





Denise Portmann - President & CEO, joined Bank 2001

- 25+ years of community banking experience, 5 years public accounting experience
- B.S. Degree in Accounting at Central Washington University
- Board member Community Bankers of Washington, Oregon Bankers Association, and FRB SF Community Depository Institutions Advisory Council
- Washington State representative for the ICBA Federal Delegate Board



Carla Tucker, CPA - EVP & CFO, joined Bank 2019

- 35+ years of banking experience, 15+ years with Skagit Bank as their EVP & CFO
- B.S. Degree in Accounting at Northeast Missouri State University, Kirksville, MO (Summa Cum Laude)
- Honors grad of Pacific Coast Banking School in Seattle, WA
- Member and former board member of Soroptimist International of Burlington, WA



Dan Kuenzi - EVP & CCO, joined Bank 2017

- 30+ years in commercial banking industry
- Deep experience in credit quality admin & sales production management
- Masters of Science in Agricultural Economics



Terri McKinnis- EVP & COO, joined Bank 2023

- 40+ years of banking experience
- Formerly with Commerce Bank of Oregon, a division of Zions Bancorporation, N.A.
- University of Washington Foster School of Business, and honors graduate of Pacific Coast Banking School (PCBS)



Walker Evans - EVP & CLO, joined Bank 2004

- 35+ years of commercial banking experience including line management, underwriting and office start-up
- B.A. Degree in Business Administration, with concentrations in finance and marketing at University of Washington
- Musician playing professionally in the greater Vancouver, Canada and Seattle areas.

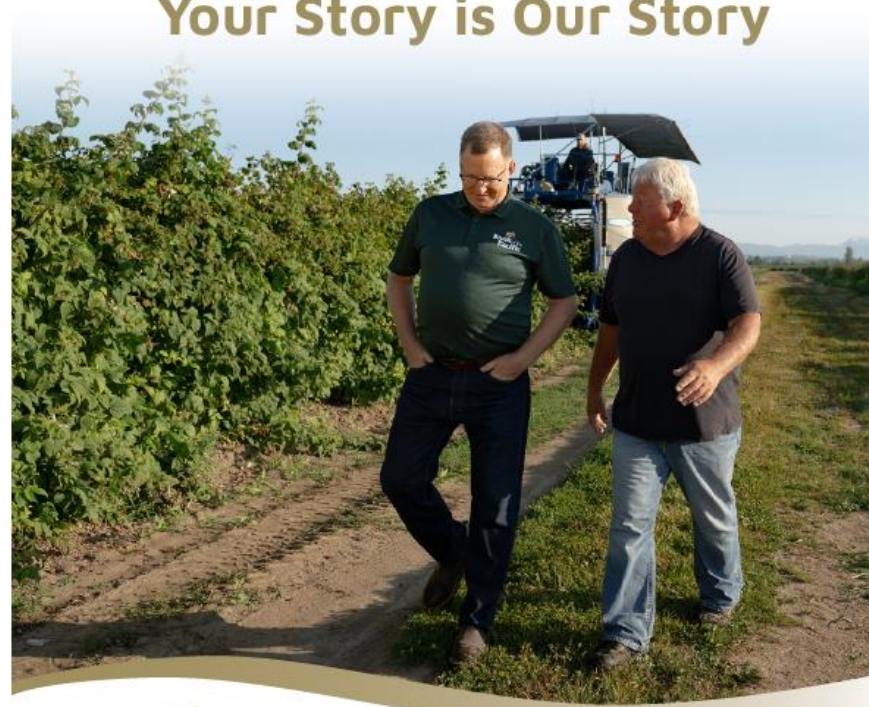
Agenda - April 24, 2024

- Welcome and introductions
- Call the meeting to order
- Nomination and election of directors
- Ratification of the selection of auditors
- CEO update
- Question and answer session
- Adjournment

Shareholder Proposals

- Election of Class C Directors:
 - Denise J. Portmann
 - Douglas Biddle
 - Benjamin Ertischek
- Ratification of Public Accounting Firm:
 - Clifton Larson Allen LLP

Your Story is Our Story




**Pacific Financial
Corporation**

Annual Report
2023

OTCQX: PFLC

Forward-Looking Statement

This presentation 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 presentation 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. We undertake no obligation to update or revise any forward-looking statement. Readers of this presentation are cautioned not to put undue reliance on forward-looking statements.

PFLC Overview

- Pacific Financial Corporation (OTCQX: PFLC) is the holding company for Bank of the Pacific
- Primary markets are located in the Pacific Northwest; one of the top regional economies in the U.S
- Offers traditional community banking services to small-to-medium sized businesses and professionals in western Washington and Oregon
- Sustained track record of delivering solid returns to shareholders
- Low cost of funds at 0.83%(Q4 2023), stable funding base with approximately 90%(Q4 2023) core deposits evidencing strength of franchise
- Strong balance sheet with loans-to-deposit ratio at 67%
- Diversified loan portfolio with top-tier credit quality
- Well-capitalized and exceeds all regulatory capital ratios
- Risk management processes have resulted in strong capital and liquidity positions, which will allow us to continue to serve our current and prospective customers



