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NEWS RELEASE

Pacific Financial Corp Earns $2.1 Million, or $0.21 per Diluted Share, for Second Quarter 2024;
Net Interest Margin Remains Strong During the Second Quarter at 4.15%;
Board of Directors Declares Quarterly Cash Dividend of $0.14 per Share

ABERDEEN, WA – July 26, 2024 – Pacific Financial Corporation (OTCQX: PFLC), ("Pacific Financial") or the ("Company"), the holding company for Bank of the Pacific (the "Bank"), reported net income of $2.1 million, or $0.21 per diluted share for the second quarter of 2024, compared to $2.7 million, or $0.26 per diluted share for the first quarter of 2024, and $3.9 million, or $0.37 per diluted share for the second quarter of 2023. All results are unaudited.

Pacific Financials' second quarter 2024 operating results reflected the following changes from the first quarter of 2024: (1) lower net interest income as deposit costs increased; (2) higher provision for credit losses due primarily to a larger loan portfolio and changes in the economic forecast and assumptions; (3) higher non-interest income due to larger gains on the sale of loans and investment securities; (4) higher non-interest expenses due to increased health insurance claims and the hiring, building and marketing of new commercial loan and deposit teams; and (5) a 1.4% increase in gross loans.

The board of directors of Pacific Financial declared a quarterly cash dividend of $0.14 per share on July 17, 2024. The dividend will be payable on August 23, 2024 to shareholders of record on August 9, 2024.

"We are pleased to report continued growth in our loan portfolio, both during the quarter and year-over-year, which speaks volumes for our relationship banking model and our reputation in the industry for responsiveness and delivery. Bank consolidation in the Northwest markets has provided opportunities for Bank of the Pacific to continue building out our teams. We have filled several open positions that meet our strategic objectives, including growth in our newest Lake Oswego market," said Denise Portmann, President and Chief Executive Officer. "Our net interest margin remains high as the Bank has been well positioned for rising interest rates. In addition, our capital levels remain strong and that combined with our financial performance provides the Company with strategic capital management opportunities such as regular quarterly cash dividend payments and stock repurchases that benefit our shareholders. Our existing stock repurchase plan has approximately $1.5 million available for future repurchases."

Second Quarter 2024 Financial Highlights:

- Return on average assets ("ROAA") was 0.76%, compared to 0.95% for the first quarter 2024, and 1.30% for the second quarter 2023.
- Return on average equity ("ROAE") was 7.47%, compared to 9.32% from the preceding quarter, and 14.30% from the second quarter a year earlier.
- Net interest income was $10.8 million, compared to $11.4 million for the first quarter of 2024, and $12.2 million for the second quarter 2023.

- Net interest margin ("NIM") contracted to 4.15%, compared to 4.38% from the preceding quarter, and 4.33% for the second quarter a year ago. The decline was partially due to an increase in higher-costing time deposit balances as well as the decline in percentage of non-interest bearing deposits.
- Provision for credit losses was $304,000 compared to $33,000 for the preceding quarter and $8,000 in the second quarter a year ago.
- Gross loans balances grew by $9.8 million, or 1%, to $704.0 million at June 30, 2024, compared to $694.2 million at March 31, 2024, and increased by $45.3 million, or 7%, from $658.7 million at June 30, 2023.
- Total deposits declined $10.1 million to $985.7 million, compared to $995.8 million at March 31, 2024, and from $1.08 billion at June 30, 2023. Core deposits represented 87% of total deposits, with non-interest bearing deposits representing 39% of total deposits at June 30, 2024.
- Coverage of short-term funds available to uninsured and uncollateralized deposits was 229% at June 30, 2024 compared to 251% at March 31, 2024. Uninsured or uncollateralized deposits were 24% of total deposits at June 30, 2024, and 22% at March 31, 2024.
- Asset quality remains solid with nonperforming assets to total assets at 0.12%, compared to 0.13% three months earlier, and 0.08% at June 30, 2023.
- At June 30, 2024, Bank of the Pacific continued to exceed regulatory well-capitalized requirements with a leverage ratio of 11.7% and a total risk-based capital ratio of 17.6%.

Balance Sheet Review

Total assets declined by 1% to $1.12 billion at June 30, 2024, compared to $1.13 billion at March 31, 2024, and decreased 7% from $1.21 billion at June 30, 2023.

Liquidity metrics continued to remain strong with total liquidity, both on and off balance sheet sources, at $535.4 million as of June 30, 2024. The Bank has established collateralized credit lines with borrowing capacity from the Federal Home Loan Bank of Des Moines (FHLB) and from the Federal Reserve Bank of San Francisco, as well as $60.0 million in unsecured borrowing lines from various correspondent banks. There was no balance outstanding on any of these facilities at quarter-end.

The following table summarize the Bank's available liquidity:

LIQUIDITY (unaudited) ($ in 000s)	Period Ended			Change from				% of Deposits		
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023	Mar, 2024 $	Mar, 2024 %	Jun 30, 2023 $	Jun 30, 2023 %	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023
Short-term Funding										
Cash and cash equivalents	$ 63,183	$ 80,052	$ 199,707	$ (16,869)	-21%	$ (136,524)	-68%	6%	8%	21%
Unencumbered AFS Securities	139,581	139,144	104,898	437	0%	34,683	33%	14%	14%	11%
Secured lines of Credit (FHLB, FRB)	332,674	337,553	316,214	(4,879)	-1%	16,460	5%	34%	34%	29%
Short-term Funding	$ 535,438	$ 556,749	$ 620,819	$ (21,311)	-4%	$ (85,381)	-14%	54%	56%	61%

Investment securities: Activity within the portfolio was minimal during the current quarter with portfolio balances decreasing 3% to $278.7 million compared to $288.4 million at March 31, 2024, while increasing slightly compared to the like period a year ago. The decrease from the prior quarter was primarily due to scheduled principal repayments as well as the sale of Farmer Mac equity stock.

