain collateral requirements (primarily the amount of certain pledged loans).

The Bank is a member of and has entered into credit arrangements with the FHLB. The Bank participates in the FHLB's Cash Management Advance (CMA) program which has fixed and adjustable-rate promissory notes with the FHLB. Borrowings under the credit arrangements are collateralized by mortgage loans or other pledged instruments. Borrowings available to the Bank under all FHLB credit arrangements are limited to the lesser of 45% of the Bank's total assets or collateral availability.

As of December 31, 2024, the Bank had no outstanding overnight borrowings under the CMA program. As of December 31, 2023, the Bank had $17,000,000 in outstanding borrowings under the CMA program. The Bank had $7,500,000 in FHLB term borrowing notes outstanding as of December 31, 2024. The note is a 3-year term loan and will mature on January 05, 2027, with a fixed interest rate of 4.29%. The note may be prepaid, subject to a prepayment fee. The Bank had no FHLB term borrowing notes outstanding as of December 31, 2023.

FHLB advances are collateralized by certain qualifying loans in the amount of $300,808,447 and $277,245,962 as of December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, the Bank had borrowing capacity available at the FHLB of $191,562,430 and $193,008,269, respectively.

Note 8 – Subordinated Debentures

Subordinated Debentures

In September 2021, the Company completed a private placement of $15,000,000 in aggregate principal amount of fixed-to-floating rate subordinated notes (the "Notes") to certain qualified institutional buyers and accredited investors.

The Notes will initially bear interest at 3.375% per annum payable semi-annually until September 30, 2026, and thereafter pay a quarterly floating interest rate based on the then current Three-Month Term Secured Overnight Financing Rate (SOFR) plus 266 basis points, payable quarterly in arrears. Beginning on September 30, 2026, the Notes may be redeemed, in whole or in part, at the Company’s option. The Notes will mature on September 30, 2031.

Included in the proceeds from the debenture were various expenses including commission fees, legal expenses, accounting expenses and various filing expenses. The total of the issuance cost was $497,244 and will be amortized over the life of the debt as an increase to interest expense. As of December 31, 2024 and 2023, the subordinated debenture had a net book balance, including unamortized issuance cost of $14,827,136 and $14,727,316, respectively.

For the years ended December 31, 2024 and 2023, the Company's interest expense, including amortization of issuance costs related to the notes, was $606,769 and $605,370, respectively. As of December 31, 2024 and 2023, the accrued interest on the debt was $127,953 and $127,254, respectively.

The Notes were structured to qualify as Tier 2 capital instruments for regulatory capital purposes at the holding company.

Junior Subordinated Debentures

Oregon Pacific Statutory Trust I (the Trust) is a wholly-owned Connecticut statutory business trust subsidiary which issued $4,000,000 of guaranteed undivided beneficial interests in Bancorp's floating rate Junior Subordinated Deferrable Interest Debentures (the "Trust Preferred Securities" or "TPS") and $124,000 of common securities. The common securities were purchased by Bancorp and represent a 3% minority interest in the Trust. The Company's investment in common securities is included in accrued interest receivable and other assets in the accompanying consolidated balance sheets.

The proceeds from the issuance of the common securities and the TPS were used by the Trust to purchase $4,124,000 of subordinated deferrable interest debentures ("the Debentures") of Bancorp. The Debentures, which represent the sole asset of the Trust, possess the same terms as the TPS and accrue interest at the three-month London Interbank Offered Rate ("LIBOR") plus 2.85% per year which changes quarterly. The rate ranged between 8.05% and 8.49% during 2024 and between 7.59% and 8.52% during 2023. The accrued interest on the Debentures is paid to the Trust by Bancorp, and the Trust in turn distributes the interest income as dividends on the TPS. As of December 31, 2024 and 2023, the accrued interest to be paid to the Trust is $13,058 and $14,589, respectively. Management believes that, as of December 31, 2024 and 2023, the Debentures meet applicable regulatory guidelines to qualify as tier 1 capital/common equity tier 1 capital.