Northwest Washington

Loans - \$202M @ 5.73%
Deposits - \$222M @ 0.70%
NIB DDA - 48%

Coastal Washington & Oregon

Loans - \$269M @ 5.82%
Deposits - \$743M @ 0.79%
NIB DDA - 39%

Portland Metro & Salem

Loans - \$214M @ 5.88%
Deposits - \$44M @ 0.62%
NIB DDA - 54%



2023 Highlights

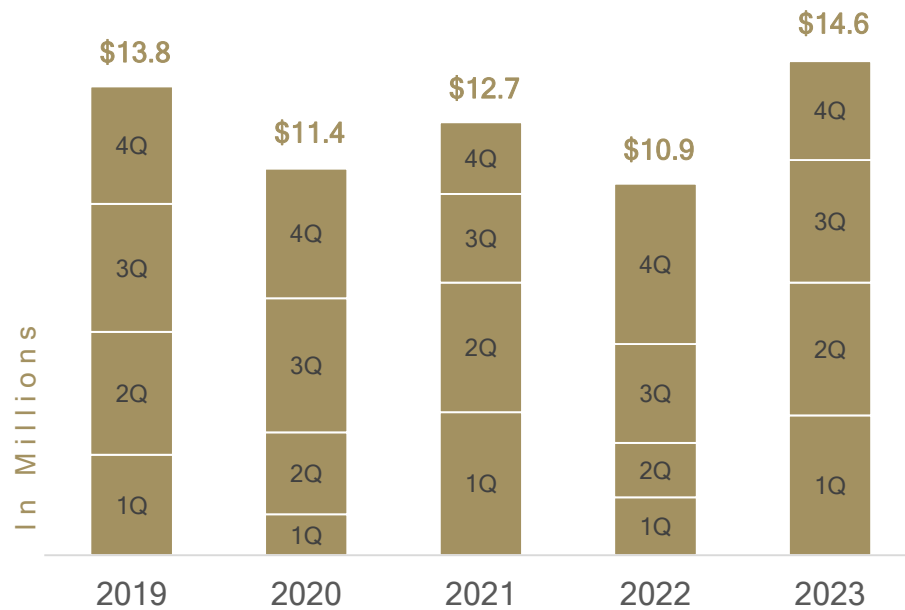
Total Assets	\$1.15B
2023 Net Income	\$14.6M
Gross Loans	\$685.3M
Total Deposits	\$1.01B
Total Shareholders' Equity	\$114.7M
Annual Cash Dividend Yield*	5.96%
ROAA	1.22%
ROAE	13.48%
Net Interest Margin	4.39%

- Record net income of \$14.6 million for 2023; representing diluted earnings per share of \$1.40
- 110 bps net interest margin expansion compared to the preceding year
- 7% or \$45 million gross loan growth compared to the preceding year
- ROAA of 1.22% and ROAE of 13.48%
- Quarterly cash dividend of \$0.14 per share in Q4 2023 (total \$0.53) for dividend yield of approx. 5.96%*
- Liquidity remains strong with \$236 million in cash, bank balances, and unencumbered AFS securities and \$327 million of secured lines of credit, representing 56% of deposits
- Continued strong credit quality with non-performing assets to total assets ratio of 0.06% and allowance for credit losses to total loans of 1.25%

