



CONTACTS:

DENISE PORTMANN, PRESIDENT & CEO

CARLA TUCKER, EVP & CFO

360.533.8873



**Pacific Financial Corp Earns \$2.2 Million, or \$0.21 per Diluted Share for Fourth Quarter 2024;
Reports Fiscal 2024 Earnings of \$9.5 Million, or \$0.92 per Diluted Share;
Declares Quarterly Cash Dividend of \$0.14 per Share**

ABERDEEN, WA – January 31, 2025 – Pacific Financial Corporation (OTCQX: PFLC), (“Pacific Financial”) or the (“Company”), the holding company for Bank of the Pacific (the “Bank”), reported net income of \$2.2 million, or \$0.21 per diluted share for the fourth quarter of 2024, compared to \$2.6 million, or \$0.25 per diluted share for the third quarter of 2024, and \$2.9 million, or \$0.28 per diluted share for the fourth quarter of 2023. For the year ended December 31, 2024, the Company reported net income of \$9.5 million, or \$0.92 per share compared to \$14.6 million, or \$1.40 for the year ended December 31, 2023. Except for year-end December 31, 2023, all results are unaudited.

The board of directors of Pacific Financial declared a quarterly cash dividend of \$0.14 per share on January 22, 2025. The dividend will be payable on February 28, 2025 to shareholders of record on February 14, 2025.

“During the quarter we finalized the closure of our mortgage banking division recording termination costs of \$773,000 impacting our fourth quarter 2024 operating results. Excluding those expenses adjusted net income was \$2.8 million for the fourth quarter, an increase from the prior quarter. As we begin 2025, we expect the benefit of this closure to translate to improved efficiency of our operations moving forward,” said Denise Portmann, President and Chief Executive Officer.

“Though the loan portfolio increased at a slower rate during the quarter, we continue to have healthy customer activity as pipelines began to improve with the decrease in index rates experienced early in the quarter. In addition, earnings for the year benefited from solid year over year growth in average loan balances. Our history of a strong net interest margin continued to be supported by solid relationships with our depositors with a strong core deposit base. Core deposits represented 87% of total deposits at year end,” said Portmann. “In addition, our overall credit quality metrics remained strong with nonperforming assets remaining low at \$1.1 million or 0.09% of total assets and with a net recovery to the ACL for the quarter. Our capital base and ratios continue to be robust and exceed regulatory well-capitalized ratios. This robust capital base allowed for the continued repurchase of shares during the year. With our strong capital ratios and strong balance sheet, we believe we remain well-positioned for the future.”

Fourth Quarter 2024 Financial Highlights:

- Return on average assets (“ROAA”) was 0.74%, compared to 0.90% for the third quarter 2024, and 1.02% for the fourth quarter 2023.
- Return on average equity (“ROAE”) was 7.27%, compared to 8.77% from the preceding quarter, and 10.88% from the fourth quarter a year earlier.
- Net interest income was \$10.9 million, compared to \$11.2 million for the third quarter of 2024, and \$11.7 million for the fourth quarter of 2023.

- Net interest margin (“NIM”) decreased to 3.99%, compared to 4.19% from the preceding quarter, and 4.34% for the fourth quarter a year ago.
- Provision for credit losses was a benefit of \$103,000 for the fourth quarter ended December 31, 2024, compared to a benefit of \$66,000 for the preceding quarter and a provision of \$111,000 in the fourth quarter a year ago.
- Gross loans balances held in portfolio increased by \$5.3 million, or less than 1% to \$704.9 million at December 31, 2024, compared to \$699.6 million at September 30, 2024, and increased by \$19.5 million, or 3%, from \$685.3 million at December 31, 2023.
- Total deposits remained at \$1.01 billion at December 31, 2024 relative to the previous quarter and one year earlier. Core deposits represented 87% of total deposits, with non-interest bearing deposits representing 38% of total deposits at December 31, 2024.
- Asset quality remains solid with nonperforming assets to total assets declining to 0.09%, compared to 0.10% three months earlier, and increasing from 0.06% at December 31, 2023. Substandard loans decreased \$911,000 to \$2.7 million at December 31, 2024 from \$3.6 million the prior quarter.
- Shareholder equity decreased \$7.2 million during the quarter largely due to accumulated other comprehensive income marks on the investment portfolio, stock repurchases and dividend payments offset by net income. Tangible book value per share was \$9.93 at December 31, 2024.
- Pacific Financial and Bank of the Pacific continues to exceed regulatory well-capitalized requirements. At December 31, 2024 Pacific Financial’s estimated leverage ratio was 11.3% and its estimated total risk-based capital ratio was 17.5%.

Balance Sheet Review

Total assets decreased slightly to \$1.15 billion at December 31, 2024, compared to \$1.16 billion at September 30, 2024, and was unchanged relative to December 31, 2023.

Liquidity metrics continued to remain strong with total liquidity, both on and off balance sheet sources, at \$550.6 million as of December 31, 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 Company’s available liquidity sources at December 31, 2024 represented a coverage of short-term funds available to uninsured and uncollateralized deposits of 217%. Uninsured or uncollateralized deposits were 25% of total deposits at December 31, 2024.