U.S. Treasury bonds, and securities issued by the U.S. Government sponsored agencies accounted for 85%, 85%, and 84% of the investment portfolio as of June 30, 2024, March 31, 2024 and June 30, 2023. The average adjusted duration to reset of the investment securities portfolio was 4.3 years at June 30, 2024. Net unrealized losses on the AFS totaled $22.0 million ($17.1 million after-tax) at June 30, 2024, or 8% of AFS portfolio.

Gross loans balances increased $9.8 million, or 1%, to $704.0 million at June 30, 2024, compared to $694.2 million at March 31, 2024 and included growth in most loan segments, including commercial and agricultural with growth of $3.6 million or 5%. Year-over-year loan growth was 7%, or $45.3 million, with the largest increases in residential 1-4 family, multi-family and construction and development loans which increased $18.8 million, $13.1 million and $10.1 million, respectively. In addition, commercial loans increased $4.2 million during the same period. Loans classified as commercial real estate for regulatory concentration purposes totaled $260.1 million at June 30, 2024, or 186% of total risk based capital.

The Bank originated $35.4 million in portfolio credit commitments in the 2nd quarter of 2024 and $61.5 million during the first half of 2024. The loan pipeline continues to be supported by sustained business development activity of its commercial lending teams including in our newest Lake Oswego market.

The Company manages new loan origination volume and the portfolio using concentration limits that establish maximum exposure levels by certain industry segments, loan product types, geography and single borrower limits. In addition, the loan portfolio continues to be well-diversified and is collateralized with assets predominantly within the Company's Western Washington and Oregon markets.

Credit quality: Non-performing assets remain minimal and decreased to $1.4 million, or 0.12% of total assets at June 30, 2024, compared to $1.5 million, or 0.13% at March 31, 2024, and $959,000, or 0.08% at June 30, 2023. The Company has zero other real estate owned as of June 30, 2024.

Allowance for credit losses ("ACL") for loans was $8.8 million, or 1.26% of gross loans at June 30, 2024, compared to $8.6 million or 1.24% of loans at March 31, 2024 and $8.2 million or 1.25% at June 30, 2023.

A provision for credit losses of $304,000 was recorded in the current quarter (comprised of a $335,000 provision for credit losses – loans and a $31,000 benefit for credit losses – unfunded loan commitments). This compares to $33,000 in the first quarter of 2024 and $8,000 for the second quarter of 2023. The provision during the current quarter is a product of loan growth and updated economic forecasts and assumptions. Net charge-offs for the current quarter remained minimal and totaled $56,000, compared to $33,000 for the preceding quarter and $79,000 for the second quarter a year ago.

Total deposits decreased to $985.6 million at June 30, 2024, compared to $995.8 million at March 31, 2024 and $1.08 billion at June 30, 2023. The bank has continued to retain customer relationships, though the bank has experienced a decline in deposits from a year ago primarily due to interest rate sensitive clients shifting a portion of their non-operating deposit balances to higher yielding investments including time deposits as well as increased business and customer spending and the general market tightening of liquidity.

Certificate of deposit balances increased $10.9 million from the linked quarter and $50.2 million from the same quarter a year ago and represent 13%, 12%, and 7%, of total deposits, at June 30, 2024, March 31, 2024, and June

30, 2023, respectively. Non-interest-bearing account balances decreased 6% to $378.2 million at June 30, 2024, compared to $404.5 million at March 31, 2024 and decreased 15% compared to $446.8 million at June 30, 2023. The change in the deposit mix is expected to have an impact on the net interest margin as funding costs continue to increase. However, at 39%, non-interest bearing demand deposits supported by the commercial customers continue to represent a high percentage of total deposits. Additionally, Pacific Financial continues to benefit from a strong core deposit base, with core deposits representing 87% of total deposits at quarter end.

Shareholder's equity increased slightly to $114.9 million at June 30, 2024, compared to $114.7 million at March 31, 2024, and increased $6.1 million compared to $108.9 million at June 30, 2023. The increase in shareholder's equity during the current quarter was due to quarterly net income which was partially offset by the increase in unrealized losses on available-for-sale securities and dividends to shareholders. Net unrealized losses (after-tax) on available-for-sale securities increased slightly during the quarter and were $17.1 million at June 30, 2024 compared to $16.2 million at March 31, 2024, and $18.5 million at June 30, 2023. This increase in net unrealized losses reflects the slight increases in longer-term market interest rates during the quarter. At June 30, 2024, the stock repurchase program had approximately $1.5 million available for future stock repurchases.

Book value per common share was $11.12 at June 30, 2024, compared to $11.10 at March 31, 2024, and $10.44 at June 30, 2023. The Company's tangible common equity ratio was 9.1% at June 30, 2024 compared to 9.0% at March 31, 2024 and 8.0% at June 30, 2023. Regulatory capital ratios of both the Company and the Bank continue to exceed the well-capitalized regulatory thresholds, with the Company's leverage ratio at 11.7% and total risk-based capital ratio at 17.6% as of June 30, 2024.