In conjunction with the issuance of the TPS, Bancorp entered into contractual arrangements which, taken collectively, fully and unconditionally guarantee payment of (1) accrued and unpaid distributions required to be paid on the TPS, (2) the redemption price with respect to any TPS called for redemption by the Trust, and (3) payments due upon a voluntary or involuntary dissolution, winding up, or liquidation of the Trust. The TPS are mandatorily redeemable upon maturity of the Debentures on December 17, 2033, or upon earlier redemption as provided in the indenture. Bancorp has the right to redeem the Debentures purchased by the Trust in whole or in part, on or after December 17, 2008. As specified in the indenture, if the Debentures are redeemed prior to maturity, the redemption price will be the principal amount and any accrued but unpaid interest. For the years ended December 31, 2024 and 2023, Bancorp's interest expense related to the TPS was $337,465 and $329,125, respectively.

Note 9 - Income Taxes

The provision for income taxes in 2024 and 2023 was as follows:

	2024	2023
Current expense:		
Federal	$ 1,659,777	$ 2,562,905
State	799,355	925,256
	2,459,132	3,488,161
Deferred expense:		
Federal	(27,029)	(371,354)
State	(7,725)	(78,159)
	(34,754)	(449,513)
Income taxes	$ 2,424,378	$ 3,038,648

The provision for income taxes results in effective tax rates which are different than the federal income tax statutory rate. The nature of the differences in 2024 and 2023 were as follows:

	2024	2023
Federal income taxes at statutory rate	$ 2,089,290	$ 2,576,813
State income taxes	596,940	736,232
Change in cash surrender value of life insurance	(74,523)	(67,847)
Municipal interest	(46,570)	(67,355)
Credits	(184,105)	(152,395)
Other	43,346	13,200
Provision for income taxes	$ 2,424,378	$ 3,038,648

The components of the net deferred tax assets and liabilities as of December 31, 2024 and 2023 were as follows:

	2024	2023
Deferred tax assets:		
Unrealized loss on available for sale securities	$ 2,931,149	$ 3,325,737
Allowance for credit losses and unfunded loan commitments	2,122,459	2,014,516
Deferred compensation	664,377	666,928
ASU - lease liability	502,421	208,732
Compensation expense	10,111	8,898
Interest income on nonaccrual loans	6,610	5,017
Restricted stock	82,700	70,536
	6,319,827	6,300,364
Deferred tax liabilities:		
Accumulated depreciation and amortization	(275,283)	(223,221)
Right of use asset	(471,529)	(179,452)
FHLB stock dividends	(26,586)	(26,586)
State taxes	(27,943)	(27,943)
Prepaids	(109,435)	(68,826)
Other	(10,628)	(16,079)
	(921,404)	(542,107)
Net deferred tax assets	$ 5,398,423	$ 5,758,257

The Company has determined that it is not required to establish a valuation allowance for the net deferred tax assets as of December 31, 2024 and 2023, as management believes it is more likely than not that the net deferred tax assets will be realized principally through future taxable income and future reversals of existing taxable temporary differences.

Note 10 - Commitments and Contingencies

Financial instruments with off-balance sheet risk

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These financial instruments involve elements of credit and interest rate risk similar to the amounts recognized in the accompanying consolidated balance sheets. The contract or notional amounts of these financial instruments reflect the extent of the Bank's involvement in particular classes of financial instruments.

As of December 31, 2024 and 2023, the Bank had no commitments to extend credit at below-market interest rates and held no derivative financial instruments.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Bank uses the same credit policies in underwriting and offering commitments and conditional obligations as it does for on-balance sheet instruments.

A commitment to extend credit is an agreement to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of fees. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. While most commercial letters of credit are not utilized, a significant portion of such utilization is on an immediate payment basis.

The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include cash, accounts receivable, premises and equipment, and income producing commercial properties.

Commercial and standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. In the event the customer does not perform in accordance with the terms of the agreement with the third-party, the Bank would be required to fund the commitment. The maximum potential amount of future payments the Bank could be required to make is represented by the contractual amount of the commitment. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank holds cash, marketable securities, or real estate as collateral supporting those commitments for which collateral is deemed necessary.

A summary of the Bank's off-balance sheet financial instruments as of December 31, 2024 and 2023 is as follows:

	2024	2023
Commitments to extend credit	$ 98,065,758	$ 102,041,530
Commercial and standby letters of credit	133,500	133,500
Total off-balance sheet financial instruments	$ 98,199,258	$ 102,175,030

Operating lease commitments

The Bank leases certain branch premises under noncancelable operating lease agreements. The Bank does not have any operating leases with an initial term of 12 months or less.