The following table summarizes the Bank’s available liquidity:

LIQUIDITY (unaudited) (\$ in 000s)

	Period Ended			Change from				% of Deposits		
	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023	Sep 30, 2024 \$	%	Dec 31, 2023 \$	%	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023
Short-term Funding										
Cash and cash equivalents	\$ 67,951	\$ 85,430	\$ 95,781	\$ (17,479)	-20%	\$ (27,830)	-29%	7%	8%	9%
Unencumbered AFS Securities	158,472	154,565	140,049	3,907	3%	18,423	13%	16%	15%	14%
Secured lines of Credit (FHLB, FRB)	324,187	336,771	327,264	(12,584)	-4%	(3,077)	-1%	32%	33%	32%
Short-term Funding	\$ 550,610	\$ 576,766	\$ 563,094	\$ (26,156)	-5%	\$ (12,484)	-2%	55%	57%	56%

Investment securities: The investment securities portfolio increased 3% to \$304.5 million, compared to \$296.8 million at September 30, 2024 and increased 4% compared to the like period a year ago. The increase from the prior quarter was primarily due to the purchase of \$19.8 million of collateralized mortgage obligations and mortgage backed securities. These purchases were partially offset by an increase in net unrealized losses on available for sale investments which increased \$7.6 million to \$22.4 million (\$17.5 million after-tax) at December 31, 2024, which represents 7% of the AFS portfolio.

U.S. Treasury bonds and securities issued by the U.S. Government sponsored agencies accounted for 86%, 85%, and 85%, of the investment portfolio as of December 31, 2024, September 30, 2024, and December 31, 2023. The largest investment category is collateralized mortgage obligations which accounted for 48% of the investment portfolio at December 31, 2024, compared to 43% one year earlier. The average adjusted duration to reset of the investment securities portfolio was 4.19 years at December 31, 2024.

Gross loans balances increased \$5.3 million, or 1%, to \$704.9 million at December 31, 2024, compared to \$699.6 million at September 30, 2024. During the fourth quarter, new multi-family loans more than offset the decline in construction and development loans and the decline in residential 1-4 family loans.

Year-over-year loan growth was 3%, or \$19.5 million, with the largest increases in residential 1-4 family and multi-family loans increasing \$7.2 million and \$18.0 million, respectively. Loans classified as commercial real estate for regulatory concentration purposes totaled \$267.9 million at December 31, 2024, or 192% 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: Nonperforming assets were minimal and remained at \$1.1 million, or 0.09% of total assets at December 31, 2024, compared to \$664,000, or 0.06% at December 31, 2023. The Company has zero other real estate owned as of December 31, 2024 and accruing loans past due more than 30 days represent only 0.14% of total loans. Total loans designated as special mention increased by \$6.0 million to \$10.8 million at December 31, 2024 compared to \$4.8 million at September 30, 2024 and was primarily related to a downgrade of one agriculture credit relationship of \$4.2 million.

Allowance for credit losses ("ACL") for loans was \$8.9 million, or 1.26% of gross loans at December 31, 2024, compared to \$8.9 million or 1.27% of loans at September 30, 2024 and \$8.5 million or 1.24% at December 31, 2023. A benefit for credit losses on loans of \$119,000 was recorded in the current quarter. This compares to a provision for credit losses on loans of \$27,000 in the third quarter of 2024 and a provision for credit losses on loans of \$162,000 for the fourth quarter of 2023. The benefit for credit losses in the current quarter largely reflects net loan recoveries of \$73,000 realized during the quarter, compared to a net recovery of \$11,000 for the preceding quarter and \$21,000 for the fourth quarter one year ago. Provisions for unfunded loans was \$16,000 for the fourth quarter compared to a benefit of \$93,000 the previous quarter and a benefit of \$51,000 one year earlier.

Total deposits remained at \$1.01 billion at December 31, 2024 compared to the prior quarter and one year earlier. Deposit composition between non-maturity deposits and time deposit CDs also remained relatively unchanged for the quarter. Within non-maturity deposits, non-interest bearing demand deposits decreased which was more than offset by the growth in interest bearing demand deposits and reflects the Bank's continued focused efforts on

retaining core customer relationships. Pacific Financial continues to benefit from a strong core deposit base which positively impacts our net interest margin. Non-interest bearing deposits continues to remain the largest concentration of deposits and represented 38% of deposits at December 31, 2024 and September 30, 2024. Interest-bearing demand and money market deposits both represent 19% of total deposits at December 31, 2024.

Year-over-year the deposit composition changed slightly, primarily as a result of customers transferring balances to higher yielding accounts, and as a result, time deposits increased to \$135.5 million, or 13% of total deposits at December 31, 2024 compared to \$100.8 million or 10% of total deposits at December 31, 2023.