Income Statement Review

Net interest income decreased $635,000 to $10.8 million for the second quarter of 2024, compared to $11.4 million for the first quarter of 2024, and decreased $1.4 million compared to $12.2 million for the second quarter a year ago. The change in the current quarter compared to the preceding quarter reflects the increase in funding costs primarily as a result of market interest rate pressures. For the current quarter compared to the like period a year ago, in addition to increased funding costs, the change was driven by decreased interest on reduced balances of interest bearing cash which was partially offset by increased income from growth in the loan portfolio.

The Bank's net interest margin continued to remain strong; above 4.00%, however it did contract 23 basis points to 4.15% for the current quarter, compared to 4.38% for the first quarter of 2024 and contracted 18 basis points compared to 4.33% for the second quarter of 2023. For the current quarter compared to the preceding quarter, the net interest margin was impacted by declining asset yields as well as increased cost of funds.

Yields on total interest earning assets decreased 9 basis points to 5.15% for the second quarter of 2024 compared to 5.24% for the prior quarter and increased 27 basis points from 4.88% in the like quarter a year ago. Average loan yields decreased to 5.80% during the current quarter, compared to 5.97% for the preceding quarter and increased from 5.55% for the second quarter 2023.

The Bank's total cost of funds increased to 1.05% for the current quarter, compared to 0.90% for the preceding quarter, and 0.58% for the second quarter 2023. The increase in the costs of deposits was due to a higher percentage mix of higher cost CDs as well as a larger percentage of core deposits being in interest bearing accounts. The percentage of non-interest bearing deposits remained high at 39% for the quarter, but down relative to prior periods.

Noninterest income increased 36% to $2.0 million for the current quarter, compared to $1.4 million for the linked quarter and increased 12% from $1.7 million a year earlier. The increase compared to the linked quarter and the like quarter a year ago was primarily due to increased mortgage banking loan production and related gains, as well as a gain on sale of Farmer Mac stock.

Mortgage banking loan production increased during the current quarter compared to the prior quarter and the like quarter a year ago. Gains-on-sale of loans were $445,000 for the current quarter compared to $152,000 for the prior quarter and $260,000 for the like quarter a year ago. While mortgage banking activity picked up in the current quarter, a challenging mortgage market remains, including the higher interest rate environment and limited residential inventory levels in the Bank's markets.

Fee and service charge income increased for the second quarter of 2024 to $1.2 million compared to $1.1 million the previous quarter and decreased from $1.3 million for the second quarter 2023 due primarily to fluctuations in debit and credit card interchange revenue.

Noninterest expenses were $9.8 million for the second quarter of 2024 compared to $9.5 million for the prior quarter and $9.0 million for the second quarter of 2023. Within the total of noninterest expense for the current quarter compared to the prior quarter, salaries and employee benefits increased $327,000 reflecting higher staffing levels related to commercial lending and deposit team strategic initiatives and increased health insurance claims. In addition, salary expenses continue to be impacted by competitive recruiting and wage pressures. The increase in non-interest expense for the current quarter compared to the same quarter a year ago also reflects increases in salaries and employee benefits as well as occupancy expenses, and marketing expenses related to the building and marketing of new commercial loan and deposit teams.

The company's efficiency ratio increased to 77.34% for the second quarter of 2024, compared to 74.21% in the preceding quarter and 64.26% in the same quarter a year ago. The increase in the efficiency ratio primarily relates to the decreased net interest margin and higher overhead expenses related to the hiring, building and marketing of new commercial loan and deposit teams.

Income tax expense: Federal and Oregon state income tax expenses totaled $454,000 for the current quarter, and $630,000 for the preceding quarter, resulting in effective tax rates of 17.6% and 19.2%, respectively. These income tax expenses reflect the benefits of tax exempt income and credits on tax-exempt loans and investments, affordable housing tax credit financing, and investments in bank owned life insurance.

FINANCIAL HIGHLIGHTS (unaudited)

(In 000s, except per share data)