The lease agreements contain various provisions for increases in rental rates, based either on changes in the published Consumer Price Index or a predetermined escalation schedule. The lease agreements do not contain any material residual value guarantees or restrictive covenants. Certain operating leases provide the Bank with the option to extend the lease term one or more times following expiration of the initial term. Lease extensions are not reasonably certain, and the Bank generally does not recognize payments occurring during option periods in the calculation of its operating lease right-of-use assets and operating lease liabilities.

The table below presents the lease right-of-use assets and lease liabilities, which are recorded in accrued interest receivable and other assets and accrued interest payable and other liabilities, respectively, in the accompanying consolidated balance sheet as of December 31, 2024 and 2023:

	2024	2023
Operating lease right-of-use assets	$ 1,746,403	$ 2,125,195
Operating lease liabilities	$ 1,860,819	$ 2,233,638
Operating lease weighted-average remaining lease term	4.77 years	5.68 years
Operating lease weighted-average discount rate	3.47%	3.44%

Total operating lease costs were $450,253 and $416,918 for the years ended December 31, 2024 and 2023, respectively, and are included in occupancy expense in the accompanying consolidated statement of comprehensive income.

Operating cash flows paid for operating lease amounts included in the measurement of lease liabilities was $443,356 and $310,650 for the years ended December 31, 2024 and 2023.

The following table reconciles the undiscounted cash flows for the periods presented related to the Company's operating lease liabilities as of December 31, 2024.

Year ending December 31,	
2025	$ 454,211
2026	465,673
2027	405,125
2028	343,194
2029	192,817
Thereafter	183,998
Total minimum lease payments	2,045,018
Less: amount of payments representing interest	184,199
Lease Liabilities	$ 1,860,819

Litigation

In the ordinary course of business, the Bank becomes involved in various litigation arising from normal banking activities, including matters related to trust operations, loan collections, and foreclosures. In the opinion of management, the ultimate disposition of these legal actions will not have a material effect on the Company's consolidated financial statements as of and for the year ended December 31, 2024.

Public deposits

The Bank is a participant in the Oregon Public Deposit Protection Program (the Program). The Program was established to provide additional protection for Oregon public funds in the event of a bank loss. Each Program participant is required to pledge securities or obtain a letter of credit for a defined percentage of its average of public funds held in excess of FDIC deposit insurance limits. This percentage is based on the Bank's capital adequacy and the discretion of the Office of the State Treasurer. In the event of an Oregon bank failure and to the extent sufficient collateral is unavailable to repay its public funds, any uninsured public deposits would be fully repaid by the other Program participants. As of December 31, 2024, the Bank had pledged securities aggregating $4,334,215 under the Program for its public deposits and there was no liability associated with the Bank's participation in the Program. The maximum future contingent liability is dependent upon the occurrence of an actual loss, the amount of such loss, the failure of collateral to cover such a loss, and the resulting share of loss to be assessed to the Company, all of which cannot presently be determined.

Note 11 - Concentrations of Credit Risk

Except for guaranteed loans purchased from the U.S. Department of Agriculture and Small Business Administration, all of the Bank's loans, commitments, and commercial and standby letters of credit have been granted to customers in the Bank's market area. Nearly all such customers are depositors of the Bank. Concentrations of credit by type of loan are set forth in Note 3. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers as of December 31, 2024. The Bank's loan policy does not allow the extension of credit to any single borrower or group of related borrowers in excess of the Bank's legal lending limit, which is generally 15% of aggregate common stock and the allowance for credit losses. Investments in state and municipal securities involve government entities throughout the U.S.

As of December 31, 2024, the Bank held $232,297 in correspondent bank accounts. At times these balances held with correspondents may exceed federally insured limits. Management believes that its risk of loss associated with such balances is minimal due to the financial strength of the correspondent banks. The Bank has not experienced any losses in such accounts.

Note 12 - Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels. These levels are:

Level 1: Fair value of the asset or liability is determined using unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value of the asset or liability is determined using inputs other than quoted prices that are observable for the applicable asset or liability, either directly or indirectly, such as quoted prices for similar (as opposed to identical) assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Fair value of the asset or liability is determined using unobservable inputs that are significant to the fair value measurement and reflect management’s own assumptions regarding the applicable asset or liability.

Recurring fair value measurements

The fair values of the Company's available-for-sale debt securities as of December 31, 2024 and 2023 are estimated by an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other factors. When market quotes are not readily accessible or available, alternative approaches are utilized, such as matrix or model pricing.