Shareholders' equity was \$113.9 million at December 31, 2024, compared to \$121.1 million at September 30, 2024, and \$114.7 million at December 31, 2023. The decrease in shareholders' equity during the current quarter was due to repurchases of common stock, dividend payments and an increase in unrealized losses on available-for-sale securities due to increases in interest rates. Net unrealized losses (after-tax) included in shareholders' equity on available-for-sale securities was \$17.5 million at December 31, 2024 compared to \$11.5 million at September 30, 2024, and \$16.1 million at December 31, 2023.

Book value per common share was \$11.26 at December 31, 2024, compared to \$11.78 at September 30, 2024, and \$11.04 at December 31, 2023. The Company's tangible common equity ratio was 8.8% at December 31, 2024 and 9.4% at September 30, 2024, compared to 8.9% at December 31, 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 11.3% and total risk-based capital ratio at 17.5% as of December 31, 2024. These regulatory capital ratios are estimates, pending completion and filing of regulatory reports.

In anticipation of the expiration of the stock repurchase plan authorized in 2023, in September 2024, the Board of Directors authorized an additional \$2.6 million toward future repurchases; approximately 2.0% of total shares outstanding.

Income Statement Review

Net interest income decreased \$353,000 to \$10.9 million for the fourth quarter of 2024, compared to \$11.2 million for the third quarter of 2024, and decreased \$801,000 compared to \$11.7 million for the fourth quarter a year ago. The change in the current quarter compared to the preceding quarter reflects lower overall loan and interest bearing cash yields. Though yields for newly originated loans and other variable rate loans plus purchased investments were recorded at higher yields, the downward repricing of floating rate loans and interest-earning cash tied to short term rate indexes as well as decreased balances of interest earning cash and increasing deposit costs impacted total net interest income.

The decrease in net interest income compared to the year ago quarter reflects the increase in funding costs, with interest income remaining relatively flat, reflecting lower interest earning deposit balances offset by increased loan interest income as the Bank re-deployed interest earning deposit balances into higher yielding assets including both loans and investments.

Though decreasing from 4.19% for the preceding quarter and 4.34% for the fourth quarter ended December 31, 2023, the Bank's net interest margin continued to remain strong at 3.99% for the quarter ended December 31, 2024. Yields on total interest earning assets decreased 19 basis points to 5.10% for the fourth quarter of 2024

compared to 5.29% for the prior quarter and 5.14% in the like quarter a year ago. Average loan yields decreased 15 basis points to 5.84% during the current quarter, compared to 5.99% for the preceding quarter and 5.80% for the fourth quarter 2023. The Bank's total cost of funds increased only 2 basis points to 1.17% for the current quarter, compared to 1.15% for the preceding quarter, and 0.83% for the fourth quarter 2023. The small increase in the costs of deposits was due to retention efforts and competitive pricing of deposit products. As mentioned earlier, the large balance of non-interest bearing deposits at 38% has helped minimize volatility in deposit costs.

Noninterest income increased to \$1.8 million for the current quarter, compared to \$1.7 million for the linked quarter and increased from \$1.5 million a year earlier. The increase compared to the linked quarter was primarily due to \$60,000 of death benefit income from a bank-owned life insurance policy. Fee and service charge income increased slightly in the fourth quarter of 2024 to \$1.3 million compared to \$1.2 million in the previous quarter and the fourth quarter of 2023.

The company closed its mortgage banking division in the fourth quarter. The elimination of the mortgage banking division is expected to improve the efficiency of the company in 2025.

Noninterest expenses increased to \$10.1 million for the fourth quarter of 2024 compared to \$9.7 million for the prior quarter and increased from \$9.5 million for the fourth quarter of 2023. The current quarter reflects increased expenses associated with closing the mortgage division. Salaries and employee benefit expenses were elevated in the current quarter due to severance and retention payments while occupancy expenses were also elevated due to lease contract termination costs associated with our mortgage operations center. In addition, data processing and IT costs increased related to the termination of mortgage origination software contracts. Overall, expenses associated with closing the mortgage division were approximately \$773,000. Excluding the mortgage division termination costs, total non-interest expenses would have been \$9.3 million for the current quarter.

The company's efficiency ratio increased to 79.80% for the fourth quarter of 2024, compared to 75.48% in the preceding quarter and increased from 72.22% in the same quarter a year ago. The efficiency ratio is expected to decline in 2025 with the elimination of expenses associated with the closed mortgage division.

Income tax expense: Federal and Oregon state income tax expenses totaled \$492,000 for the current quarter, and \$633,000 for the preceding quarter, resulting in effective tax rates of 18.5% and 19.6%, respectively. These income tax expenses reflect the benefits of tax exempt income on tax-exempt loans and investments, affordable housing tax credit financing, and investments in bank-owned life insurance.

