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**Pacific Financial Corp Earns \$2.6 Million, or \$0.25 per Diluted Share for Third Quarter 2024;
Tangible Book Value Per Share Up 6.6% During Quarter;
Board of Directors Declares Quarterly Cash Dividend of \$0.14 per Share**

ABERDEEN, WA – October 25, 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 \$2.6 million, or \$0.25 per diluted share for the third quarter of 2024, compared to \$2.1 million, or \$0.21 per diluted share for the second quarter of 2024, and \$3.6 million, or \$0.35 per diluted share for the third quarter of 2023. All results are unaudited.

Pacific Financials’ third quarter 2024 operating results reflected the following changes from the second quarter of 2024: (1) higher net interest income as the rise in loan and investment yields outpaced the rise in deposit and borrowing costs; (2) a negative provision for credit losses due to lower provision for unfunded loans; (3) lower non-interest income due to smaller gains on the sale of loans and investment securities; (4) slightly lower non-interest expenses; (5) a small decrease in total gross loans of 0.6% offset by an increase in the purchase of investment securities with the balance of investment securities increasing \$18.1 million, or 6.5% during the third quarter; (6) an increase in total deposits of 2.6% to \$1.0 billion at September 30, 2024, and (7) a \$6.2 million increase in shareholder equity, or 5.4%. Tangible book value per share increased 6.6% during the quarter to \$10.47.

The board of directors of Pacific Financial declared a quarterly cash dividend of \$0.14 per share on October 23, 2024. The dividend will be payable on November 22, 2024 to shareholders of record on November 8, 2024. Additionally, the Board of Directors has authorized an additional \$2.6 million toward future repurchases, or approximately 2.0% of total shares outstanding. The current stock repurchase program expires in November 2024.

“Our core operations continue to remain strong,” said Denise Portmann, President and Chief Executive Officer. “Our focused efforts on deposit retention, combined with the efforts of our new commercial loan and deposit teams, resulted in increased business relationships during the third quarter. Additionally, we added to our investment securities portfolio to increase yields. During the fourth quarter, we will be closing our mortgage banking division which we anticipate will improve the efficiency of our operation and improve earnings. However, the fourth quarter will reflect some one-time charges related to severance, contract and lease terminations.”

Third Quarter 2024 Financial Highlights:

- Return on average assets (“ROAA”) was 0.90%, compared to 0.76% for the second quarter 2024, and 1.21% for the third quarter 2023.
- Return on average equity (“ROAE”) was 8.77%, compared to 7.47% from the preceding quarter, and 13.16% from the third quarter a year earlier.
- Net interest income was \$11.2 million, compared to \$10.8 million for the second quarter of 2024, and \$12.3 million for the third quarter of 2023.

- Net interest margin (“NIM”) increased to 4.19%, compared to 4.15% from the preceding quarter, and 4.37% for the third quarter a year ago. The increase in the net interest margin in the most recent quarter was due to increased yields on interest-earning assets outpacing the increased cost of interest-bearing liabilities.
- Provision for credit losses was a benefit of \$66,000 for the third quarter ended September 30, 2024 compared to a provision of \$304,000 for the preceding quarter and \$244,000 in the third quarter a year ago. The benefit largely reflected lower provisions for unfunded loans relative to prior periods.
- Gross loans balances held in portfolio decreased by \$4.4 million, or less than 1% to \$699.6 million at September 30, 2024, compared to \$704.0 million at June 30, 2024, and increased by \$27.6 million, or 4%, from \$672.0 million at September 30, 2023.
- Total deposits increased \$25.8 million to \$1.01 billion, compared to \$985.6 million at June 30, 2024, and decreased from \$1.05 billion at September 30, 2023. Core deposits represented 87% of total deposits, with non-interest bearing deposits representing 38% of total deposits at September 30, 2024.
- Coverage of short-term funds available to uninsured and uncollateralized deposits was 229% at September 30, 2024 and June 30, 2024. Uninsured or uncollateralized deposits were 25% of total deposits at September 30, 2024, and 24% at June 30, 2024.
- Asset quality remains solid with nonperforming assets to total assets at 0.10%, compared to 0.12% three months earlier, and 0.10% at September 30, 2023. Accruing loans past due 30 or more days represent only 0.03% of total loans at September 30, 2024.
- Tangible book value per share increased 6.6% during the quarter to \$10.47 per share at September 30, 2024 from \$9.82 per share at June 30, 2024. The increase was largely the result of a decline in interest rates and its impact on the fair market value of securities.
- Pacific Financial and Bank of the Pacific continued to exceed regulatory well-capitalized requirements. At September 30, 2024 Pacific Financial’s estimated leverage ratio was 11.6% and its estimated total risk-based capital ratio was 17.9%.

Balance Sheet Review

Total assets increased 3% to \$1.16 billion at September 30, 2024, compared to \$1.12 billion at June 30, and decreased 2% from \$1.18 billion at September 30, 2023.