The Company's assets measured at fair value on a recurring basis as of December 31, 2024 and 2023 were as follows:

2024	**Level 1**	**Level 2**	**Level 3**
Available-for-sale debt securities			
U.S. Treasury and agencies	$ -	$ 18,068,135	$ -
Obligations of state and political subdivisions	-	28,417,145	-
Mortgage-backed securities	-	100,829,988	-
Subordinated notes	-	7,942,925	-
Total available-for-sale debt securities	$ -	$ 155,258,193	$ -
2023			
Available-for-sale debt securities			
U.S. Treasury and agencies	$ -	$ 28,451,725	$ -
Obligations of state and political subdivisions	-	28,494,265	-
Mortgage-backed securities	-	113,021,542	-
Subordinated notes	-	7,631,943	-
Total available-for-sale debt securities	$ -	$ 177,599,475	$ -

Non-recurring fair value measurements

Certain collateral dependent loans are reported at estimated fair value on a non-recurring basis, including collateral dependent loans measured at an observable market price (if available), the present value of expected future cash flows discounted at the loan's effective interest rate, or at the fair value of the loan's collateral (if collateral dependent). Estimated fair value of the loan's collateral is determined by appraisals or independent valuation which is then adjusted for the estimated costs related to liquidation of the collateral. Management's ongoing review of appraisal information may result in additional discounts or adjustments to valuation based upon more recent market sales activity or more current appraisal information derived from properties of similar type and/or location. A significant portion of the Bank's collateral dependent loans are measured using the estimated fair market value of the collateral less the estimated costs to sell.

OREO is measured on a non-recurring basis at estimated fair value less estimated costs to sell. Fair value is generally determined based on third-party appraisals of fair value in an orderly sale. Historically, appraisals have considered comparable sales of similar assets in reaching a conclusion as to fair value. Estimated costs to sell OREO are based on standard market factors. The valuation of OREO is subject to significant external and internal judgment. Management periodically reviews OREO to determine whether the property continues to be carried at the lower of its recorded book value or estimated fair value, net of estimated costs to sell. Fair value adjustments on OREO are recognized within the statements of comprehensive income as a component of noninterest expense.

The Company's assets measured at fair value on a non-recurring basis as of December 31, 2024 and 2023 were as follows:

	Level 1	Level 2	Level 3
2024			
Collateral dependent loans with specific valuation allowances	$ -	$ -	$ 401,600
Total assets measured at fair value	$ -	$ -	$ 401,600
2023			
Collateral dependent loans with specific valuation allowances	$ -	$ -	$ -
Total assets measured at fair value	$ -	$ -	$ -

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis as of December 31, 2024 and 2023:

	Fair Value 2024	Fair Value 2023	Valuation Technique	Unobservable Input(s)	Range
Collateral dependent loans	$ 401,600	$ -	Market approach	Appraised value of collateral less selling costs	NA

The Company did not change the methodology used to determine the recurring/non-recurring fair values for any financial instruments during the years ended December 31, 2024 and 2023. Accordingly, for any given class of financial instruments, the Company did not have any transfers among Level 1, Level 2, or Level 3 during these years.

Other fair value disclosures

GAAP requires disclosure of estimated fair values for certain financial instruments. Such estimates are subjective in nature, and significant judgment is required regarding the risk characteristics of various financial instruments at a discrete point in time. Therefore, such estimates could vary significantly if assumptions regarding uncertain factors were to change. In addition, as the Company normally intends to hold the majority of its financial instruments until maturity, it does not expect to realize many of the estimated amounts disclosed. The Company does not believe that it would be practicable to estimate a fair value for these types of items as of December 31, 2024 and 2023. Because GAAP excludes certain items from fair value disclosure requirements, any aggregation of the fair value amounts presented would not represent the underlying value of the Company.

The estimated fair values of the Company's financial instruments as of December 31, 2024 and 2023 were as follows:

			Fair Value Measurements at Report Date Using		
	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
2024					
Financial assets:					
Cash and cash equivalents	$ 9,521,108	$ 9,521,108	$ 9,521,108	$ -	$ -
Interest-bearing deposits in banks	10,920,834	10,920,834	10,920,834	-	-
Available-for-sale debt securities	155,258,193	155,258,193	-	155,258,193	-
Loans	564,165,457	523,650,192	-	-	523,650,192
Accrued interest receivable	2,583,949	2,583,949	2,583,949	-	-
Financial liabilities:					
Time certificate accounts	55,517,561	51,156,179	-	51,156,179	-
Accrued interest payable	352,264	352,264	352,264	-	-
FHLB borrowings	7,500,000	7,505,669	-	7,505,669	-
Junior subordinated debentures	4,124,000	3,651,194	-	-	3,651,194
Subordinated debenture	14,827,136	13,013,550	-	-	13,013,550
2023					
Financial assets:					
Cash and cash equivalents	$ 8,106,215	$ 8,106,215	$ 8,106,215	$ -	$ -
Interest-bearing deposits in banks	6,246,433	6,246,433	6,246,433	-	-
Available-for-sale debt securities	177,599,475	177,599,475	-	177,599,475	-
Loans	529,687,311	490,031,938	-	-	490,031,938
Accrued interest receivable	2,469,193	2,469,193	2,469,193	-	-
Financial liabilities:					
Time certificate accounts	35,991,493	31,090,086	-	31,090,086	-
Accrued interest payable	254,035	254,035	254,035	-	-
FHLB borrowings	17,000,000	17,000,000	17,000,000	-	-
Junior subordinated debentures	4,124,000	4,167,215	-	-	4,167,215
Subordinated debenture	14,727,316	12,411,750	-	-	12,411,750

The Company is required to disclose estimated fair values and classifications within the fair value hierarchy for certain financial instruments that are not carried at fair value on the Company’s financial statements. Financial instruments not carried at fair value in the Company’s financial statements include cash and cash equivalents, interest bearing deposits in banks, restricted equity securities, loans, bank-owned life insurance, accrued interest receivable, deposits, accrued interest payable and long-term debt which includes the Company’s subordinated and junior subordinated debentures.

Cash, cash equivalents, and interest-bearing deposits in banks

Cash, cash equivalents, and interest-bearing deposits in banks include cash on hand, in process cash items and amounts due from correspondent banks. We use the carrying amount of these financial assets to represent their fair value due to their short-term nature. These financial assets are classified as Level 1 in the table above.

Restricted equity securities

Restricted equity securities consist of membership stock for the Federal Home Loan Bank of Des Moines and the Federal Reserve Bank. The book value approximates the fair value and is classified as Level 1 in the table above.

Loans

Loans are held at the amount of unpaid principal, less the allowance for credit losses and deferred fees. Unobservable inputs and management's assumptions are used in determining the fair value of loans; therefore loans are classified as Level 3 in the table above.

Bank owned life insurance

The carrying value of bank owned life insurance is updated on a monthly basis based on the cash surrender value and are classified as Level 1 in the table above.

Accrued interest receivable and payable

The carrying value of accrued interest receivable and payable approximates the fair value due to their short-term nature.

Deposits

The fair value of interest and non-interest-bearing demand deposits is equal to the amount payable on demand as of the reporting date. The fair value of these deposits' balances is classified as Level 1 in the table above. The fair value of time certificate accounts is estimated by the calculation of the present value of the discounted cash flow using the interest rates currently offered on time certificates. The fair value of time certificate balances is classified as Level 2 in the table above.

Long term debt

Long term debt includes the Bank's junior subordinated and subordinated debentures and Federal Home Loan bank borrowings. The fair value of the junior subordinated debenture is determined by the calculation of the present value of the discounted cash flow using the current rate for similar debt to other financial institutions. The fair value of the junior subordinated debenture is included in Level 3 in the table above. The fair value of the Bank's subordinated debenture is determined using quoted prices for similar liabilities in active markets. The fair value of the subordinate debenture is included in Level 3 in the table above. The fair value of 3-year Federal Home Loan Bank (FHLB) borrowings is calculated based on the present value of the discounted cash flow using the current rate for similar debt.

Note 13 - Stock-Based Compensation

The shareholder's approved a stock incentive plan in 2012 (the 2012 Plan). The 2012 Plan provided that 250,000 shares of Bancorp's common stock be reserved for the granting of incentive stock options and non-statutory stock options to certain key employees, directors, or consultants. The exercise price of each incentive option could not be less than the fair market value of the Company's common stock on the date of grant. In addition, the 2012 Plan allowed the Board to grant stock appreciation rights and restricted stock awards. As of December 31, 2024, no stock options and 149,516 restricted stock awards had been granted under the 2012 Plan.