	Quarter Ended			Change From				Six Months Ended		Change	
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023	Mar 31, 2024 $	Mar 31, 2024 %	Jun 30, 2023 $	Jun 30, 2023 %	Jun 30, 2024	Jun 30, 2023	$	%
Earnings Ratios & Data											
Net Income	$ 2,126	$ 2,650	$ 3,909	$ (524)	-20%	$ (1,783)	-46%	$ 4,776	$ 8,019	$ (3,243)	-40%
Return on average assets	0.76%	0.95%	1.30%	-0.19%		-0.54%		0.85%	1.31%	-0.46%	
Return on average equity	7.47%	9.32%	14.30%	-1.85%		-6.83%		8.40%	14.95%	-6.55%	
Efficiency ratio (1)	77.34%	74.21%	64.26%	3.13%		13.08%		75.77%	64.08%	11.69%	
Net-interest margin %(2)	4.15%	4.38%	4.33%	-0.23%		-0.18%		4.27%	4.42%	-0.15%	
Share Ratios & Data											
Basic earnings per share	$ 0.21	$ 0.26	$ 0.37	$ (0.05)	-19%	$ (0.16)	-43%	$ 0.46	$ 0.77	$ (0.31)	
Diluted earning per share	$ 0.21	$ 0.26	$ 0.37	$ (0.05)	-19%	$ (0.16)	-43%	$ 0.46	$ 0.77	$ (0.31)	
Book value per share(3)	$ 11.12	$ 11.10	$ 10.44	$ 0.02	0%	$ 0.68	7%				
Tangible book value per share(4)	$ 9.82	$ 9.80	$ 9.15	$ 0.02	0%	$ 0.67	7%				
Common shares outstanding	10,336	10,336	10,427	-	0%	(91)	-1%				
PFLC stock price	$ 9.76	$ 10.00	$ 9.60	$ (0.24)	-2%	$ 0.16	2%				
Dividends paid per share	$ 0.14	$ 0.14	$ 0.13	$ -	0%	$ 0.01	8%	$ 0.28	$ 0.26	$ 0.02	8%
Balance Sheet Data											
Assets	$ 1,124,295	$ 1,134,586	$ 1,208,555	$ (10,291)	-1%	$ (84,260)	-7%				
Portfolio Loans	$ 703,977	$ 694,229	$ 658,699	$ 9,748	1%	$ 45,278	7%				
Deposits	$ 985,627	$ 995,756	$ 1,077,493	$ (10,129)	-1%	$ (91,866)	-9%				
Investments	$ 278,728	$ 288,439	$ 276,366	$ (9,711)	-3%	$ 2,362	1%				
Shareholders equity	$ 114,923	$ 114,725	$ 108,865	$ 198	0%	$ 6,058	6%				
Liquidity Ratios											
Short-term funding to uninsured and uncollateralized deposits	229%	251%	261%	-22%		-32%					
Uninsured and uncollateralized deposits to total deposits	24%	22%	22%	2%		2%					
Portfolio loans to deposits ratio	71%	69%	60%	2%		11%					
Asset Quality Ratios											
Non-performing assets to assets	0.12%	0.13%	0.08%	-0.01%		0.04%					
Non-accrual loans to portfolio loans	0.19%	0.22%	0.15%	-0.03%		0.04%					
Loan losses to avg portfolio loans	0.03%	0.02%	0.05%	0.01%		-0.02%		0.03%	0.01%	0.02%	
ACL to portfolio loans	1.26%	1.24%	1.25%	0.02%		0.01%					
Capital Ratios (PFC)											
Total risk-based capital ratio	17.6%	17.6%	17.8%	0.0%		-0.2%					
Tier 1 risk-based capital ratio	16.4%	16.5%	16.6%	-0.1%		-0.2%					
Common equity tier 1 ratio	14.8%	14.8%	14.9%	0.0%		-0.1%					
Leverage ratio	11.7%	11.6%	10.8%	0.1%		0.9%					
Tangible common equity ratio	9.1%	9.0%	8.0%	0.1%		1.1%					

(1) Non-interest expense divided by net interest income plus noninterest income.

(2) Tax-exempt income has been adjusted to a tax equivalent basis at a rate of 21%.

(3) Book value per share is calculated as the total common shareholders' equity divided by the period ending number of common stock shares outstanding.

(4) Tangible book value per share is calculated as the total common shareholders' equity less total intangible assets and liabilities, divided by the period ending number of common stock shares outstanding.

INCOME STATEMENT (unaudited)	Quarter Ended			Change From				Six Months Ended		Change	
($ in 000s)	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023	Mar 31, 2024 $	%	Jun 30, 2023 $	%	Jun 30, 2024	Jun 30, 2023	$	%
Interest Income											
Loan interest & fee income	$ 10,109	$ 10,224	$ 8,997	$ (115)	-1%	$ 1,112	12%	$ 20,333	$ 17,617	$ 2,716	15%
Interest bearing cash income	847	935	2,493	(88)	-9%	(1,646)	-66%	1,782	5,347	(3,565)	-67%
Investment income	2,410	2,475	2,245	(65)	-3%	165	7%	4,885	4,461	424	10%
Interest Income	13,366	13,634	13,735	(268)	-2%	(369)	-3%	27,000	27,425	(425)	-2%
Interest Expense											
Deposits interest expense	2,358	1,991	1,341	367	18%	1,017	76%	4,349	1,721	2,628	153%
Other borrowings interest expense	242	242	223	-	0%	19	9%	484	436	48	11%
Interest Expense	2,600	2,233	1,564	367	16%	1,036	66%	4,833	2,157	2,676	124%
Net Interest Income	10,766	11,401	12,171	(635)	-6%	(1,405)	-12%	22,167	25,268	(3,101)	-12%
Provision (benefit) for credit losses	304	33	8	271	821%	296	3700%	337	165	172	104%
Net Interest Income after provision	10,462	11,368	12,163	(906)	-8%	(1,701)	-14%	21,830	25,103	(3,273)	-13%
Non-Interest Income											
Fees and service charges	1,198	1,101	1,268	97	9%	(70)	-6%	2,299	2,447	(148)	-6%
Gain on sale of investments, net	121	-	-	121	100%	121	100%	121	(154)	275	-179%
Gain on sale of loans, net	445	152	260	293	193%	185	71%	597	371	226	61%
Income on bank-owned insurance	182	180	172	2	1%	10	6%	362	336	26	8%
Other noninterest income	17	11	47	6	55%	(30)	-64%	27	34	(7)	-21%
Non-Interest Income	1,963	1,444	1,747	519	36%	216	12%	3,406	3,034	372	12%
Non-Interest Expense											
Salaries and employee benefits	6,321	5,994	5,661	327	5%	660	12%	12,315	11,446	869	8%
Occupancy	564	641	504	(77)	-12%	60	12%	1,205	1,035	170	16%
Furniture, Fixtures & Equipment	267	284	269	(17)	-6%	(2)	-1%	551	556	(5)	-1%
Marketing & donations	176	154	109	22	14%	67	61%	329	220	109	50%
Professional services	327	336	305	(9)	-3%	22	7%	663	640	23	4%
Data Processing & IT	1,165	1,191	1,166	(26)	-2%	(1)	0%	2,356	2,329	27	1%
Other	1,025	932	993	93	10%	32	3%	1,958	1,968	(10)	-1%
Non-Interest Expense	9,845	9,532	9,007	313	3%	838	9%	19,377	18,194	1,183	7%
Income before income taxes	2,580	3,280	4,903	(700)	-21%	(2,323)	-47%	5,859	9,943	(4,084)	-41%
Provision for income taxes	454	630	994	(176)	-28%	(540)	-54%	1,083	1,924	(841)	-44%
Net Income	$ 2,126	$ 2,650	$ 3,909	$ (524)	-20%	(1,783)	-46%	$ 4,776	$ 8,019	$ (3,243)	-40%
Effective tax rate	17.6%	19.2%	20.3%	-1.6%		-2.7%		18.5%	19.4%	-0.9%	