Liquidity metrics continued to remain strong with total liquidity, both on and off balance sheet sources, at \$576.8 million as of September 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 summarizes the Bank's available liquidity:

	Period Ended			Change from				% of Deposits		
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Jun 30, 2024 \$	%	Sep 30, 2023 \$	%	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023
LIQUIDITY (unaudited) (\$ in 000s)										
Short-term Funding										
Cash and cash equivalents	\$ 85,430	\$ 63,183	\$ 147,970	\$ 22,247	35%	\$ (62,540)	-42%	8%	6%	14%
Unencumbered AFS Securities	154,565	139,581	123,842	14,984	11%	30,723	25%	15%	14%	12%
Secured lines of Credit (FHLB, FRB)	336,771	332,674	318,557	4,097	1%	18,214	6%	33%	34%	30%
Short-term Funding	\$ 576,766	\$ 535,438	\$ 590,369	\$ 41,328	8%	\$ (13,603)	-2%	56%	54%	56%

Investment securities: The investment securities portfolio increased 6% to \$296.8 million, compared to \$278.7 million at June 30, 2024 and increased 3% compared to the like period a year ago. The increase from the prior quarter was primarily due to the purchase of collateralized mortgage obligations and mortgage backed securities. U.S. Treasury bonds, and securities issued by the U.S. Government sponsored agencies accounted for 85% of the investment portfolio as of September 30, 2024, June 30, 2024, and September 30, 2023. Within that total, collateralized mortgage obligations accounted for 48% of the investment portfolio at September 30, 2024, compared to 45% the previous quarter.

The average adjusted duration to reset of the investment securities portfolio was 4.2 years at September 30, 2024. Net unrealized losses on the investments classified as available for sale declined \$7.2 million to \$14.8 million (\$11.5 million after-tax) at September 30, 2024, or 5% of AFS portfolio.

Gross loans balances excluding loans held for sale decreased \$4.4 million, or 1%, to \$699.6 million at September 30, 2024, compared to \$704.0 million at June 30, 2024. During the third quarter, loan pipelines and originations slowed from prior levels as borrowers continued to adjust to higher interest rates and economic uncertainty. Due primarily to loan amortization the loan portfolio reflected slight declines in most categories except multi-family lending which increased \$2.8 million. Year-over-year loan growth was 4%, or \$27.6 million, with the largest increases in residential 1-4 family and multi-family loans which increased \$14.8 million and \$11.7 million, respectively. Loans classified as commercial real estate for regulatory concentration purposes totaled \$261.3 million at September 30, 2024, or 185% of total risk based capital.

The Company continues to manage 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 were minimal and remained at \$1.1 million, or 0.10% of total assets at September 30, 2024, compared to \$1.2 million, or 0.10% at September 30, 2023. The Company has zero other real estate owned as of September 30, 2024 and accruing loans past due more than 30 days represent only 0.04% of total loans.

Allowance for credit losses ("ACL") for loans was \$8.9 million, or 1.27% of gross loans at September 30, 2024, compared to \$8.9 million or 1.26% of loans at June 30, 2024 and \$8.3 million or 1.24% at September 30, 2023.

A negative provision for credit losses of \$66,000 was recorded in the current quarter, reflecting less allowance requirements for unfunded loans. This compares to a provision for credit losses of \$304,000 in the second quarter of 2024 and \$244,000 for the third quarter of 2023. Net charge-offs for the current quarter remained minimal and reflected a net recovery of \$11,000, compared to a net charge-off of \$56,000 for the preceding quarter and \$125,000 for the third quarter one year ago.

Total deposits increased to \$1.01 billion at September 30, 2024, compared to \$985.6 million at June 30, 2024 and decreased from \$1.05 billion at September 30, 2023. The bank has focused efforts to retain customer relationships resulting in a \$22.1 million increase in business deposits.

Non-interest-bearing account balances, composed of commercial banking relationships, are the largest component of the deposit portfolio at 38% at September 30, 2024 and June 30, 2024. Money market deposits currently represent the second largest component of the deposit base and increased \$11.5 million from the linked quarter and \$12.8 million from the same quarter a year ago and represent 19%, 18%, and 17%, of total deposits, at September 30, 2024, June 30, 2024, and September 30, 2023, respectively. Interest-bearing demand deposits are the third largest component of the deposit base representing 18% of total deposits at September 30, 2024. 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 \$6.2 million, or 5% to \$121.1 million at September 30, 2024, compared to \$114.9 million at June 30, 2024, and increased \$14.5 million, or 14% compared to \$106.6 million at September 30, 2023. The increase in shareholders' equity during the current quarter was due to quarterly net income, a decrease in unrealized losses on available-for-sale securities and dividends paid to shareholders. Net unrealized losses (after-tax) on available-for-sale securities were \$11.5 million at September 30, 2024 compared to \$17.1 million at June 30, 2024, and \$23.1 million at September 30, 2023. This decrease in net unrealized losses reflects lower longer-term market interest rates at the end of the quarter.

Book value per common share was \$11.78 at September 30, 2024, compared to \$11.12 at June 20, 2024, and \$10.22 at September 30, 2023. The Company's tangible common equity ratio was 9.4% at September 30, 2024 and 9.1% at June 30, 2024, compared to 8.0% at September 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 11.6% and total risk-based capital ratio at 17.9% as of September 30, 2024. These regulatory capital ratios are estimates, pending completion and filing of regulatory reports.

The current stock repurchase program expires in November 2024. The Board of Directors has authorized an additional \$2.6 million toward future repurchases, or approximately 2.0% of total shares outstanding.