The following table summarizes the restricted stock award activity under the 2012 Plan:

	2024		2023	
	Nonvested restricted shares outstanding	Weighted average grant date fair value	Nonvested restricted shares outstanding	Weighted average grant date fair value
Balance, beginning of period	39,870	$ 7.34	93,872	$ 6.85
Granted	-	-	-	-
Forfeited	-	-	-	-
Vested	(23,683)	7.11	(54,002)	6.49
Balance,end of period	16,187	$ 7.68	39,870	$ 7.34

In February 2022 the 2012 plan expired. In April 2022 the shareholders of Oregon Pacific Bancorp approved a new stock plan, the Oregon Pacific Bancorp 2022 Stock Incentive Plan, which granted the Compensation Committee the ability to grant up to 300,000 shares of equity grants including restricted stock and restricted stock units (RSUs). As of December 31, 2024, 101,638 restricted stock awards had been granted under the 2012 Plan and 21,570 RSUs.

The following table summarizes the restricted stock activity under the 2022 Plan:

	2024		2023	
	Nonvested restricted shares outstanding	Weighted average grant date fair value	Nonvested restricted shares outstanding	Weighted average grant date fair value
Balance, beginning of period	44,226	$ 7.50	-	$ -
Granted	57,412	7.63	44,226	7.50
Forfeited	(608)	7.60	-	-
Vested	(17,780)	7.60	-	-
Balance,end of period	83,250	$ 7.57	44,226	$ 7.50

The restricted stock awards under the 2012 and 2022 plans are subject to various vesting schedules, cliff vest over a period of five years or vest ratably over a one-to-three-year period and are valued based on the grant-date fair value of the Company's common stock. During the years ended December 31, 2024 and 2023, the Company recognized stock-based compensation expense for restricted stock of $388,251 and $304,359, respectively.

As of December 31, 2024, there was $370,521 in unrecognized compensation costs related to nonvested restricted stock, which is expected to be recognized over a weighted average period of 1.80 years.

The unvested restricted stock shares are considered issued and outstanding. Holders of the shares have voting rights and would receive any declared dividends.

Pursuant to the terms of the Oregon Pacific Bancorp 2022 Stock Incentive Plan, the Bank issues Restricted Stock Units (RSUs). The following table summarizes the restricted stock unit (RSU) activity under the 2022 Plan:

	2024		2023	
	Nonvested restricted shares outstanding	Weighted average grant date fair value	Nonvested restricted shares outstanding	Weighted average grant date fair value
Balance, beginning of period	6,500	$ 7.50	-	$ -
Granted	15,070	7.60	6,500	7.50
Forfeited	(1,667)	7.50	-	-
Vested	(2,166)	7.50	-	-
Balance,end of period	17,737	$ 7.58	6,500	$ 7.50

The RSUs granted under the 2022 plan are subject to a three-year vesting schedule and are valued based on the grant-date fair value of the Company's common stock. During the years ended December 31, 2024 and 2023, the Company recognized stock-based compensation expense for RSUs of $45,517 and $14,896, respectively.

As of December 31, 2024, there was $90,369 in unrecognized compensation costs related to nonvested RSUs stock, which is expected to be recognized over a weighted average period of 1.97 years.

The unvested RSUs are not issued and outstanding until vesting. Holders of the shares have no voting rights and are ineligible for any declared dividends.

Note 14 - Benefit Plans

On January 1, 2019, the Bank implemented a 401(k) Plan which covers all employees once a minimum length of employment has been met. The Bank’s match contributions to the 401(k) Plan totaled $432,742 and $356,082 during the years ended December 31, 2024 and 2023.

During 2022 the Bank established a profit-sharing plan, in the form of a nonelective plan contribution, subject to a vesting schedule. The nonelective contributions are accrued through the plan year, but the contribution is not credited to the plan participants until after the end of the year. The contribution amount is allocated to all employees based on their eligible earnings during the plan year and required an active employment status on the last day of the plan year to qualify. During the years ended December 31, 2024 and 2023, the Company accrued profit sharing contributions of $299,853 and $366,612, respectively.

The Bank has also established a nonqualified deferred compensation plan for certain key management employees. Participants may elect to defer a portion of their compensation to the deferred compensation plan, subject to a minimum annual deferral of $5,000. Upon enrollment in the deferred compensation plan, employees can elect the terms of their post-retirement distributions. Payout terms vary between one lump sum or monthly payments over a period of fifteen years. In addition, the Bank may make discretionary employer contributions to the accounts of participants in the deferred compensation plan. Each participant's account is subject to a rate of return based on the Bank's financial performance and approved by the board of directors annually. For the years ended December 31, 2024 and 2023, the Bank recorded expenses of $154,575 and $177,570, respectively, related to the deferred compensation plan. The liability for benefits under the deferred compensation plan totaled $2,460,655 and $2,426,104 as of December 31, 2024 and 2023, respectively.