BALANCE SHEET (unaudited)
($ in 000s)

	Period Ended			Change from				% of Total		
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023	Mar 31, 2024 $	Mar 31, 2024 %	Jun 30, 2023 $	Jun 30, 2023 %	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023
Assets										
Cash on hand and in banks	$ 17,362	$ 15,597	$ 14,880	$ 1,765	11%	$ 2,482	17%	2%	2%	2%
Interest bearing deposits	58,586	75,705	197,952	(17,119)	-23%	(139,366)	-70%	5%	7%	16%
Investment securities	278,728	288,439	276,366	(9,711)	-3%	2,362	1%	25%	25%	23%
Loans held-for-sale	4,051	-	590	4,051	100%	3,461	587%	0%	0%	0%
Portfolio Loans, net of deferred fees	703,322	693,461	657,950	9,861	1%	45,372	7%	63%	61%	54%
Allowance for credit losses	(8,859)	(8,580)	(8,223)	(279)	3%	(636)	8%	-1%	-1%	-1%
Net loans	694,463	684,881	649,727	9,582	1%	44,736	7%	62%	60%	54%
Premises & equipment	15,571	15,283	13,290	288	2%	2,281	17%	2%	2%	2%
Goodwill & Other Intangibles	13,435	13,435	13,435	-	0%	-	0%	1%	1%	1%
Bank-owned life Insurance	27,860	27,678	27,112	182	1%	748	3%	2%	2%	2%
Other assets	14,239	13,568	15,203	671	5%	(964)	-6%	1%	1%	1%
Total Assets	$ 1,124,295	$ 1,134,586	$ 1,208,555	$ (10,291)	-1%	$ (84,260)	-7%	100%	100%	100%
Liabilities & Shareholders' Equity										
Deposits	$ 985,627	$ 995,756	$ 1,077,493	$ (10,129)	-1%	$ (91,866)	-9%	88%	88%	89%
Borrowings	13,403	$ 13,403	$ 13,403	-	0%	-	0%	1%	1%	1%
Other liabilities	10,342	$ 10,702	$ 8,794	(360)	-3%	1,548	18%	1%	1%	1%
Shareholders' equity	114,923	$ 114,725	$ 108,865	198	0%	6,058	6%	10%	10%	9%
Liabilities & Shareholders' Equity	$ 1,124,295	$ 1,134,586	$ 1,208,555	$ (10,291)	-1%	$ (84,260)	-7%	100%	100%	100%

INVESTMENT COMPOSITION & CONCENTRATIONS (unaudited)
($ in 000s)

	Period Ended			Change from				% of Total		
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023	Mar 31, 2024 $	Mar 31, 2024 %	Jun 30, 2023 $	Jun 30, 2023 %	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023
Investment Securities										
Collateralized mortgage obligations	$ 125,937	$ 129,213	$ 117,448	$ (3,276)	-3%	$ 8,489	7%	46%	45%	43%
Mortgage backed securities	37,159	37,753	31,346	(594)	-2%	5,813	19%	13%	13%	11%
U.S. Government and agency securities	72,504	77,826	83,319	(5,322)	-7%	(10,815)	-13%	26%	27%	30%
Municipal securities	43,128	43,647	44,253	(519)	-1%	(1,125)	-3%	15%	15%	16%
Investment Securities	$ 278,728	$ 288,439	$ 276,366	$ (9,711)	-3%	$ 2,362	1%	100%	100%	100%
Held to maturity securities	$ 43,244	$ 49,132	$ 57,464	$ (5,888)	-12%	$ (14,220)	-25%	16%	17%	21%
Available for sale securities	$ 235,484	$ 239,307	$ 218,902	$ (3,823)	-2%	$ 16,582	8%	84%	83%	79%
Government & Agency securities	$ 235,570	$ 244,762	$ 232,076	$ (9,192)	-4%	$ 3,494	2%	85%	85%	84%
AAA, AA, A rated securities	$ 42,471	$ 43,008	$ 43,086	$ (537)	-1%	$ (615)	-1%	15%	15%	16%
Non-rated securities	$ 687	$ 669	$ 1,204	$ 18	3%	$ (517)	-43%	0%	0%	0%
AFS Unrealized Gain (Loss)	$ (21,978)	$ (21,464)	$ (23,900)	$ (514)	2%	$ 1,922	-8%	-8%	-7%	-9%