Income Statement Review

Net interest income increased \$438,000 to \$11.2 million for the third quarter of 2024, compared to \$10.8 million for the second quarter of 2024, and decreased \$1.1 million compared to \$12.3 million for the third quarter a year ago. The change in the current quarter compared to the preceding quarter reflects higher yields on a larger investment portfolio and an increase in loan yields due primarily to repricing of loans. Increasing deposit costs offset some of the benefit from higher yielding investments and loans. For the current quarter compared to the like period a year ago, funding costs have outpaced the rising yields on investments and loans.

The Bank's net interest margin continued to remain strong at 4.19% for the quarter ended September 30, 2024 compared to 4.15% the preceding quarter. For the third quarter ended September 30, 2023, the net interest margin was 4.37% reflecting lower funding costs relative to more recent periods.

Yields on total interest earning assets increased 14 basis points to 5.29% for the third quarter of 2024 compared to 5.15% for the prior quarter and 5.06% in the like quarter a year ago. Average loan yields increased to 5.99% during the current quarter, compared to 5.80% for the preceding quarter and 5.71% for the third quarter 2023.

The Bank's total cost of funds increased to 1.15% for the current quarter, compared to 1.05% for the preceding quarter, and 0.72% for the third quarter 2023. The increase in the costs of deposits was due to retention efforts and competitive pricing of deposit products. The percentage of non-interest bearing deposits remained high at 38% for the current quarter.

Noninterest income decreased to \$1.7 million for the current quarter, compared to \$2.0 million for the linked quarter and increased from \$1.6 million a year earlier. The decrease compared to the linked quarter was primarily due to decreased mortgage banking loan production and no gains on the sale of investment securities.

The company plans to close its mortgage banking division by the end of 2024 which is expected to reduce non-interest income offset by a reduction of personnel and overhead expenses associated with the operation. The elimination of the mortgage banking division is expected to improve the efficiency of the company after severance and contract termination expenses are realized in the fourth quarter of 2024.

Fee and service charge income remained consistent in the third quarter of 2024 at \$1.2 million compared to the previous quarter and the third quarter of 2023.

Noninterest expenses decreased to \$9.7 million for the third quarter of 2024 compared to \$9.8 million for the prior quarter and increased from \$9.1 million for the third quarter of 2023. Within the total of noninterest expenses for the current quarter compared to the prior quarter, the largest category of salaries and employee benefits remained at \$6.3 million. Similarly, data processing and occupancy expenses remained consistent to the prior quarter.

The company's efficiency ratio decreased to 75.48% for the third quarter of 2024, compared to 77.34% in the preceding quarter and increased from 65.78% in the same quarter a year ago. The increase in the efficiency ratio relative to the previous year 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 \$633,000 for the current quarter, and \$454,000 for the preceding quarter, resulting in effective tax rates of 19.6% and 17.6%, 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.

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FINANCIAL HIGHLIGHTS (unaudited) (In 000s, except per share data)	Quarter Ended			Change From				Nine Months Ended		Change	
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Jun 30, 2024		Sep 30, 2023		Sep 30, 2024	Sep 30, 2023	\$	%
				\$	%	\$	%				
Earnings Ratios & Data											
Net Income	\$ 2,594	\$ 2,126	\$ 3,645	\$ 468	22%	\$ (1,051)	-29%	\$ 7,370	\$ 11,663	\$ (4,293)	-37%
Return on average assets	0.90%	0.76%	1.21%	0.14%		-0.31%		0.87%	1.28%	-0.41%	
Return on average equity	8.77%	7.47%	13.16%	1.30%		-4.39%		8.52%	14.34%	-5.82%	
Efficiency ratio ⁽¹⁾	75.48%	77.34%	65.78%	-1.86%		9.70%		75.67%	64.64%	11.03%	
Net-interest margin % ⁽²⁾	4.19%	4.15%	4.37%	0.04%		-0.18%		4.24%	4.40%	-0.16%	
Share Ratios & Data											
Basic earnings per share	\$ 0.25	\$ 0.21	\$ 0.35	\$ 0.04	19%	\$ (0.10)	-29%	\$ 0.71	\$ 1.12	\$ (0.41)	
Diluted earning per share	\$ 0.25	\$ 0.21	\$ 0.35	\$ 0.04	19%	\$ (0.10)	-29%	\$ 0.71	\$ 1.12	\$ (0.41)	
Book value per share ⁽³⁾	\$ 11.78	\$ 11.12	\$ 10.22	\$ 0.66	6%	\$ 1.56	15%				
Tangible book value per share ⁽⁴⁾	\$ 10.47	\$ 9.82	\$ 8.93	\$ 0.65	7%	\$ 1.54	17%				
Common shares outstanding	10,283	10,336	10,427	(53)	-1%	(144)	-1%				
PFLC stock price	\$ 11.65	\$ 9.76	\$ 10.00	\$ 1.89	19%	\$ 1.65	17%				
Dividends paid per share	\$ 0.14	\$ 0.14	\$ 0.13	\$ -	0%	\$ 0.01	8%	\$ 0.42	\$ 0.39	\$ 0.03	8%
Balance Sheet Data											
Assets	\$ 1,158,410	\$ 1,124,295	\$ 1,181,975	\$ 34,115	3%	\$ (23,565)	-2%				
Portfolio Loans	\$ 699,603	\$ 703,977	\$ 671,969	\$ (4,374)	-1%	\$ 27,634	4%				
Deposits	\$ 1,011,473	\$ 985,627	\$ 1,051,256	\$ 25,846	3%	\$ (39,783)	-4%				
Investments	\$ 296,792	\$ 278,728	\$ 289,152	\$ 18,064	6%	\$ 7,640	3%				
Shareholders equity	\$ 121,087	\$ 114,923	\$ 106,601	\$ 6,164	5%	\$ 14,486	14%				
Liquidity Ratios											
Short-term funding to uninsured and uncollateralized deposits	229%	229%	254%	0%		-25%					
Uninsured and uncollateralized deposits to total deposits	25%	24%	22%	1%		3%					
Portfolio loans to deposits ratio	69%	71%	63%	-2%		6%					
Asset Quality Ratios											
Non-performing assets to assets	0.10%	0.12%	0.10%	-0.02%		0.00%					
Non-accrual loans to portfolio loans	0.16%	0.19%	0.18%	-0.03%		-0.02%					
Loan losses to avg portfolio loans	-0.01%	0.03%	0.07%	-0.04%		-0.08%		0.01%	0.04%	-0.03%	
ACL to portfolio loans	1.27%	1.26%	1.24%	0.01%		0.03%					
Capital Ratios (PFC)											
Total risk-based capital ratio	17.9%	17.6%	17.6%	0.3%		0.3%					
Tier 1 risk-based capital ratio	16.7%	16.4%	16.5%	0.3%		0.2%					
Common equity tier 1 ratio	15.0%	14.8%	14.8%	0.2%		0.2%					
Leverage ratio	11.6%	11.7%	10.7%	-0.1%		0.9%					
Tangible common equity ratio	9.4%	9.1%	8.0%	0.3%		1.4%					