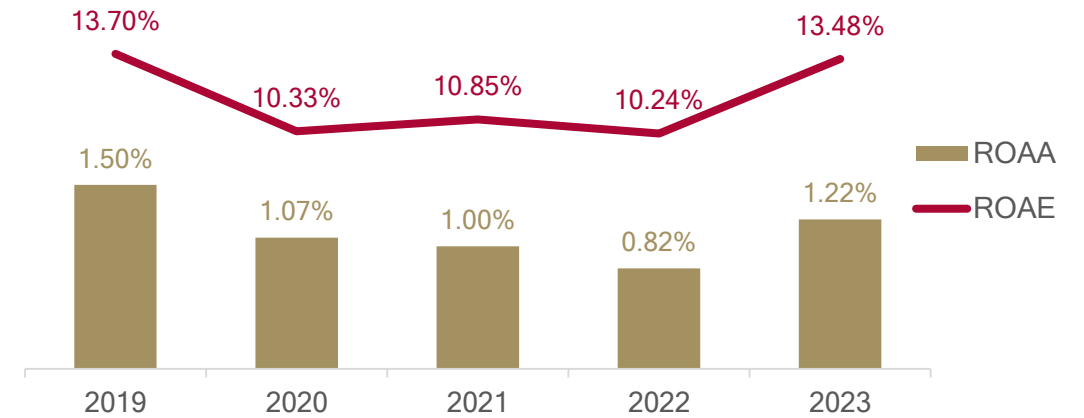
*Market data as of April 15, 2024

Earnings & Profitability

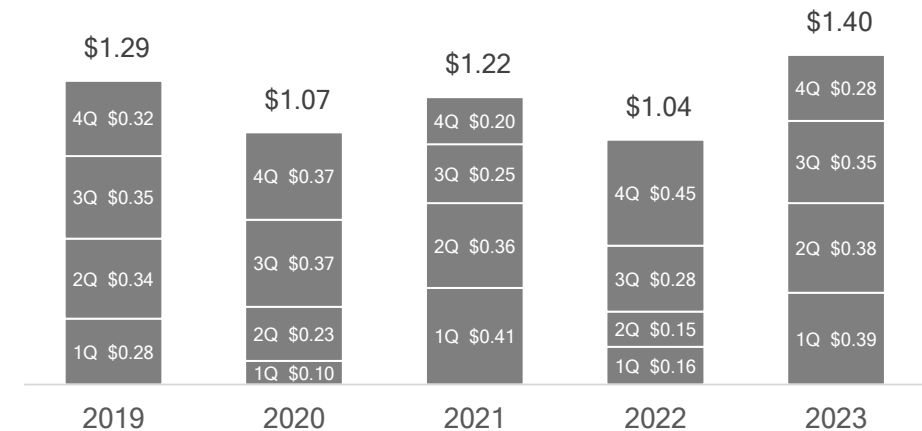
Net Income



Return on Equity & Assets

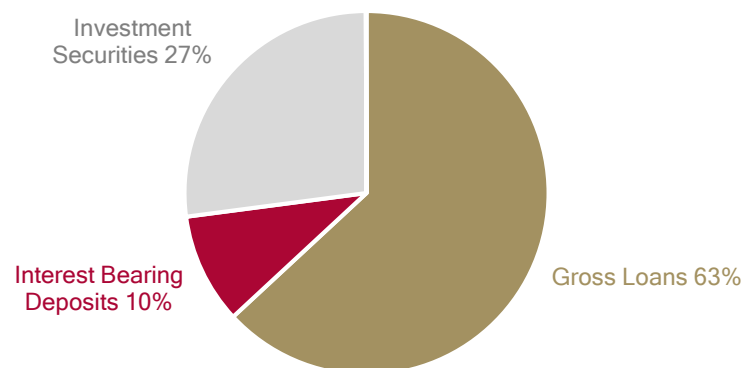


Diluted Earnings Per Share

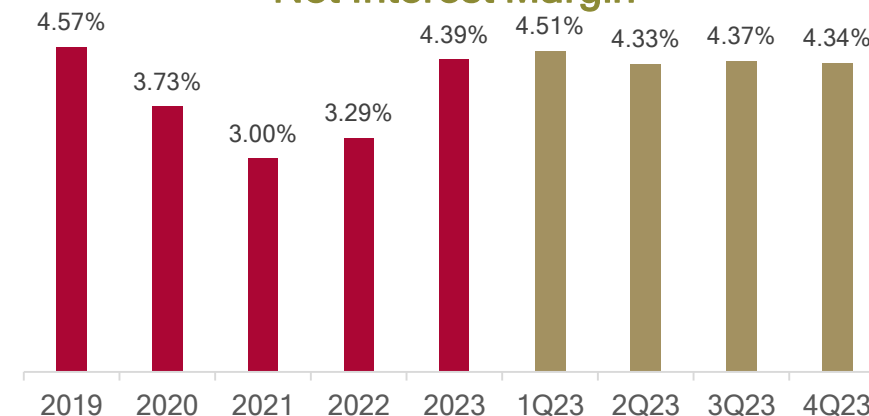


Net Interest Margin

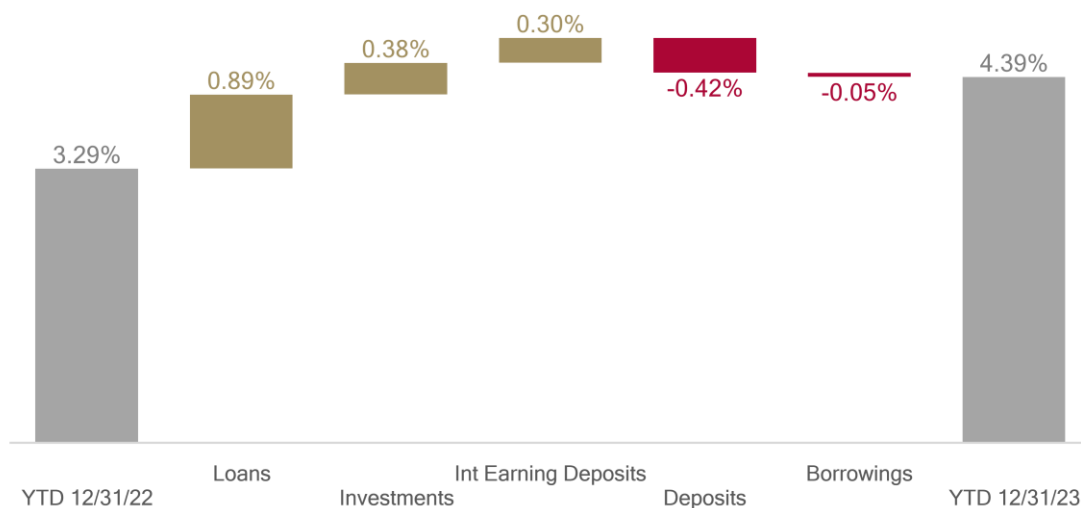
Earning Asset Composition Q4 2023



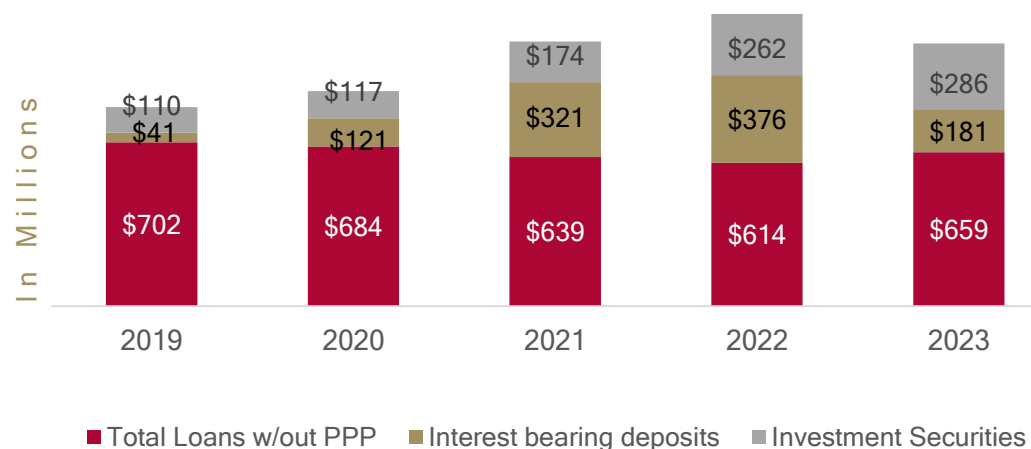
Net Interest Margin



2022 vs 2023 YTD Net Interest Margin



Average Earning Asset Composition \$



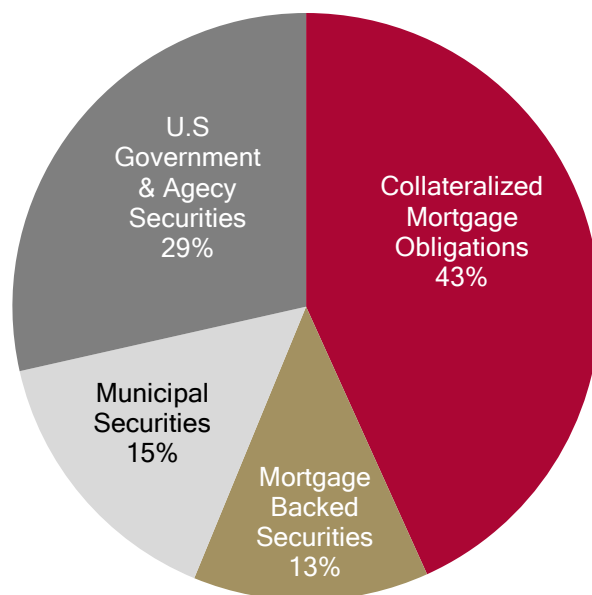
Investment Portfolio

Investment Composition 12/31/2023

AFS/HTM



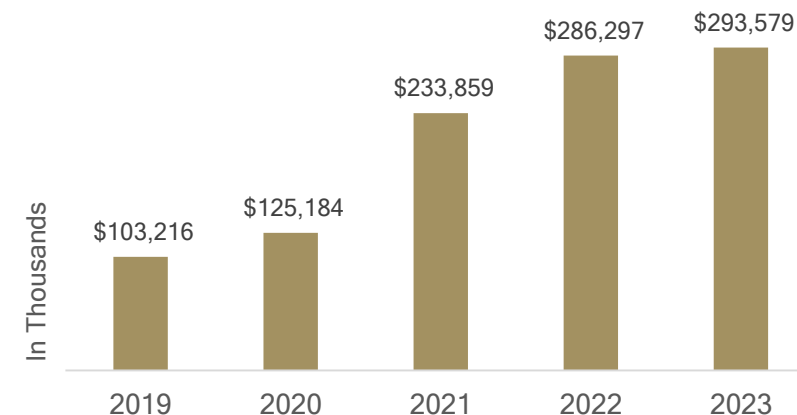
Segments



Gain / (Loss)