Pacific Financial Corp Reports Fourth Quarter 2024 Financial Results

January 31, 2025

Page 6

FINANCIAL HIGHLIGHTS (unaudited) (In 000s, except per share data)	Quarter Ended			Change From				Twelve Months Ended		Change	
	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023	Sep 30, 2024		Dec 31, 2023		Dec 31, 2024	Dec 31, 2023		
				\$	%	\$	%			\$	%
Earnings Ratios & Data											
Net Income	\$ 2,162	\$ 2,594	\$ 2,942	\$ (432)	-17%	\$ (780)	-27%	\$ 9,532	\$ 14,605	\$ (5,073)	-35%
Return on average assets	0.74%	0.90%	1.02%	-0.16%		-0.28%		0.84%	1.22%	-0.38%	
Return on average equity	7.27%	8.77%	10.88%	-1.50%		-3.61%		8.20%	13.48%	-5.28%	
Efficiency ratio ⁽¹⁾	79.80%	75.48%	72.22%	4.32%		7.58%		76.69%	66.56%	10.13%	
Net-interest margin % ⁽²⁾	3.99%	4.19%	4.34%	-0.20%		-0.35%		4.18%	4.39%	-0.21%	
Share Ratios & Data											
Basic earnings per share	\$ 0.21	\$ 0.25	\$ 0.28	\$ (0.04)	-16%	\$ (0.07)	-25%	\$ 0.93	\$ 1.40	\$ (0.47)	
Diluted earning per share	\$ 0.21	\$ 0.25	\$ 0.28	\$ (0.04)	-16%	\$ (0.07)	-25%	\$ 0.92	\$ 1.40	\$ (0.48)	
Book value per share ⁽³⁾	\$ 11.26	\$ 11.78	\$ 11.04	\$ (0.52)	-4%	\$ 0.22	2%				
Tangible book value per share ⁽⁴⁾	\$ 9.93	\$ 10.47	\$ 9.75	\$ (0.54)	-5%	\$ 0.18	2%				
Common shares outstanding	10,110	10,283	10,389	(173)	-2%	(279)	-3%				
PFLC stock price	\$ 12.45	\$ 11.65	\$ 10.70	\$ 0.80	7%	\$ 1.75	16%				
Dividends paid per share	\$ 0.14	\$ 0.14	\$ 0.14	\$ -	0%	\$ -	0%	\$ 0.56	\$ 0.53	\$ 0.03	6%
Balance Sheet Data											
Assets	\$ 1,153,563	\$ 1,158,410	\$ 1,148,899	\$ (4,847)	0%	\$ 4,664	0%				
Portfolio Loans	\$ 704,865	\$ 699,603	\$ 685,349	\$ 5,262	1%	\$ 19,516	3%				
Deposits	\$ 1,014,731	\$ 1,011,473	\$ 1,009,292	\$ 3,258	0%	\$ 5,439	1%				
Investments	\$ 304,502	\$ 296,792	\$ 293,579	\$ 7,710	3%	\$ 10,923	4%				
Shareholders equity	\$ 113,856	\$ 121,087	\$ 114,691	\$ (7,231)	-6%	\$ (835)	-1%				
Liquidity Ratios											
Short-term funding to uninsured and uncollateralized deposits	217%	229%	243%	-12%		-26%					
Uninsured and uncollateralized deposits to total deposits	25%	25%	23%	0%		2%					
Portfolio loans to deposits ratio	69%	69%	67%	0%		2%					
Asset Quality Ratios											
Non-performing assets to assets	0.09%	0.10%	0.06%	-0.01%		0.03%					
Non-accrual loans to portfolio loans	0.16%	0.16%	0.10%	0.00%		0.06%					
Loan losses to avg portfolio loans	-0.04%	-0.01%	-0.01%	-0.03%		-0.03%		0.00%	0.03%	-0.03%	
ACL to portfolio loans	1.26%	1.27%	1.24%	-0.01%		0.02%					
Capital Ratios (PFC)											
Total risk-based capital ratio	17.5%	17.9%	17.7%	-0.4%		-0.2%					
Tier 1 risk-based capital ratio	16.3%	16.7%	16.5%	-0.4%		-0.2%					
Common equity tier 1 ratio	14.7%	15.0%	14.9%	-0.3%		-0.2%					
Leverage ratio	11.3%	11.6%	11.3%	-0.3%		0.0%					
Tangible common equity ratio	8.8%	9.4%	8.9%	-0.6%		-0.1%					

⁽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.