⁽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.

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INCOME STATEMENT (unaudited) (\$ in 000s)	Quarter Ended			Change From				Nine Months Ended		Change	
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Jun 30, 2024		Sep 30, 2023		Sep 30, 2024	Sep 30, 2023	\$	%
				\$	%	\$	%				
Interest Income											
Loan interest & fee income	\$ 10,520	\$ 10,109	\$ 9,549	\$ 411	4%	\$ 971	10%	\$ 30,853	\$ 27,166	\$ 3,687	14%
Interest bearing cash income	1,108	847	2,322	261	31%	(1,214)	-52%	2,890	7,669	(4,779)	-62%
Investment income	2,503	2,410	2,371	93	4%	132	6%	7,388	6,832	556	8%
Interest Income	<u>14,131</u>	<u>13,366</u>	<u>14,242</u>	<u>765</u>	<u>6%</u>	<u>(111)</u>	<u>-1%</u>	<u>41,131</u>	<u>41,667</u>	<u>(536)</u>	<u>-1%</u>
Interest Expense											
Deposits interest expense	2,684	2,358	1,716	326	14%	968	56%	7,033	3,437	3,596	105%
Other borrowings interest expense	243	242	246	1	0%	(3)	-1%	727	682	45	7%
Interest Expense	<u>2,927</u>	<u>2,600</u>	<u>1,962</u>	<u>327</u>	<u>13%</u>	<u>965</u>	<u>49%</u>	<u>7,760</u>	<u>4,119</u>	<u>3,641</u>	<u>88%</u>
Net Interest Income	11,204	10,766	12,280	438	4%	(1,076)	-9%	33,371	37,548	(4,177)	-11%
Provision (benefit) for credit losses	(66)	304	244	(370)	-122%	(310)	-127%	271	409	(138)	-34%
Net Interest Income after provision	<u>11,270</u>	<u>10,462</u>	<u>12,036</u>	<u>808</u>	<u>8%</u>	<u>(766)</u>	<u>-6%</u>	<u>33,100</u>	<u>37,139</u>	<u>(4,039)</u>	<u>-11%</u>
Non-Interest Income											
Fees and service charges	1,225	1,198	1,248	27	2%	(23)	-2%	3,523	3,695	(172)	-5%
Gain on sale of investments, net	-	121	-	(121)	-100%	-	-100%	121	(154)	275	-179%
Gain on sale of loans, net	267	445	170	(178)	-40%	97	57%	865	540	325	60%
Income on bank-owned insurance	188	182	174	6	3%	14	8%	550	509	41	8%
Other non-interest income	7	17	18	(10)	-59%	(11)	-61%	34	53	(19)	-36%
Non-Interest Income	<u>1,687</u>	<u>1,963</u>	<u>1,610</u>	<u>(276)</u>	<u>-14%</u>	<u>77</u>	<u>5%</u>	<u>5,093</u>	<u>4,643</u>	<u>450</u>	<u>10%</u>
Non-Interest Expense											
Salaries and employee benefits	6,341	6,321	5,560	20	0%	781	14%	18,656	17,006	1,650	10%
Occupancy	601	564	501	37	7%	100	20%	1,806	1,536	270	18%
Furniture, Fixtures & Equipment	286	267	252	19	7%	34	13%	837	808	29	4%
Marketing & donations	201	176	160	25	14%	41	26%	531	380	151	40%
Professional services	233	327	301	(94)	-29%	(68)	-23%	897	941	(44)	-5%
Data Processing & IT	1,185	1,165	1,161	20	2%	24	2%	3,541	3,490	51	1%
Other	883	1,025	1,207	(142)	-14%	(324)	-27%	2,839	3,174	(335)	-11%
Non-Interest Expense	<u>9,730</u>	<u>9,845</u>	<u>9,142</u>	<u>(115)</u>	<u>-1%</u>	<u>588</u>	<u>6%</u>	<u>29,107</u>	<u>27,335</u>	<u>1,772</u>	<u>6%</u>
Income before income taxes	3,227	2,580	4,504	647	25%	(1,277)	-28%	9,086	14,447	(5,361)	-37%
Provision for income taxes	633	454	859	179	39%	(226)	-26%	1,716	2,784	(1,068)	-38%
Net Income	<u>\$ 2,594</u>	<u>\$ 2,126</u>	<u>\$ 3,645</u>	<u>\$ 468</u>	<u>22%</u>	<u>(1,051)</u>	<u>-29%</u>	<u>\$ 7,370</u>	<u>\$ 11,663</u>	<u>\$ (4,293)</u>	<u>-37%</u>
Effective tax rate	19.6%	17.6%	19.1%	2.0%		0.5%		18.9%	19.3%	-0.4%	