PORTFOLIO LOAN COMPOSITION & CONCENTRATIONS (unaudited)
($ in 000s)

	Period Ended			Change from				% of Total		
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023	Mar 31, 2024 $	Mar 31, 2024 %	Jun 30, 2023 $	Jun 30, 2023 %	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023
Portfolio Loans										
Commercial & agriculture	$ 74,952	$ 71,320	$ 70,792	$ 3,632	5%	$ 4,160	6%	11%	10%	11%
Real estate:										
Construction and development	47,856	51,978	37,781	(4,122)	-8%	10,075	27%	7%	7%	6%
Residential 1-4 family	105,807	99,808	87,002	5,999	6%	18,805	22%	15%	14%	13%
Multi-family	58,003	54,430	44,854	3,573	7%	13,149	29%	8%	8%	7%
CRE -- owner occupied	169,491	167,631	166,594	1,860	1%	2,897	2%	24%	24%	24%
CRE -- non owner occupied	157,591	157,322	155,002	269	0%	2,589	2%	22%	23%	24%
Farmland	27,195	26,752	25,936	443	2%	1,259	5%	4%	4%	4%
Consumer	63,082	64,988	70,738	(1,906)	-3%	(7,656)	-11%	9%	10%	11%
Portfolio Loans	703,977	694,229	658,699	9,748	1%	45,278	7%	100%	100%	100%
Less: ACL	(8,859)	(8,580)	(8,223)							
Less: deferred fees	(655)	(768)	(749)							
Net loans	$ 694,463	$ 684,881	$ 649,727							
Regulatory Commercial Real Estate	$ 260,068	$ 261,155	$ 235,318	$ (1,087)	0%	$ 24,750	11%	37%	38%	36%
Total Risk Based Capital[1]	$ 140,176	$ 139,255	$ 135,106	$ 921	1%	$ 5,070	4%			
CRE to Risk Based Capital[1]	186%	188%	174%		-2%		12%			

[1] Bank of the Pacific

CRE--NON OWNER OCCUPIED COMPOSITION (unaudited)
($ in 000s)

	Period Ended		Change from		% of Total	
	Jun 30, 2024	Mar 31, 2024	Mar 31, 2024 $	Mar 31, 2024 %	Jun 30, 2024	Mar 31, 2024
CRE--Non Owner Occupied Collateral Composition[2]						
Multifamily	$ 63,243	$ 61,085	$ 2,158	4%	27%	27%
Retail	36,074	36,192	(118)	0%	16%	16%
Hospitality	30,248	32,468	(2,220)	-7%	13%	14%
Mini Storage	23,619	23,438	181	1%	11%	10%
Mixed Use	23,520	22,204	1,316	6%	10%	10%
Office	23,266	23,730	(464)	-2%	10%	10%
Industrial	13,691	13,348	343	3%	6%	6%
Warehouse	7,631	7,483	148	2%	3%	3%
Special Purpose	7,014	7,058	(44)	-1%	3%	3%
Other	3,213	3,259	(46)	-1%	1%	1%
Total	$ 231,519	$ 230,265	$ 1,254	1%	100%	100%

[2] Includes loans in process of construction

CREDIT QUALITY (unaudited)

($ in 000s)	Period Ended			Change from			
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023	Mar 31, 2024 $	%	Jun 30, 2023 $	%
Risk Rating Distribution							
Pass	$ 694,272	$ 684,779	$ 647,946	$ 9,493	1%	46,326	7%
Special Mention	4,731	4,771	4,608	(40)	-1%	123	3%
Substandard	4,974	4,679	6,145	295	6%	(1,171)	-19%
Portfolio Loans	$ 703,977	$ 694,229	$ 658,699	$ 9,748	1%	$ 45,278	7%
Nonperforming Assets							
Nonaccruing loans	1,370	1,526	959	$ (156)	-10%	411	43%
Other real estate owned	-	-	-	-	0%	-	0%
Nonperforming Assets	$ 1,370	$ 1,526	$ 959	$ (156)	-10%	411	43%
Credit Metrics							
Classified loans[1] to portfolio loans	0.71%	0.67%	0.93%	0.04%		-0.22%	
ACL to classified loans[1]	178.11%	183.37%	133.82%	-5.26%		44.29%	
Loans past due 30+ days to portfolio loans[2]	0.04%	0.10%	0.01%	-0.06%		0.03%	
Nonperforming assets to total assets	0.12%	0.13%	0.08%	-0.01%		0.04%	
Nonaccruing loans to portfolio loans	0.19%	0.22%	0.15%	-0.03%		0.04%	

(1) Classified loans include loans rated substandard or worse and are defined as loans having a well-defined weakness or weaknesses related to the borrower's financial capacity or to pledged collateral that may jeopardize the repayment of the debt. They are characterized by the possibility that the Bank may sustain some loss if the deficiencies giving rise to the substandard classification are not corrected.