Pacific Financial Corp Reports Fourth Quarter 2024 Financial Results

January 31, 2025

Page 7

INCOME STATEMENT (unaudited) (\$ in 000s)	Quarter Ended			Change From				Twelve Months Ended		Change	
	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023	Sep 30, 2024		Dec 31, 2023		Dec 31, 2024	Dec 31, 2023	\$	%
				\$	%	\$	%				
Interest Income											
Loan interest & fee income	\$ 10,340	\$ 10,520	\$ 9,872	\$ (180)	-2%	\$ 468	5%	\$ 41,192	\$ 37,037	\$ 4,155	11%
Interest bearing cash income	942	1,108	1,440	(166)	-15%	(498)	-35%	3,833	9,109	(5,276)	-58%
Investment income	2,590	2,503	2,501	87	3%	89	4%	9,978	9,334	644	7%
Interest Income	<u>13,872</u>	<u>14,131</u>	<u>13,813</u>	<u>(259)</u>	<u>-2%</u>	<u>59</u>	<u>0%</u>	<u>55,003</u>	<u>55,480</u>	<u>(477)</u>	<u>-1%</u>
Interest Expense											
Deposits interest expense	2,796	2,684	1,914	112	4%	882	46%	9,829	5,351	4,478	84%
Other borrowings interest expense	225	243	247	(18)	-7%	(22)	-9%	951	929	22	2%
Interest Expense	<u>3,021</u>	<u>2,927</u>	<u>2,161</u>	<u>94</u>	<u>3%</u>	<u>860</u>	<u>40%</u>	<u>10,780</u>	<u>6,280</u>	<u>4,500</u>	<u>72%</u>
Net Interest Income	10,851	11,204	11,652	(353)	-3%	(801)	-7%	44,223	49,200	(4,977)	-10%
Provision (benefit) for credit losses	(103)	(66)	111	(37)	56%	(214)	-193%	168	520	(352)	-68%
Net Interest Income after provision	<u>10,954</u>	<u>11,270</u>	<u>11,541</u>	<u>(316)</u>	<u>-3%</u>	<u>(587)</u>	<u>-5%</u>	<u>44,055</u>	<u>48,680</u>	<u>(4,625)</u>	<u>-10%</u>
Non-Interest Income											
Fees and service charges	1,267	1,225	1,242	42	3%	25	2%	4,791	4,937	(146)	-3%
Gain on sale of investments, net	-	-	-	-	-100%	-	-100%	121	(154)	275	-179%
Gain on sale of loans, net	267	267	95	-	0%	172	181%	1,132	635	497	78%
Income on bank-owned insurance	250	188	176	62	33%	74	42%	800	685	115	17%
Other non-interest income	(9)	7	16	(16)	-229%	(25)	-156%	25	69	(44)	-64%
Non-Interest Income	<u>1,775</u>	<u>1,687</u>	<u>1,529</u>	<u>88</u>	<u>5%</u>	<u>246</u>	<u>16%</u>	<u>6,869</u>	<u>6,172</u>	<u>697</u>	<u>11%</u>
Non-Interest Expense											
Salaries and employee benefits	6,288	6,341	5,787	(53)	-1%	501	9%	24,944	22,793	2,151	9%
Occupancy	768	601	679	167	28%	89	13%	2,574	2,215	359	16%
Furniture, Fixtures & Equipment	289	286	301	3	1%	(12)	-4%	1,127	1,109	18	2%
Marketing & donations	149	201	169	(52)	-26%	(20)	-12%	680	549	131	24%
Professional services	267	233	342	34	15%	(75)	-22%	1,163	1,283	(120)	-9%
Data Processing & IT	1,380	1,185	1,223	195	16%	157	13%	4,921	4,713	208	4%
Other	934	883	1,019	51	6%	(85)	-8%	3,775	4,194	(419)	-10%
Non-Interest Expense	<u>10,075</u>	<u>9,730</u>	<u>9,520</u>	<u>345</u>	<u>4%</u>	<u>555</u>	<u>6%</u>	<u>39,184</u>	<u>36,856</u>	<u>2,328</u>	<u>6%</u>
Income before income taxes	2,654	3,227	3,550	(573)	-18%	(896)	-25%	11,740	17,996	(6,256)	-35%
Provision for income taxes	492	633	608	(141)	-22%	(116)	-19%	2,208	3,391	(1,183)	-35%
Net Income	<u>\$ 2,162</u>	<u>\$ 2,594</u>	<u>\$ 2,942</u>	<u>\$ (432)</u>	<u>-17%</u>	<u>(780)</u>	<u>-27%</u>	<u>\$ 9,532</u>	<u>\$ 14,605</u>	<u>\$ (5,073)</u>	<u>-35%</u>
Effective tax rate	18.5%	19.6%	17.1%	-1.1%		1.4%		18.8%	18.8%	0.0%	

Pacific Financial Corp Reports Fourth Quarter 2024 Financial Results

January 31, 2025

Page 8

BALANCE SHEET (unaudited)

(\$ in 000s)