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BALANCE SHEET (unaudited)

(\$ in 000s)

	Period Ended			Change from				% of Total		
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Jun 30, 2024 \$ %	Sep 30, 2023 \$ %	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023		
Assets										
Cash on hand and in banks	\$ 20,621	\$ 17,362	\$ 12,052	\$ 3,259	19%	\$ 8,569	71%	2%	2%	2%
Interest bearing deposits	80,522	58,586	146,886	21,936	37%	(66,364)	-45%	7%	5%	12%
Investment securities	296,792	278,728	289,152	18,064	6%	7,640	3%	26%	25%	24%
Loans held-for-sale	140	4,051	637	(3,911)	-97%	(497)	-78%	0%	0%	0%
Portfolio Loans, net of deferred fees	698,974	703,322	671,134	(4,348)	-1%	27,840	4%	60%	63%	57%
Allowance for credit losses	(8,897)	(8,859)	(8,347)	(38)	0%	(550)	7%	-1%	-1%	-1%
Net loans	690,077	694,463	662,787	(4,386)	-1%	27,290	4%	60%	62%	56%
Premises & equipment	17,124	15,571	13,756	1,553	10%	3,368	24%	2%	2%	2%
Goodwill & Other Intangibles	13,435	13,435	13,435	-	0%	-	0%	1%	1%	1%
Bank-owned life Insurance	28,084	27,860	27,321	224	1%	763	3%	2%	2%	2%
Other assets	11,615	14,239	15,949	(2,624)	-18%	(4,334)	-27%	1%	1%	1%
Total Assets	\$ 1,158,410	\$ 1,124,295	\$ 1,181,975	\$ 34,115	3%	\$ (23,565)	-2%	100%	100%	100%
Liabilities & Shareholders' Equity										
Deposits	\$ 1,011,473	\$ 985,627	\$ 1,051,256	\$ 25,846	3%	\$ (39,783)	-4%	87%	88%	89%
Borrowings	13,403	\$ 13,403	\$ 13,403	-	0%	-	0%	1%	1%	1%
Other liabilities	12,447	\$ 10,342	\$ 10,715	2,105	20%	1,732	16%	1%	1%	1%
Shareholders' equity	121,087	\$ 114,923	\$ 106,601	6,164	5%	14,486	14%	11%	10%	9%
Liabilities & Shareholders' Equity	\$ 1,158,410	\$ 1,124,295	\$ 1,181,975	\$ 34,115	3%	\$ (23,565)	-2%	100%	100%	100%

INVESTMENT COMPOSITION & CONCENTRATIONS (unaudited)

(\$ in 000s)

	Period Ended			Change from				% of Total		
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Jun 30, 2024 \$ %	Sep 30, 2023 \$ %	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023		
Investment Securities										
Collateralized mortgage obligations	\$ 141,842	\$ 125,937	\$ 126,376	\$ 15,905	13%	\$ 15,466	12%	48%	45%	45%
Mortgage backed securities	41,264	37,159	38,322	4,105	11%	2,942	8%	14%	13%	13%
U.S. Government and agency securities	68,961	72,504	82,292	(3,543)	-5%	(13,331)	-16%	23%	27%	27%
Municipal securities	44,725	43,128	42,162	1,597	4%	2,563	6%	15%	15%	15%
Investment Securities	\$ 296,792	\$ 278,728	\$ 289,152	\$ 18,064	6%	\$ 7,640	3%	100%	100%	100%
Held to maturity securities	\$ 42,301	\$ 43,244	\$ 56,469	\$ (943)	-2%	\$ (14,168)	-25%	14%	16%	20%
Available for sale securities	\$ 254,491	\$ 235,484	\$ 232,683	\$ 19,007	8%	\$ 21,808	9%	86%	84%	80%
Government & Agency securities	\$ 252,039	\$ 235,570	\$ 246,956	\$ 16,469	7%	\$ 5,083	2%	85%	85%	85%
AAA, AA, A rated securities	\$ 44,084	\$ 42,471	\$ 41,025	\$ 1,613	4%	\$ 3,059	7%	15%	15%	14%
Non-rated securities	\$ 669	\$ 687	\$ 1,171	\$ (18)	-3%	\$ (502)	-43%	0%	0%	0%
AFS Unrealized Gain (Loss)	\$ (14,804)	\$ (21,978)	\$ (29,783)	\$ 7,174	-33%	\$ 14,979	-50%	-5%	-8%	-10%