Note 15 - Earnings Per Common Share and Common Equivalent Shares

The Company's basic earnings per common share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. The Company's diluted earnings per common share is computed by dividing net income by the weighted-average number of common shares outstanding plus dilutive common shares related to stock options or RSUs.

The numerators and denominators used in computing basic and diluted earnings per common share in 2024 and 2023 can be reconciled as follows:

	Net Income (Numerator)	Weighted Average Shares (Denominator)	Earnings Per Common Share
2024			
Basic earnings per common share	$ 7,520,685	7,130,343	$ 1.05
Diluted earnings per common share	$ 7,520,685	7,146,908	$ 1.05
2023			
Basic earnings per common share	$ 9,231,890	7,093,015	$ 1.30
Diluted earnings per common share	$ 9,231,890	7,098,632	$ 1.30

Note 16 - Transactions with Related Parties

Certain directors, executive officers, and principal stockholders of the Company (and the companies with which they are associated) are customers of, and have had banking transactions with, the Bank in the ordinary course of business. In addition, the Bank expects to have such transactions in the future. All loans and commitments to loan to such parties were made in compliance with applicable laws on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. In the opinion of management, these transactions do not involve more than the normal risk of collectability or present any other unfavorable features.

An analysis of activity with respect to such loans in 2024 and 2023 is as follows:

	2024	2023
Loans outstanding, beginning of year	$ 15,595,459	$ 12,106,332
Additions	979,000	5,006,369
Repayments	(1,473,159)	(1,517,242)
Loans outstanding, end of year	$ 15,101,300	$ 15,595,459

At December 31, 2024 and 2023, deposits to directors, executive officers, and principal stockholders of the Company totaled $899,253 and $841,537, respectively.

Note 17 – Revenue from Contracts with Customers

Revenue in the scope of ASC 606 is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The majority of the Bank's revenue is specifically excluded from the scope of ASC 606. For in-scope revenue, the following is a description of principal activities, separated by the timing of revenue recognition from which the Bank generates its revenue from contracts with customers.

Revenue earned at a point in time - Examples of revenue earned at a point in time are ATM transaction fees, wire transfer fees, overdraft fees, interchange fees and foreign exchange transaction fees, which are recorded in the service charges and fees category in the following table. Revenue is primarily based on the number and type of transactions and is generally derived from transactional information accumulated by the Bank's systems and is recognized immediately as the transactions occur or upon providing the service to complete the customer's transaction. The Bank is the principal in each of these contracts, with the exception of interchange fees, in which case the Bank is acting as the agent and records revenue net of expenses paid to the principal.

Revenue earned over time - The Bank earns revenue from contracts with customers in a variety of ways where the revenue is earned over a period of time - generally monthly. Examples of this type of revenue are deposit account maintenance fees and safe deposit box fees, which are recorded in the service charges and fees category in the following table. Other examples are trust fee income, RIA income, investment sales commissions, and merchant card services. Revenue is generally derived from transactional information accumulated by the Bank's systems or those of third-parties and is recognized as the related transactions occur or services are rendered to the customer.

The Bank recognizes revenue from contracts with customers when it satisfies its performance obligations. The Bank's performance obligations are typically satisfied as services are rendered, and the Bank's contracts generally do not include multiple performance obligations. As a result, there are no contract balances as payments and services are rendered simultaneously. Payment is generally collected at the time services are rendered, monthly or quarterly. Unsatisfied performance obligations at the reporting date are not material to the Bank's consolidated financial statements.

The Bank's revenue from contracts with customers is recognized in noninterest income. The following table presents the Bank's noninterest income for the years ended December 31, 2024 and 2023, segregated by revenue from contracts with customers and revenue from other sources:

	2024	2023
Revenue from contracts with customers		
Trust fee income	$ 4,001,330	$ 3,619,388
Service charges and fees	1,457,093	1,374,342
Merchant card services	519,061	515,226
RIA income	1,301,181	1,094,987
Other income	128,729	114,992
	7,407,394	6,718,935
Revenue from other sources		
Mortgage loan sales	203,777	147,305
Increase in cash surrender value of BOLI	276,011	249,464
Fee income on insured deposit products	52,766	39,984
	532,554	436,753
Total noninterest income	$ 7,939,948	$ 7,155,688

Note 18 - Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following tables) of tier 1 capital to average assets and common equity tier 1, tier 1, and total capital to risk-weighted assets (all as defined in the regulations). Management believes that, as of December 31, 2024 and 2023, the Bank met or exceeded all capital adequacy requirements to which it is subject.