(2) Excludes non-accrual loans

DEPOSIT COMPOSITION & CONCENTRATIONS (unaudited)

($ in 000s)	Period Ended			Change from				% of Total		
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023	Mar 31, 2024 $	%	Jun 30, 2023 $	%	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023
Deposits										
Interest-bearing demand	$ 179,278	$ 177,735	$ 226,696	$ 1,543	1%	$ (47,418)	-21%	18%	17%	22%
Money market	180,727	169,095	177,210	11,632	7%	3,517	2%	18%	17%	16%
Savings	121,851	129,796	151,406	(7,945)	-6%	(29,555)	-20%	12%	13%	14%
Time deposits (CDs)	125,560	114,644	75,403	10,916	10%	50,157	67%	13%	12%	7%
Total interest-bearing deposits	607,416	591,270	630,715	16,146	3%	(23,299)	-4%	61%	59%	59%
Non-interest bearing demand	378,211	404,486	446,778	(26,275)	-6%	(68,567)	-15%	39%	41%	41%
Total deposits	$ 985,627	$ 995,756	$ 1,077,493	$ (10,129)	-1%	$ (91,866)	-9%	100%	100%	100%
Insured Deposits	$ 632,923	$ 645,784	$ 678,027	$ (12,861)	-2%	$ (444,289)	-66%	64%	65%	63%
Collateralized Deposits	118,966	127,733	161,482	(8,767)	-7%	(42,516)	-26%	12%	13%	15%
Uninsured Deposits	233,738	222,239	237,984	11,499	5%	394,939	166%	24%	22%	22%
Total Deposits	$ 985,627	$ 995,756	$ 1,077,493	$ (10,129)	-1%	$ (91,866)	-9%	100%	100%	100%
Consumer Deposits	$ 458,249	$ 470,442	$ 479,665	$ (12,193)	-3%	$ (21,416)	-4%	47%	47%	45%
Business Deposits	398,719	387,917	427,025	10,802	3%	(28,306)	-7%	40%	39%	40%
Public Deposits	128,659	137,397	170,803	(8,738)	-6%	(42,144)	-25%	13%	14%	15%
Total Deposits	$ 985,627	$ 995,756	$ 1,077,493	$ (10,129)	-1%	$ (91,866)	-9%	100%	100%	100%

NET INTEREST MARGIN (unaudited)
($ in 000s)

	Quarter Ended			Change From				Six Months Ended		Change	
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023	Mar 31, 2024 $	Mar 31, 2024 %	Jun 30, 2023 $	Jun 30, 2023 %	Jun 30, 2024	Jun 30, 2023	$	%
Average Interest Bearing Balances											
Portfolio loans	$ 699,404	$ 688,918	$ 651,472	$ 10,486	2%	$ 47,932	7%	$ 694,161	$ 647,682	$ 46,479	7%
Loans held for sale	$ 1,593	$ 595	$ 722	$ 998	168%	$ 871	121%	$ 1,094	$ 654	$ 440	67%
Investment securities	$ 283,637	$ 292,375	$ 284,902	$ (8,738)	-3%	$ (1,265)	0%	$ 288,006	$ 286,300	$ 1,706	1%
Interest bearing cash	$ 62,494	$ 68,873	$ 196,409	$ (6,379)	-9%	$ (133,915)	-68%	$ 65,684	$ 223,612	$ (157,928)	-71%
Total interest-earning assets	$ 1,047,128	$ 1,050,761	$ 1,133,505	$ (3,633)	0%	$ (86,377)	-8%	$ 1,048,945	$ 1,158,248	$ (109,303)	-9%
Non-interest bearing deposits	$ 387,740	$ 395,004	$ 448,788	$ (7,264)	-2%	$ (61,048)	-14%	$ 391,372	$ 465,867	$ (74,495)	-16%
Interest bearing deposits	$ 596,121	$ 590,410	$ 624,051	$ 5,711	1%	$ (27,930)	-4%	$ 593,266	$ 633,956	$ (40,690)	-6%
Total Deposits	$ 983,861	$ 985,414	$ 1,072,839	$ (1,553)	0%	$ (88,978)	-8%	$ 984,638	$ 1,099,823	$ (115,185)	-10%
Borrowings	$ 13,404	$ 13,403	$ 13,403	$ 1	0%	$ 1	0%	$ 13,401	$ 13,401	$ -	0%
Total interest-bearing liabilities	$ 609,525	$ 603,813	$ 637,454	$ 5,712	1%	$ (27,929)	-4%	$ 606,667	$ 647,357	$ (40,690)	-6%
Yield / Cost $[1]											
Portfolio loans	$ 10,092	$ 10,233	$ 9,007	$ (141)	-1%	$ 1,085	12%	$ 20,325	$ 17,639	$ 2,686	15%
Loans held for sale	$ 28	$ 5	$ 11	$ 23	460%	$ 17	155%	$ 33	$ 19	$ 14	74%
Investment securities	$ 2,442	$ 2,507	$ 2,279	$ (65)	-3%	$ 163	7%	$ 4,951	$ 4,549	$ 402	9%
Interest bearing cash	$ 847	$ 935	$ 2,493	$ (88)	-9%	$ (1,646)	-66%	$ 1,782	$ 5,347	$ (3,565)	-67%
Total interest-earning assets	$ 13,410	$ 13,678	$ 13,791	$ (268)	-2%	$ (381)	-3%	$ 27,092	$ 27,554	$ (462)	-2%
Interest bearing deposits	$ 2,358	$ 1,991	$ 1,341	$ 367	18%	$ 1,017	76%	$ 4,349	$ 1,721	$ 2,628	153%
Borrowings	$ 242	$ 242	$ 223	$ -	0%	$ 19	9%	$ 484	$ 436	$ 48	11%
Total interest-bearing liabilities	$ 2,600	$ 2,233	$ 1,564	$ 367	16%	$ 1,036	66%	$ 4,833	$ 2,157	$ 2,676	124%
Net interest income	$ 10,810	$ 11,445	$ 12,227	$ (635)	-6%	(1,417)	-12%	$ 22,259	$ 25,397	$ (3,138)	-12%
Yield / Cost %[1]											
Yield on portfolio loans	5.80%	5.97%	5.55%	-0.17%		0.25%		5.89%	5.49%	0.40%	
Yield on investment securities	3.46%	3.45%	3.21%	0.01%		0.25%		3.46%	3.20%	0.26%	
Yield on interest bearing cash	5.46%	5.45%	5.09%	0.01%		0.37%		5.46%	4.82%	0.64%	
Cost of interest bearing deposits	1.59%	1.36%	0.86%	0.23%		0.73%		1.47%	0.55%	0.92%	
Cost of borrowings	7.26%	7.26%	6.67%	0.00%		0.59%		7.26%	6.56%	0.70%	
Cost of deposits and borrowings	1.05%	0.90%	0.58%	0.15%		0.47%		0.97%	0.39%	0.58%	
Yield on interest-earning assets	5.15%	5.24%	4.88%	-0.09%		0.27%		5.19%	4.80%	0.39%	
Cost of interest-bearing liabilities	1.72%	1.49%	0.98%	0.23%		0.74%		1.60%	0.67%	0.93%	
Net interest spread	3.43%	3.75%	3.90%	-0.32%		-0.47%		3.59%	4.13%	-0.54%	
Net interest margin	4.15%	4.38%	4.33%	-0.23%		-0.18%		4.27%	4.42%	-0.15%	