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PORTFOLIO LOAN COMPOSITION & CONCENTRATIONS (unaudited)

(\$ in 000s)

	Period Ended			Change from				% of Total		
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Jun 30, 2024 \$	%	Sep 30, 2023 \$	%	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023
Portfolio Loans										
Commercial & agriculture	\$ 73,002	\$ 74,952	\$ 73,232	\$ (1,950)	-3%	\$ (230)	0%	10%	11%	11%
Real estate:										
Construction and development	46,569	47,856	42,584	(1,287)	-3%	3,985	9%	7%	7%	6%
Residential 1-4 family	105,298	105,807	90,449	(509)	0%	14,849	16%	15%	14%	14%
Multi-family	60,773	58,003	49,092	2,770	5%	11,681	24%	9%	8%	7%
CRE -- owner occupied	167,086	169,491	164,057	(2,405)	-1%	3,029	2%	24%	24%	25%
CRE -- non owner occupied	157,347	157,591	154,993	(244)	0%	2,354	2%	22%	22%	23%
Farmland	26,553	27,195	27,641	(642)	-2%	(1,088)	-4%	4%	4%	4%
Consumer	62,975	63,082	69,921	(107)	0%	(6,946)	-10%	9%	10%	10%
Portfolio Loans	699,603	703,977	671,969	(4,374)	-1%	27,634	4%	100%	100%	100%
Less: ACL	(8,897)	(8,859)	(8,347)							
Less: deferred fees	(629)	(655)	(835)							
Net loans	\$ 690,077	\$ 694,463	\$ 662,787							
Regulatory Commercial Real Estate	\$ 261,292	\$ 260,068	\$ 244,277	\$ 1,224	0%	\$ 17,015	7%	37%	37%	36%
Total Risk Based Capital ⁽¹⁾	\$ 140,971	\$ 140,176	\$ 137,473	\$ 795	1%	\$ 3,498	3%			
CRE to Risk Based Capital ⁽¹⁾	185%	186%	178%		-1%		7%			

CRE--MULTI-FAMILY & NON OWNER OCCUPIED COMPOSITION (unaudited)

(\$ in 000s)

	Period Ended			Change from				% of Total		
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Jun 30, 2024 \$	%	Sep 30, 2023 \$	%	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023
Collateral Composition ⁽²⁾										
Multifamily	\$ 63,099	\$ 63,243	\$ 54,677	\$ (144)	0%	\$ 8,422	15%	27%	27%	26%
Retail	37,685	36,074	28,657	1,611	4%	9,028	32%	16%	16%	13%
Hospitality	30,844	30,248	32,190	596	2%	(1,346)	-4%	13%	13%	15%
Mini Storage	25,758	23,619	20,977	2,139	9%	4,781	23%	11%	11%	10%
Office	22,921	23,266	27,075	(345)	-1%	(4,154)	-15%	10%	10%	13%
Mixed Use	22,708	23,520	22,457	(812)	-3%	251	1%	10%	10%	11%
Industrial	13,912	13,691	10,898	221	2%	3,014	28%	6%	6%	5%
Warehouse	7,582	7,631	6,204	(49)	-1%	1,378	22%	3%	3%	3%
Special Purpose	6,968	7,014	7,146	(46)	-1%	(178)	-2%	3%	3%	3%
Other	3,174	3,213	3,380	(39)	-1%	(206)	-6%	1%	1%	1%
Total	\$ 234,651	\$ 231,519	\$ 213,661	\$ 3,132	1%	\$ 20,990	10%	100%	100%	100%

⁽¹⁾ Bank of the Pacific

⁽²⁾ Includes loans in process of construction

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CREDIT QUALITY (unaudited)

(\$ in 000s)	Period Ended			Change from			
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Jun 30, 2024 \$	%	Jun 30, 2024 \$	%
Risk Rating Distribution							
Pass	\$ 691,199	\$ 694,272	\$ 664,327	\$ (3,073)	0%	26,872	4%
Special Mention	4,789	4,731	1,626	58	1%	3,163	195%
Substandard	3,615	4,974	6,016	(1,359)	-27%	(2,401)	-40%
Portfolio Loans	\$ 699,603	\$ 703,977	\$ 671,969	\$ (4,374)	-1%	\$ 27,634	4%
Nonperforming Assets							
Nonaccruing loans	1,138	1,370	1,219	\$ (232)	-17%	(81)	-7%
Other real estate owned	-	-	-	-	0%	-	0%
Nonperforming Assets	\$ 1,138	\$ 1,370	\$ 1,219	\$ (232)	-17%	(81)	-7%
Credit Metrics							
Classified loans ¹ to portfolio loans	0.52%	0.71%	0.90%	-0.19%		-0.38%	
ACL to classified loans ¹	246.11%	178.11%	132.68%	68.00%		113.43%	
Loans past due 30+ days to portfolio loans ²	0.03%	0.04%	0.25%	-0.01%		-0.22%	
Nonperforming assets to total assets	0.10%	0.12%	0.10%	-0.02%		0.00%	
Nonaccruing loans to portfolio loans	0.16%	0.19%	0.18%	-0.03%		-0.02%	