Investment Balances



Yield (TE) & Duration

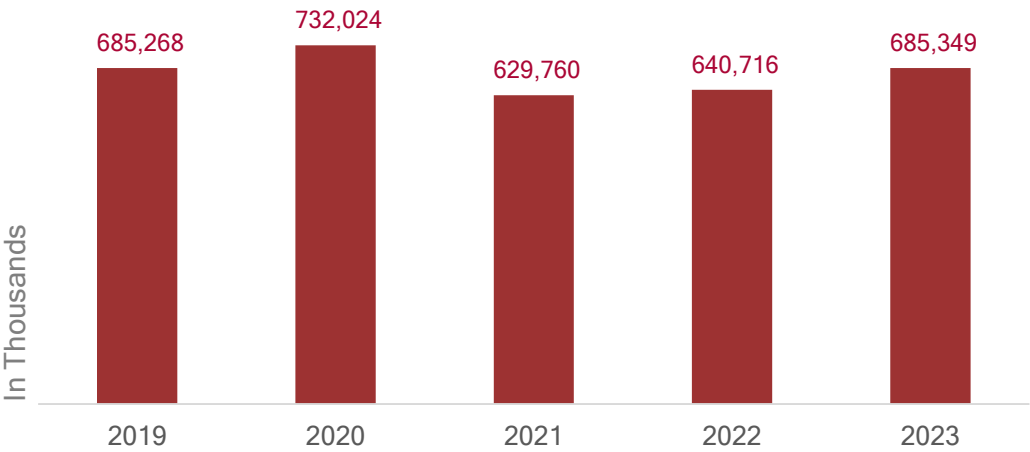


Portfolio Credit Quality Metrics

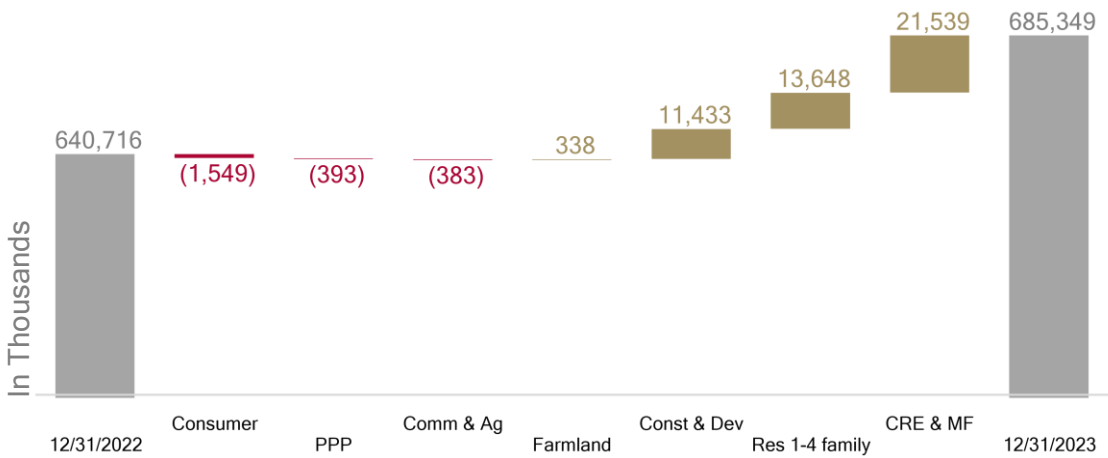
- 85% Gov't. & Agency Securities
- 15% AAA, AA, A rated