[1] Tax-exempt income has been adjusted to a tax equivalent basis at a rate of 21%.

ALLOWANCE FOR CREDIT LOSSES (ACL) (unaudited) ($ in 000s)	Quarter Ended			Change From				Six Months Ended		Change	
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023	Mar 31, 2024 $	Mar 31, 2024 %	Jun 30, 2023 $	Jun 30, 2023 %	Jun 30, 2024	Jun 30, 2023	$	%
Allowance for Credit Losses											
Beginning of period balance	$ 8,580	$ 8,530	$ 8,231	$ 50	1%	$ 349	4%	$ 8,530	$ 8,236	$ 294	4%
Impact of CECL Adoption (ASC 326)	-	-	-	-	-100%	-	-100%	-	(157)	157	-100%
Charge-offs	(57)	(35)	(94)	(22)	63%	37	-39%	(92)	(133)	41	-31%
Recoveries	1	2	15	(1)	-50%	(14)	-93%	3	54	(51)	-94%
Net (charge-off) recovery	(56)	(33)	(79)	(23)	70%	23	-29%	(89)	(79)	(10)	13%
Provision (benefit)	335	83	71	252	304%	264	372%	418	223	195	87%
End of period balance	$ 8,859	$ 8,580	$ 8,223	$ 279	3%	$ 636	8%	$ 8,859	$ 8,223	$ 636	8%
Net charge-offs to avg. portfolio loans	0.03%	0.02%	0.05%	0.01%		-0.02%		0.03%	0.01%	0.02%	
ACL to portfolio loans	1.26%	1.24%	1.25%	0.02%		0.01%		1.26%	1.25%	0.01%	
Allowance for unfunded loans											
Beginning of period balance	$ 648	$ 698	$ 817	$ (50)	-7%	$ (169)	-21%	$ 698	$ 203	$ 495	244%
Impact of CECL Adoption (ASC 326)	-	-	-	-	-100%	-	-100%	-	609	(609)	-100%
Provision (benefit)	(31)	(50)	(63)	19	-38%	32	-51%	(81)	(58)	(23)	40%
End of period balance	$ 617	$ 648	$ 754	$ (31)	-5%	$ (137)	-18%	$ 617	$ 754	$ (137)	-18%

ABOUT PACIFIC FINANCIAL CORPORATION

Pacific Financial Corporation of Aberdeen, Washington, is the bank holding company for Bank of the Pacific, a state chartered and federally insured commercial bank. Bank of the Pacific offers banking products and services to small-to-medium sized businesses and professionals in western Washington and Oregon. At June 30, 2024, the Company had total assets of $1.12 billion and operated fifteen branches in the communities of Grays Harbor, Pacific, Thurston, Whatcom, Skagit, Clark and Wahkiakum counties in the State of Washington, and two branches in Clatsop County, Oregon. The Company also operated loan production offices in the communities of Burlington, Washington, Salem, Oregon and Lake Oswego, Oregon. Visit the Company's website at www.bankofthepacific.com. Member FDIC.

Cautions Concerning Forward-Looking Statements

This press release contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other laws, including all statements in this release that are not historical facts or that relate to future plans or events or projected results of Pacific Financial Corporation and its wholly-owned subsidiary, Bank of the Pacific. Such statements are based on information available at the time of communication and are based on current beliefs and expectations of the Company's management and are subject to risks and uncertainties, many of which are beyond our control, which could cause actual events or results to differ materially from those projected, anticipated or implied, and could negatively impact the Company's operating and stock price performance. These risks and uncertainties include various risks associated with growing the Bank and expanding the services it provides, development of new business lines and markets, competition in the marketplace, general economic conditions, changes in interest rates, extensive and evolving regulation of the banking industry, and many other risks. Any forward-looking statements in this communication are based on information at the time the statement is made. We undertake no obligation to update or revise any forward-looking statement. Readers of this release are cautioned not to put undue reliance on forward-looking statements.