⁽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		
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Jun 30, 2024 \$	%	Sep 30, 2023 \$	%	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023
Deposits										
Interest-bearing demand	\$ 183,337	\$ 179,278	\$ 208,091	\$ 4,059	2%	\$ (24,754)	-12%	18%	19%	20%
Money market	192,185	180,727	179,367	11,458	6%	12,818	7%	19%	18%	17%
Savings	117,131	121,851	138,981	(4,720)	-4%	(21,850)	-16%	12%	12%	13%
Time deposits (CDs)	133,995	125,560	92,720	8,435	7%	41,275	45%	13%	13%	9%
Total interest-bearing deposits	626,648	607,416	619,159	19,232	3%	7,489	1%	62%	62%	59%
Non-interest bearing demand	384,825	378,211	432,097	6,614	2%	(47,272)	-11%	38%	38%	41%
Total deposits	\$ 1,011,473	\$ 985,627	\$ 1,051,256	\$ 25,846	3%	\$ (39,783)	-4%	100%	100%	100%
Insured Deposits										
Insured Deposits	\$ 636,725	\$ 632,923	\$ 666,308	\$ 3,802	1%	\$ (414,008)	-62%	63%	64%	63%
Collateralized Deposits	122,448	118,966	152,960	3,482	3%	(30,512)	-20%	12%	12%	15%
Uninsured Deposits	252,300	233,738	231,988	18,562	8%	404,737	174%	25%	24%	22%
Total Deposits	\$ 1,011,473	\$ 985,627	\$ 1,051,256	\$ 25,846	3%	\$ (39,783)	-4%	100%	100%	100%
Consumer Deposits										
Consumer Deposits	\$ 458,097	\$ 458,249	\$ 466,877	\$ (152)	0%	\$ (8,780)	-2%	45%	47%	44%
Business Deposits	420,845	398,719	429,443	22,126	6%	(8,598)	-2%	42%	40%	41%
Public Deposits	132,531	128,659	154,936	3,872	3%	(22,405)	-14%	13%	13%	15%
Total Deposits	\$ 1,011,473	\$ 985,627	\$ 1,051,256	\$ 25,846	3%	\$ (39,783)	-4%	100%	100%	100%