Loan Portfolio Balances & Production

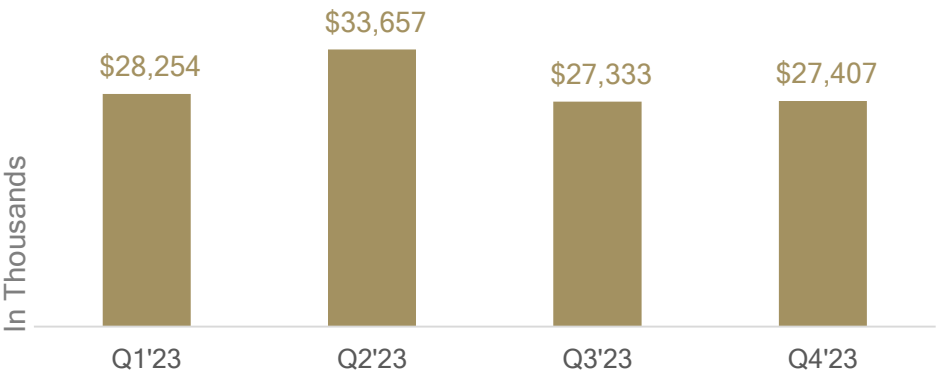
Gross Loan Balances



Year over Year Segment Changes

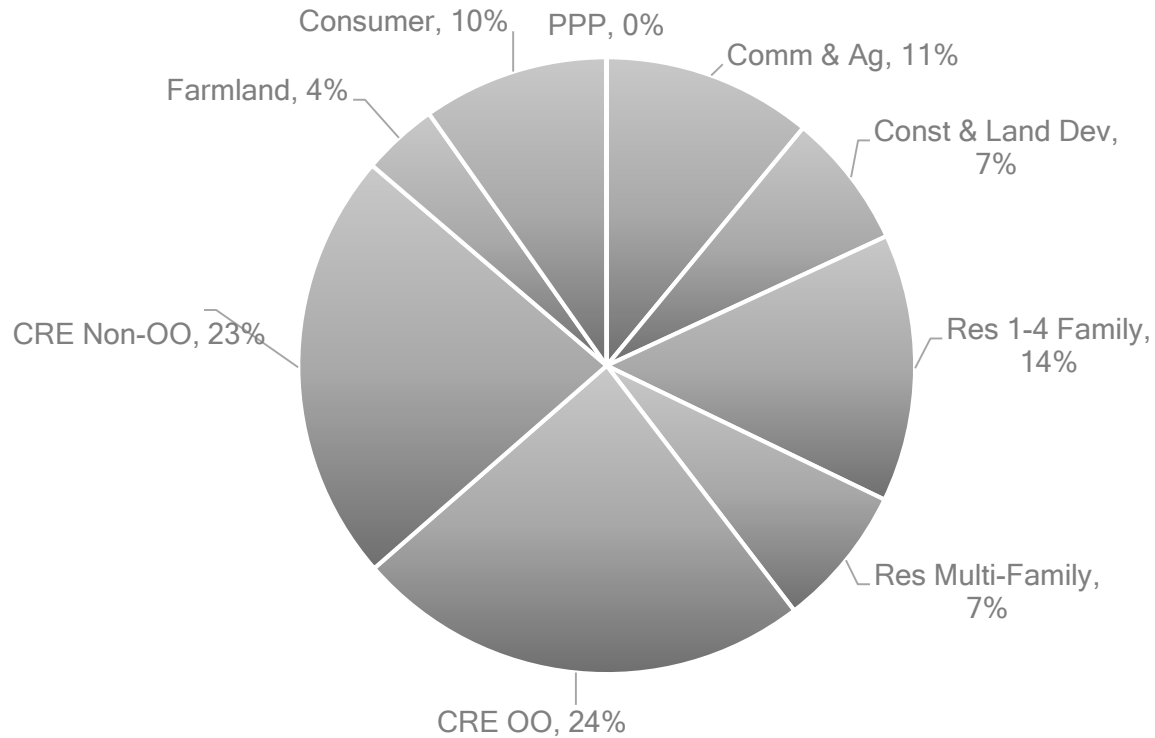


Commercial Loan Production



Loan Portfolio Diversification (12/31/23)

Loan Portfolio Segments



CRE Non-OO by Collateral Type

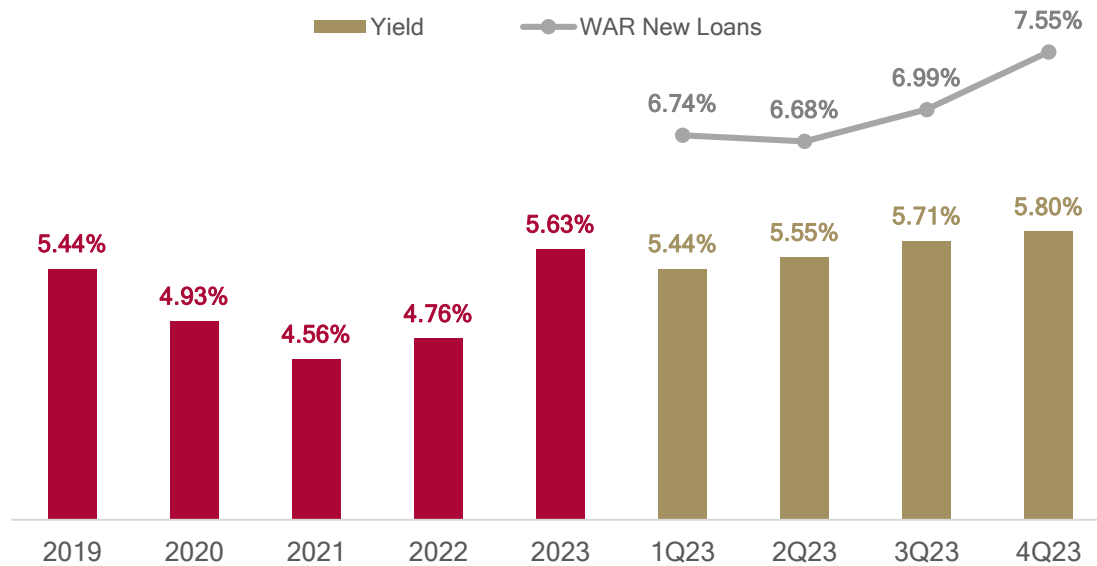
Collateral*	Outstanding	% of Total	Average Balance
Multifamily	\$ 59,557	27%	\$ 532
Hospitality	31,657	14%	1,376
Retail	29,470	13%	1,016
Mixed Use	26,329	12%	537
Office	23,626	11%	984
Mini Storage	21,625	10%	832
Industrial	11,410	5%	1,037
Special Purpose	7,102	3%	1,015
Warehouse	6,169	3%	771
Other	<u>3,326</u>	<u>2%</u>	<u>370</u>
Total	\$ 220,271	100%	\$ 739

*Includes loans in the process of construction and development

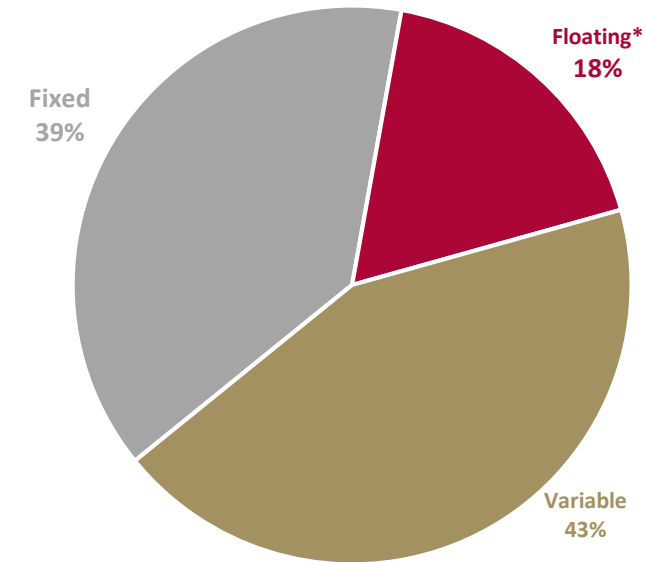
- CRE concentrations were 182% at 4Q23 compared to regulatory guidance of 300%
- CRE-NOO is geographically well diversified through the bank's footprint