	Period Ended			Change from				% of Total		
	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023	Sep 30, 2024 \$	%	Dec 31, 2023 \$	%	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023
Assets										
Cash on hand and in banks	\$ 18,136	\$ 20,621	\$ 16,716	\$ (2,485)	-12%	\$ 1,420	8%	2%	2%	1%
Interest bearing deposits	62,015	80,522	91,355	(18,507)	-23%	(29,340)	-32%	6%	7%	8%
Investment securities	304,502	296,792	293,579	7,710	3%	10,923	4%	26%	26%	26%
Loans held-for-sale	-	140	1,103	(140)	-100%	(1,103)	-100%	0%	0%	0%
Portfolio Loans, net of deferred fees	704,248	698,974	684,554	5,274	1%	19,694	3%	61%	60%	60%
Allowance for credit losses	(8,851)	(8,897)	(8,530)	46	-1%	(321)	4%	-1%	-1%	-1%
Net loans	695,397	690,077	676,024	5,320	1%	19,373	3%	60%	60%	59%
Premises & equipment	16,952	17,124	15,579	(172)	-1%	1,373	9%	1%	1%	1%
Goodwill & Other Intangibles	13,435	13,435	13,435	-	0%	-	0%	1%	1%	1%
Bank-owned life Insurance	28,333	28,084	27,497	249	1%	836	3%	2%	2%	2%
Other assets	14,793	11,615	13,611	3,178	27%	1,182	9%	2%	2%	2%
Total Assets	\$ 1,153,563	\$ 1,158,410	\$ 1,148,899	\$ (4,847)	0%	\$ 4,664	0%	100%	100%	100%
Liabilities & Shareholders' Equity										
Deposits	\$ 1,014,731	\$ 1,011,473	\$ 1,009,292	\$ 3,258	0%	\$ 5,439	1%	88%	88%	88%
Borrowings	13,403	\$ 13,403	\$ 13,403	-	0%	-	0%	1%	1%	1%
Other liabilities	11,573	\$ 12,447	\$ 11,513	(874)	-7%	60	1%	1%	1%	1%
Shareholders' equity	113,856	\$ 121,087	\$ 114,691	(7,231)	-6%	(835)	-1%	10%	10%	10%
Liabilities & Shareholders' Equity	\$ 1,153,563	\$ 1,158,410	\$ 1,148,899	\$ (4,847)	0%	\$ 4,664	0%	100%	100%	100%

INVESTMENT COMPOSITION & CONCENTRATIONS (unaudited)

(\$ in 000s)

	Period Ended			Change from				% of Total		
	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023	Sep 30, 2024 \$	%	Dec 31, 2023 \$	%	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023
Investment Securities										
Collateralized mortgage obligations	\$ 147,262	\$ 141,842	\$ 126,949	\$ 5,420	4%	\$ 20,313	16%	48%	48%	43%
Mortgage backed securities	46,112	41,264	38,103	4,848	12%	8,009	21%	15%	14%	13%
U.S. Government and agency securities	67,716	68,961	83,748	(1,245)	-2%	(16,032)	-19%	22%	23%	29%
Municipal securities	43,412	44,725	44,779	(1,313)	-3%	(1,367)	-3%	15%	15%	15%
Investment Securities	\$ 304,502	\$ 296,792	\$ 293,579	\$ 7,710	3%	\$ 10,923	4%	100%	100%	100%
Held to maturity securities	\$ 41,442	\$ 42,301	\$ 55,454	\$ (859)	-2%	(14,012)	-25%	14%	14%	19%
Available for sale securities	\$ 263,060	\$ 254,491	\$ 238,125	\$ 8,569	3%	\$ 24,935	10%	86%	86%	81%
Government & Agency securities	\$ 261,063	\$ 252,039	\$ 248,768	\$ 9,024	4%	\$ 12,295	5%	86%	85%	85%
AAA, AA, A rated securities	\$ 42,773	\$ 44,084	\$ 43,687	\$ (1,311)	-3%	(914)	-2%	14%	15%	15%
Non-rated securities	\$ 666	\$ 669	\$ 1,124	\$ (3)	0%	(458)	-41%	0%	0%	0%
AFS Unrealized Gain (Loss)	\$ (22,437)	\$ (14,804)	\$ (20,808)	\$ (7,633)	52%	\$ (1,629)	8%	-7%	-5%	-7%

Pacific Financial Corp Reports Fourth Quarter 2024 Financial Results

January 31, 2025

Page 9

PORTFOLIO LOAN COMPOSITION & CONCENTRATIONS (unaudited)

(\$ in 000s)

	Period Ended			Change from				% of Total		
	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023	Sep 30, 2024 \$	%	Dec 31, 2023 \$	%	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023
Portfolio Loans										
Commercial & agriculture	\$ 75,240	\$ 73,002	\$ 75,444	\$ 2,238	3%	\$ (204)	0%	10%	10%	11%
Real estate:										
Construction and development	42,725	46,569	48,720	(3,844)	-8%	(5,995)	-12%	6%	7%	7%
Residential 1-4 family	103,489	105,298	96,301	(1,809)	-2%	7,188	7%	15%	15%	14%
Multi-family	68,978	60,773	51,025	8,205	14%	17,953	35%	10%	9%	7%
CRE -- owner occupied	165,120	167,086	164,443	(1,966)	-1%	677	0%	23%	24%	24%
CRE -- non owner occupied	159,582	157,347	155,280	2,235	1%	4,302	3%	23%	22%	23%
Farmland	26,864	26,553	27,273	311	1%	(409)	-1%	4%	4%	4%
Consumer	62,867	62,975	66,863	(108)	0%	(3,996)	-6%	9%	9%	10%
Portfolio Loans	704,865	699,603	685,349	5,262	1%	19,516	3%	100%	100%	100%
Less: ACL	(8,851)	(8,897)	(8,530)							
Less: deferred fees	(617)	(629)	(795)							
Net loans	\$ 695,397	\$ 690,077	\$ 676,024							
Regulatory Commercial Real Estate	\$ 267,857	\$ 261,292	\$ 252,493	\$ 6,565	3%	\$ 15,364	6%	38%	37%	37%
Total Risk Based Capital ⁽¹⁾	\$ 139,458	\$ 140,971	\$ 138,449	\$ (1,513)	-1%	\$ 1,009	1%			
CRE to Risk Based Capital ⁽¹⁾	192%	185%	182%		7%		10%			