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NET INTEREST MARGIN (unaudited) (\$ in 000s)	Quarter Ended			Change From				Nine Months Ended		Change	
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Jun 30, 2024		Sep 30, 2023		Sep 30, 2024	Sep 30, 2023		
				\$	%	\$	%			\$	%
Average Interest Bearing Balances											
Portfolio loans	\$ 697,904	\$ 699,404	\$ 665,300	\$ (1,500)	0%	\$ 32,604	5%	\$ 695,418	\$ 653,619	\$ 41,799	6%
Loans held for sale	\$ 1,276	\$ 1,593	\$ 497	\$ (317)	-20%	\$ 779	157%	\$ 1,155	\$ 601	\$ 554	92%
Investment securities	\$ 285,947	\$ 283,637	\$ 284,041	\$ 2,310	1%	\$ 1,906	1%	\$ 287,315	\$ 285,538	\$ 1,777	1%
Interest-bearing cash	\$ 81,755	\$ 62,494	\$ 172,119	\$ 19,261	31%	\$ (90,364)	-53%	\$ 71,080	\$ 206,259	\$ (135,179)	-66%
Total interest-earning assets	\$ 1,066,882	\$ 1,047,128	\$ 1,121,957	\$ 19,754	2%	\$ (55,075)	-5%	\$ 1,054,968	\$ 1,146,017	\$ (91,049)	-8%
Non-interest bearing deposits	\$ 383,332	\$ 387,740	\$ 441,782	\$ (4,408)	-1%	\$ (58,450)	-13%	\$ 388,672	\$ 457,750	\$ (69,078)	-15%
Interest-bearing deposits	\$ 615,388	\$ 596,121	\$ 619,183	\$ 19,267	3%	\$ (3,795)	-1%	\$ 600,694	\$ 628,978	\$ (28,284)	-4%
Total Deposits	\$ 998,720	\$ 983,861	\$ 1,060,965	\$ 14,859	2%	\$ (62,245)	-6%	\$ 989,366	\$ 1,086,728	\$ (97,362)	-9%
Borrowings	\$ 13,403	\$ 13,404	\$ 13,403	\$ (1)	0%	\$ -	0%	\$ 13,403	\$ 13,401	\$ 2	0%
Total interest-bearing liabilities	\$ 628,791	\$ 609,525	\$ 632,586	\$ 19,266	3%	\$ (3,795)	-1%	\$ 614,097	\$ 642,379	\$ (28,282)	-4%
Yield / Cost ⁽¹⁾											
Portfolio loans	\$ 10,509	\$ 10,092	\$ 9,570	\$ 417	4%	\$ 939	10%	\$ 30,834	\$ 27,208	\$ 3,626	13%
Loans held for sale	\$ 22	\$ 28	\$ 8	\$ (6)	-21%	\$ 14	175%	\$ 55	\$ 28	\$ 27	96%
Investment securities	\$ 2,535	\$ 2,442	\$ 2,405	\$ 93	4%	\$ 130	5%	\$ 7,485	\$ 6,954	\$ 531	8%
Interest-bearing cash	\$ 1,108	\$ 847	\$ 2,322	\$ 261	31%	\$ (1,214)	-52%	\$ 2,890	\$ 7,669	\$ (4,779)	-62%
Total interest-earning assets	\$ 14,174	\$ 13,410	\$ 14,306	\$ 764	6%	\$ (132)	-1%	\$ 41,265	\$ 41,859	\$ (594)	-1%
Interest-bearing deposits	\$ 2,684	\$ 2,358	\$ 1,716	\$ 326	14%	\$ 968	56%	\$ 7,033	\$ 3,437	\$ 3,596	105%
Borrowings	\$ 243	\$ 242	\$ 246	\$ 1	0%	\$ (3)	-1%	\$ 727	\$ 682	\$ 45	7%
Total interest-bearing liabilities	\$ 2,927	\$ 2,600	\$ 1,962	\$ 327	13%	\$ 965	49%	\$ 7,760	\$ 4,119	\$ 3,641	88%
Net interest income	\$ 11,247	\$ 10,810	\$ 12,344	\$ 437	4%	\$ (1,097)	-9%	\$ 33,505	\$ 37,740	\$ (4,235)	-11%
Yield / Cost % ⁽¹⁾											
Yield on portfolio loans	5.99%	5.80%	5.71%	0.19%		0.28%		5.92%	5.57%	0.35%	
Yield on investment securities	3.53%	3.46%	3.36%	0.07%		0.17%		3.48%	3.26%	0.22%	
Yield on interest-bearing cash	5.39%	5.46%	5.35%	-0.07%		0.04%		5.43%	4.97%	0.46%	
Cost of interest-bearing deposits	1.74%	1.59%	1.10%	0.15%		0.64%		1.56%	0.73%	0.83%	
Cost of borrowings	7.21%	7.26%	7.28%	-0.05%		-0.07%		7.25%	6.80%	0.45%	
Cost of deposits and borrowings	1.15%	1.05%	0.72%	0.10%		0.43%		1.03%	0.50%	0.53%	
Yield on interest-earning assets	5.29%	5.15%	5.06%	0.14%		0.23%		5.22%	4.88%	0.34%	
Cost of interest-bearing liabilities	1.85%	1.72%	1.23%	0.13%		0.62%		1.69%	0.86%	0.83%	
Net interest spread	3.44%	3.43%	3.83%	0.01%		-0.39%		3.53%	4.02%	-0.49%	
Net interest margin	4.19%	4.15%	4.37%	0.04%		-0.18%		4.24%	4.40%	-0.16%	

⁽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				Nine Months Ended		Change	
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Jun 30, 2024 \$ %	Sep 30, 2023 \$ %	Sep 30, 2024	Sep 30, 2023	\$	%		
Allowance for Credit Losses											
Beginning of period balance	\$ 8,859	\$ 8,580	\$ 8,223	\$ 279 3%	\$ 636 8%	\$ 8,530	\$ 8,236	\$ 294	4%		
Impact of CECL Adoption (ASC 326)	-	-	-	- -100%	- -100%	-	(157)	157	-100%		
Charge-offs	(5)	(57)	(126)	52 -91%	121 -96%	(97)	(259)	162	-63%		
Recoveries	16	1	1	15 1500%	15 1500%	19	55	(36)	-65%		
Net (charge-off) recovery	11	(56)	(125)	67 -120%	136 -109%	(78)	(204)	126	-62%		
Provision (benefit)	27	335	249	(308) -92%	(222) -89%	445	472	(27)	-6%		
End of period balance	\$ 8,897	\$ 8,859	\$ 8,347	\$ 38 0%	\$ 550 7%	\$ 8,897	\$ 8,347	\$ 550	7%		
Net charge-off (recovery) to											
average portfolio loans	-0.01%	0.03%	0.07%	-0.04%	-0.08%	0.01%	0.04%	-0.03%			
ACL to portfolio loans	1.27%	1.26%	1.24%	0.01%	0.03%	1.27%	1.24%	0.03%			
Allowance for unfunded loans											
Beginning of period balance	\$ 617	\$ 648	\$ 754	\$ (31) -5%	\$ (137) -18%	\$ 698	\$ 203	\$ 495	244%		
Impact of CECL Adoption (ASC 326)	-	-	-	- -100%	- -100%	-	609	(609)	-100%		
Provision (benefit)	(93)	(31)	(5)	(62) 200%	(88) 1760%	(174)	(63)	(111)	176%		
End of period balance	\$ 524	\$ 617	\$ 749	\$ (93) -15%	\$ (225) -30%	\$ 524	\$ 749	\$ (225)	-30%		

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 September 30, 2024, the Company had total assets of \$1.16 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 three branches in the communities of Clatsop and Clackamas counties in Oregon. The Company also operated loan production offices in the communities of Burlington, Washington and Salem, 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.