Loan Portfolio Yields

Loan Yield¹



Loan Repricing

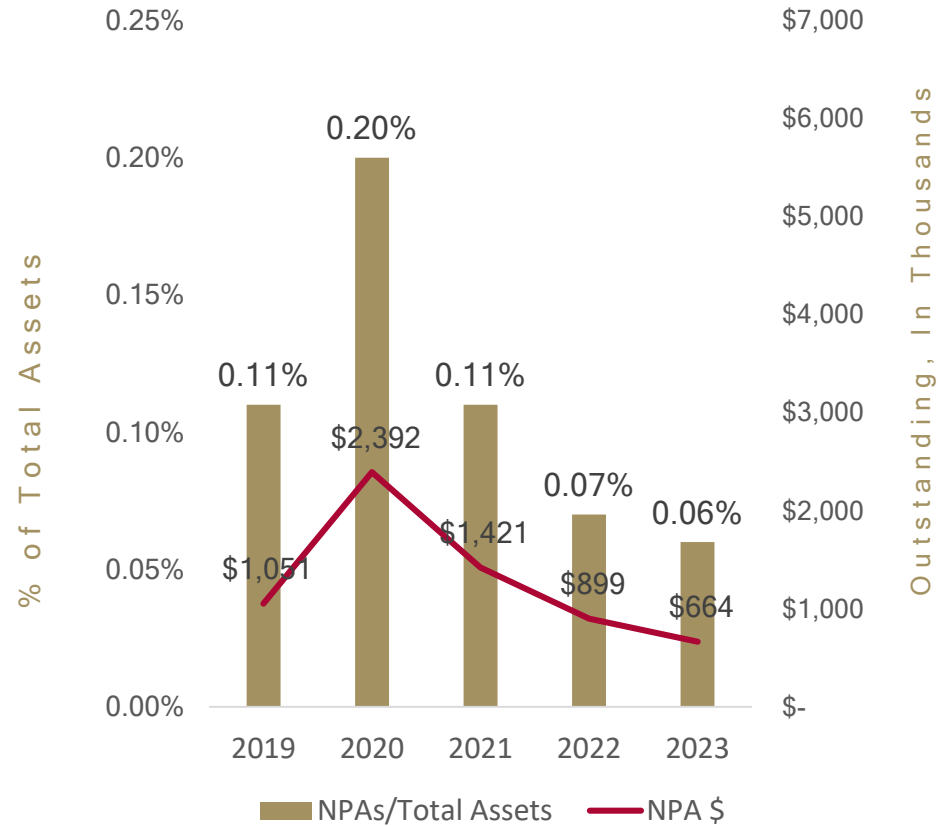


*Floating represents loans repricing in 3 months or less

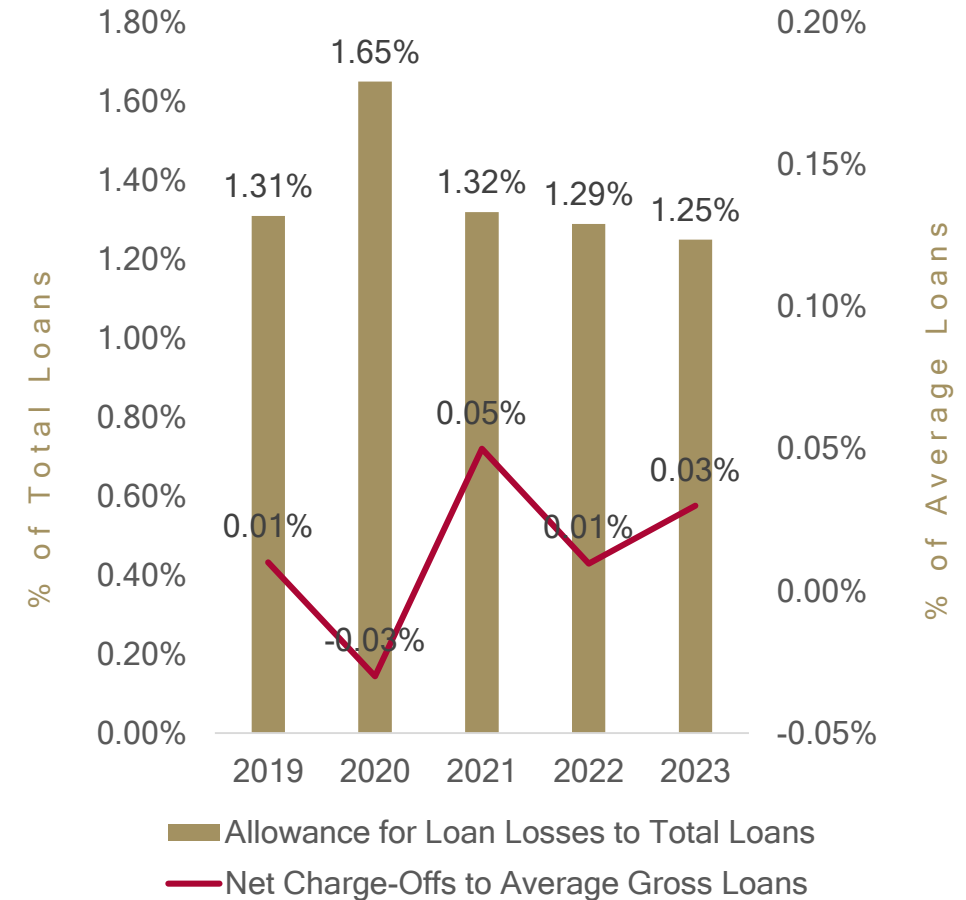
¹ Excluding PPP and excludes impact of any premiums paid on purchased loans and excludes originations of loans held for sale