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

(\$ in 000s)

	Period Ended			Change from				% of Total		
	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023	Sep 30, 2024 \$	%	Dec 31, 2023 \$	%	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023
Collateral Composition ⁽²⁾										
Multifamily	\$ 73,575	\$ 63,099	\$ 59,557	\$ 10,476	17%	\$ 14,018	24%	30%	27%	27%
Retail	36,813	37,685	29,470	(872)	-2%	7,343	25%	15%	16%	13%
Hospitality	31,369	30,844	31,657	525	2%	(288)	-1%	13%	13%	14%
Mini Storage	25,028	25,758	21,625	(730)	-3%	3,403	16%	10%	11%	10%
Office	23,921	22,921	23,626	1,000	4%	295	1%	10%	10%	11%
Mixed Use	22,662	22,708	26,329	(46)	0%	(3,667)	-14%	9%	10%	12%
Industrial	14,723	13,912	11,410	811	6%	3,313	29%	6%	6%	5%
Warehouse	7,531	7,582	6,169	(51)	-1%	1,362	22%	3%	3%	3%
Special Purpose	6,921	6,968	7,102	(47)	-1%	(181)	-3%	3%	3%	3%
Other	3,155	3,174	3,326	(19)	-1%	(171)	-5%	1%	1%	2%
Total	\$ 245,698	\$ 234,651	\$ 220,271	\$ 11,047	5%	\$ 25,427	12%	100%	100%	100%

⁽¹⁾ Bank of the Pacific

⁽²⁾ Includes loans in process of construction

Pacific Financial Corp Reports Fourth Quarter 2024 Financial Results

January 31, 2025

Page 10

CREDIT QUALITY (unaudited)

(\$ in 000s)

	Period Ended			Change from			
	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023	Sep 30, 2024 \$	%	Dec 31, 2023 \$	%
Risk Rating Distribution							
Pass	\$ 691,350	\$ 691,199	\$ 674,992	\$ 151	0%	\$ 16,358	2%
Special Mention	10,811	4,789	4,669	6,022	126%	6,142	132%
Substandard	2,704	3,615	5,688	(911)	-25%	(2,984)	-52%
Portfolio Loans	\$ 704,865	\$ 699,603	\$ 685,349	\$ 5,262	1%	\$ 19,516	3%
Nonperforming Assets							
Nonaccruing loans	1,094	1,138	664	\$ (44)	-4%	430	65%
Other real estate owned	-	-	-	-	0%	-	0%
Nonperforming Assets	\$ 1,094	\$ 1,138	\$ 664	\$ (44)	-4%	430	65%
Credit Metrics							
Classified loans ¹ to portfolio loans	0.38%	0.52%	0.83%	-0.14%		-0.45%	
ACL to classified loans ¹	327.33%	246.11%	149.96%	81.22%		177.37%	
Loans past due 30+ days to portfolio loans ²	0.14%	0.03%	0.08%	0.11%		0.06%	
Nonperforming assets to total assets	0.09%	0.10%	0.06%	-0.01%		0.03%	
Nonaccruing loans to portfolio loans	0.16%	0.16%	0.10%	0.00%		0.06%	

⁽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		
	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023	Sep 30, 2024 \$	%	Dec 31, 2023 \$	%	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023
Deposits										
Interest-bearing demand	\$ 194,526	\$ 183,337	\$ 183,436	\$ 11,189	6%	\$ 11,090	6%	19%	18%	18%
Money market	193,324	192,185	179,344	1,139	1%	13,980	8%	19%	19%	18%
Savings	115,520	117,131	136,408	(1,611)	-1%	(20,888)	-15%	11%	12%	13%
Time deposits (CDs)	135,485	133,995	100,832	1,490	1%	34,653	34%	13%	13%	10%
Total interest-bearing deposits	638,855	626,648	600,020	12,207	2%	38,835	6%	62%	62%	59%
Non-interest bearing demand	375,876	384,825	409,272	(8,949)	-2%	(33,396)	-8%	38%	38%	41%
Total deposits	\$ 1,014,731	\$ 1,011,473	\$ 1,009,292	\$ 3,258	0%	\$ 5,439	1%	100%	100%	100%
Insured Deposits	\$ 629,600	\$ 636,725	\$ 647,330	\$ (7,125)	-1%	\$(393,526)	-61%	62%	63%	64%
Collateralized Deposits	131,327	122,448	129,895	8,879	7%	1,432	1%	13%	12%	13%
Uninsured Deposits	253,804	252,300	232,067	1,504	1%	397,533	171%	25%	25%	23%
Total Deposits	\$ 1,014,731	\$ 1,011,473	\$ 1,009,292	\$ 3,258	0%	\$ 5,439	1%	100%	100%	100%
Consumer Deposits	\$ 466,826	\$ 458,097	\$ 470,425	\$ 8,729	2%	\$(3,599)	-1%	46%	45%	46%
Business Deposits	406,308	420,845	398,977	(14,537)	-3%	7,331	2%	40%	42%	40%
Public Deposits	141,597	132,531	139,890	9,066	7%	1,707	1%	14%	13%	14%
Total Deposits	\$ 1,014,731	\$ 1,011,473	\$ 1,009,292	\$ 3,258	0%	\$ 5,439	1%	100%	100%	100%