To be categorized as "adequately capitalized" or "well-capitalized," the Bank must maintain minimum common equity tier 1, tier 1 leverage, tier 1 risk-based, and total risk-based capital ratios as set forth in the following tables. As of December 31, 2024, the most recent notification from the Bank's regulator categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes would change the Bank's regulatory capital categorization.

The Bank's actual and required capital amounts and ratios as of December 31, 2024 and 2023 are presented in the following table (dollars in thousands):

	Actual		Regulatory Minimum to be "Adequately Capitalized"		Regulatory Minimum to be "Well Capitalized" Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2024						
Tier 1 capital (to average assets)	$ 89,133	11.19%	$ 31,850	4.00%	$ 39,812	5.00%
Common equity tier 1 capital (to risk weighted assets)	89,133	14.86%	26,985	4.50%	38,979	6.50%
Tier 1 capital (to risk-weighted assets)	89,133	14.86%	35,980	6.00%	47,974	8.00%
Total capital (to risk-weighted assets)	96,633	16.11%	47,974	8.00%	59,967	10.00%
2023						
Tier 1 capital (to average assets)	$ 82,278	10.70%	$ 30,752	4.00%	$ 38,440	5.00%
Common equity tier 1 capital (to risk weighted assets)	82,278	14.28%	25,925	4.50%	37,448	6.50%
Tier 1 capital (to risk-weighted assets)	82,278	14.28%	34,567	6.00%	46,090	8.00%
Total capital (to risk-weighted assets)	89,482	15.53%	46,090	8.00%	57,612	10.00%

Bancorp is a bank holding company registered with the FRB. Bank holding companies are subject to capital adequacy requirements of the FRB under the Bank Holding Company Act of 1956, as amended, and the regulations of the FRB. For a bank holding company with less than $3.0 billion in assets, the capital guidelines apply on a bank only basis, and the FRB expects the holding company's subsidiary bank to be well capitalized under the prompt corrective action provisions. If the Company was subject to regulatory guidelines for bank holding companies with $3.0 billion or more in assets, as of December 31, 2024, Bancorp would have exceeded all regulatory capital requirements.

Note 19 – Segment Information

The Company has determined that its current operating model is structured whereby banking locations serve a similar base of primarily commercial clients utilizing a company-wide offering of similar products and services managed through similar processes and technology platforms that are collectively reviewed by the chief operating decision maker (“CODM”), the Company’s Chief Financial Officer. The Company’s CODM manages operations on a company-wide basis, including allocation of resources and financial performance. Accordingly, all of the Company’s operations are considered by management to be aggregated in one reportable operating segment, the banking segment.

The banking segment derives revenues from clients by providing a broad offering of deposit and lending products to commercial and consumer clients. Deposit offerings include personal and business checking and savings accounts, money market accounts, certificates of deposit, negotiable order of withdrawal accounts, international banking services, treasury management services, automated teller machine access and mobile banking. Lending offerings include commercial and industrial loans, agriculture loans, commercial real estate loans, construction and development loans, including home builder lending, residential real estate loans, multifamily real estate loans, energy loans, SBA loans, credit cards and consumer loans. All revenue is from external clients as the Company does not have intra-entity sales or transfers.

The accounting policies of the Banking segment are the same as those described in Note 1 - Basis of Presentation, Description of Business, and Summary of Significant Accounting Policies. The CODM assesses performance for the Banking segment and decides how to allocate resources based on net income as reported on the consolidated statements of comprehensive income as consolidated net income. All categories of interest expense and non-interest expense as disclosed on the Company's consolidated statements of comprehensive income are considered significant to the banking segment. Additionally, depreciation expense is detailed within Note 5 - Premises and Equipment. For the years ended December 31, 2024 and 2023, there are no adjustments or reconciling items between segment net income and consolidated net income as presented in the consolidated statements of comprehensive income.

The measure of segment assets is reported on the consolidated balance sheet as total assets. For the years ended December 31, 2024 and 2023, there are no adjustments or reconciling items between segment total assets and total assets as presented in the consolidated balance sheet.


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