Solid Asset Quality

Non Performing Assets

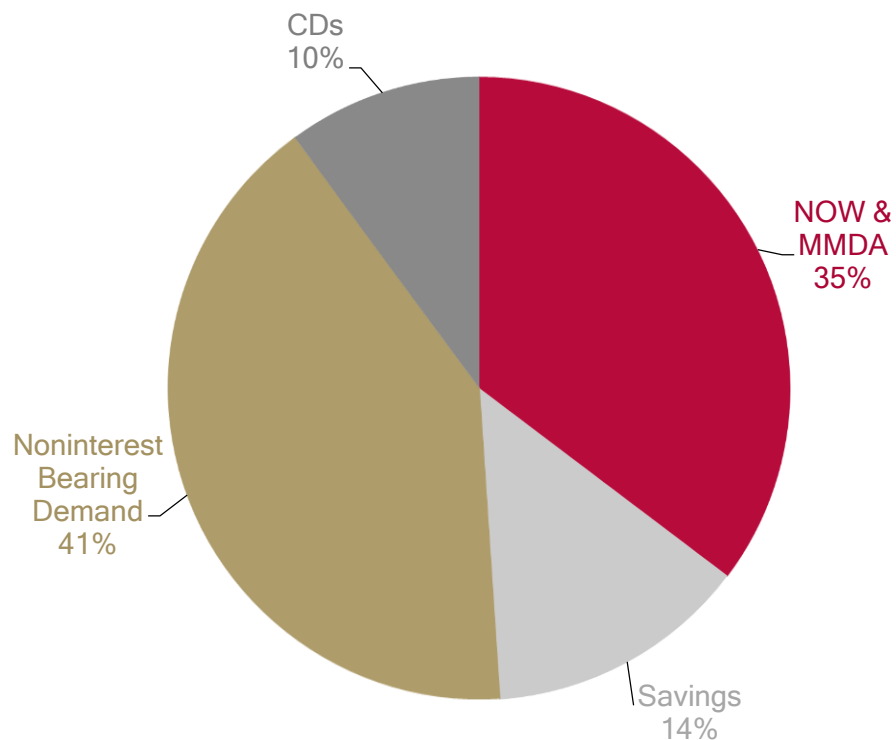


Allowance for Loan Losses



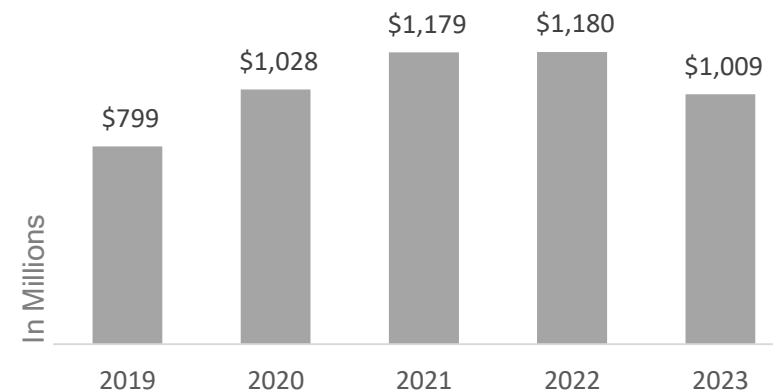
Attractive Deposit Base

Deposit Mix 12/31/2023

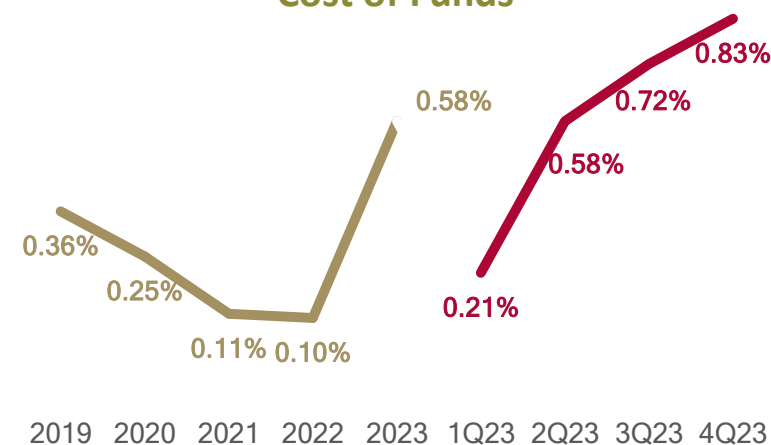


- Strong core deposit franchise with 41% in non-interest bearing deposits, and low cost of funds
- Core Deposits of \$908 million or 90% of total deposits

Balances



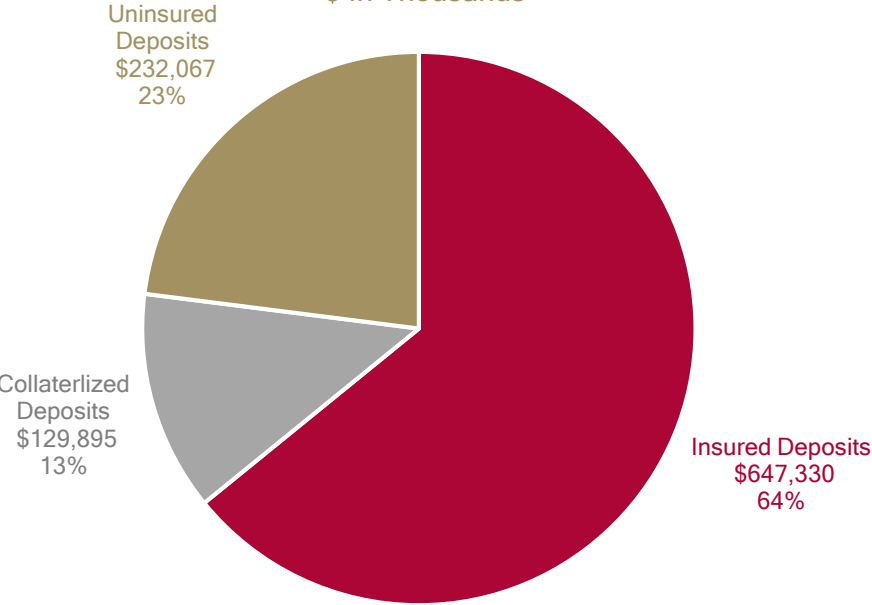
Cost of Funds



Liquidity at 12/31/2023 (Bank of the Pacific)

Insured, Collateralized, & Uninsured Deposit Estimate

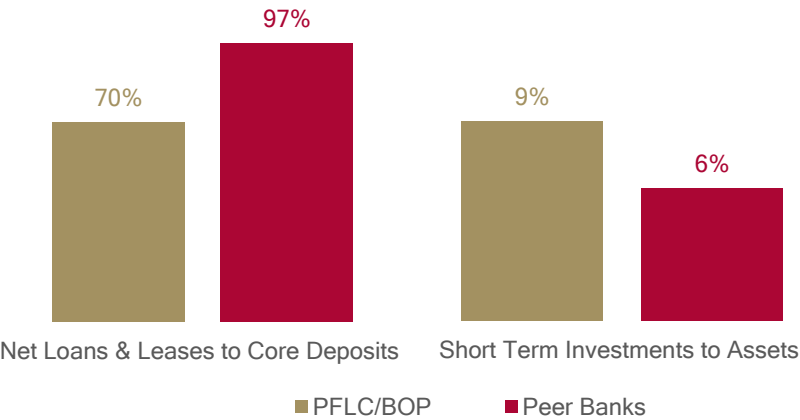
\$ In Thousands



Short-Term Funds Available

Source	Amount	% of Deposits
Cash & Bank Balances	\$ 96M	9%
Unencumbered AFS Securities	\$140M	14%
Secured Lines of Credit (FRB, FHLB)	<u>\$327M</u>	<u>32%</u>
Total	<u>\$563M</u>	<u>56%</u>

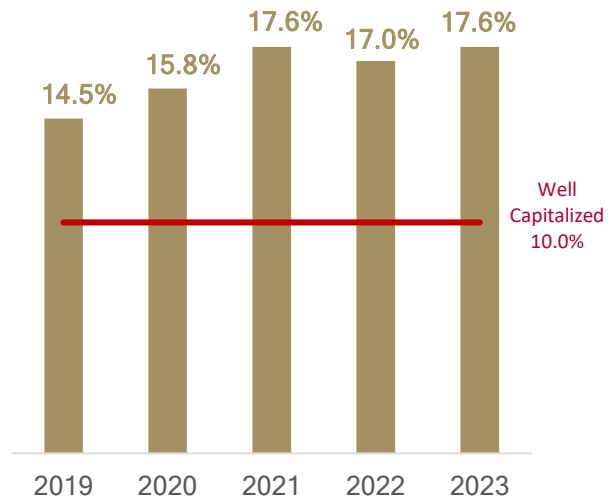
Peer Bank Liquidity Ratios¹



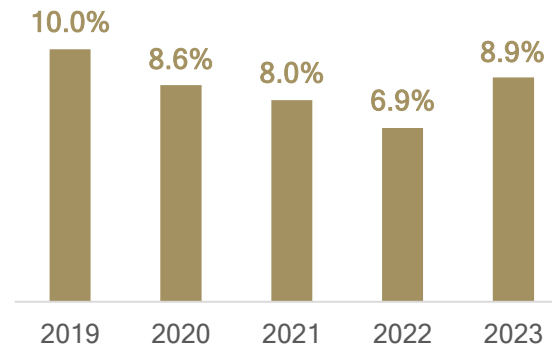
¹ Insured commercial banks having assets between \$1 billion and \$3 billion

Consistently Well-Capitalized

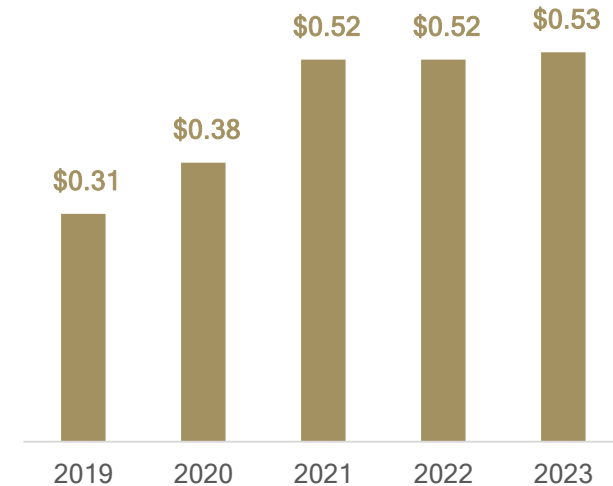
Total Risk Based Capital¹



Tangible Common Equity²



Dividends Declared Per Share



- PFLC is managing to a prudent but optimized level of capital
- PFLC has not diluted shareholders through excessive capital raises (last one in 2009)
- PFLC is returning capital actively and prudently through buybacks and dividends

¹ Bank Ratio and FDIC well-capitalized requirement

² No regulatory requirement

Strategic Priorities

Strategic Plan Goals

- Leveraging our assets and infrastructure to achieve size and scale
 - Decrease cost of delivery, improve efficiency
 - Continue to expand digital capabilities and adoption
 - Further exploration of automation tools
- Grow revenue and increase market share
- Expand commercial deposit capabilities in metro markets
- Improve customer experience and increase customer profitability



Enhancing Our Presence and Visibility in Western Washington and Oregon

PFLC Long-Term Value

- Track record of strong earnings performance and attractive dividend yield
- 50 year history including performance through tough times
- Solid credit quality with strong reserves
- Excellent core deposit franchise
- Growth managed with prudent risk appetite providing geographic and sector diversification
- Our strong capital positions and abundant on-balance sheet liquidity allow significant flexibility to be opportunistic and to grow our business
- Experienced management team with proven track record
- Industry LTM P/E multiples below historical norms - upside potential for further price appreciation

Stock Summary

Ticker	PFLC
Exchange	OTCQX
Stock price	\$9.40
Market capitalization (in millions)	\$97.65
Dividend yield	5.96%

Average Daily Volume (3 month)

Average daily volume (shares)	5,216
Average daily volume (dollars)	\$49,034

52-Week High and Low Price

52-week high (12/15/23)	\$11.40
52-week low (5/4/23)	\$8.75

Valuation Ratios

Tangible book value per share (4Q23)	\$9.75
P/E Ratio	6.71x
Price/TBV	96%

*Market data as of April 15, 2024