Pacific Financial Corp Reports Fourth Quarter 2024 Financial Results

January 31, 2025

Page 11

NET INTEREST MARGIN (unaudited) (\$ in 000s)	Quarter Ended			Change From				Twelve Months Ended		Change	
	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023	Sep 30, 2024		Dec 31, 2023		Dec 31, 2024	Dec 31, 2023	\$	%
				\$	%	\$	%				
Average Interest Bearing Balances											
Portfolio loans	\$ 703,811	\$ 697,904	\$ 675,622	\$ 5,907	1%	\$ 28,189	4%	\$ 697,527	\$ 659,165	\$ 38,362	6%
Loans held for sale	\$ 1,033	\$ 1,276	\$ 709	\$ (243)	-19%	\$ 324	46%	\$ 1,125	\$ 628	\$ 497	79%
Investment securities	\$ 302,501	\$ 285,947	\$ 289,245	\$ 16,554	6%	\$ 13,256	5%	\$ 291,133	\$ 286,473	\$ 4,660	2%
Interest-bearing cash	\$ 78,296	\$ 81,755	\$ 105,177	\$ (3,459)	-4%	\$ (26,881)	-26%	\$ 72,893	\$ 180,781	\$ (107,888)	-60%
Total interest-earning assets	\$ 1,085,641	\$ 1,066,882	\$ 1,070,753	\$ 18,759	2%	\$ 14,888	1%	\$ 1,062,678	\$ 1,127,047	\$ (64,369)	-6%
Non-interest bearing deposits	\$ 388,227	\$ 383,332	\$ 419,994	\$ 4,895	1%	\$ (31,767)	-8%	\$ 388,561	\$ 448,234	\$ (59,673)	-13%
Interest-bearing deposits	\$ 628,475	\$ 615,388	\$ 593,464	\$ 13,087	2%	\$ 35,011	6%	\$ 607,678	\$ 620,026	\$ (12,348)	-2%
Total Deposits	\$ 1,016,702	\$ 998,720	\$ 1,013,458	\$ 17,982	2%	\$ 3,244	0%	\$ 996,239	\$ 1,068,260	\$ (72,021)	-7%
Borrowings	\$ 13,403	\$ 13,403	\$ 13,403	\$ -	0%	\$ -	0%	\$ 13,403	\$ 13,401	\$ 2	0%
Total interest-bearing liabilities	\$ 641,878	\$ 628,791	\$ 606,867	\$ 13,087	2%	\$ 35,011	6%	\$ 621,081	\$ 633,427	\$ (12,346)	-2%
Yield / Cost ⁽¹⁾											
Portfolio loans	\$ 10,336	\$ 10,509	\$ 9,879	\$ (173)	-2%	\$ 457	5%	\$ 41,169	\$ 37,088	\$ 4,081	11%
Loans held for sale	\$ 16	\$ 22	\$ 12	\$ (6)	-27%	\$ 4	33%	\$ 71	\$ 39	\$ 32	82%
Investment securities	\$ 2,622	\$ 2,535	\$ 2,536	\$ 87	3%	\$ 86	3%	\$ 10,107	\$ 9,489	\$ 618	7%
Interest-bearing cash	\$ 942	\$ 1,108	\$ 1,440	\$ (166)	-15%	\$ (498)	-35%	\$ 3,833	\$ 9,109	\$ (5,276)	-58%
Total interest-earning assets	\$ 13,916	\$ 14,174	\$ 13,867	\$ (258)	-2%	\$ 49	0%	\$ 55,180	\$ 55,725	\$ (545)	-1%
Interest-bearing deposits	\$ 2,796	\$ 2,684	\$ 1,914	\$ 112	4%	\$ 882	46%	\$ 9,829	\$ 5,351	\$ 4,478	84%
Borrowings	\$ 225	\$ 243	\$ 247	\$ (18)	-7%	\$ (22)	-9%	\$ 951	\$ 929	\$ 22	2%
Total interest-bearing liabilities	\$ 3,021	\$ 2,927	\$ 2,161	\$ 94	3%	\$ 860	40%	\$ 10,780	\$ 6,280	\$ 4,500	72%
Net interest income	\$ 10,895	\$ 11,247	\$ 11,706	\$ (352)	-3%	\$ (811)	-7%	\$ 44,400	\$ 49,445	\$ (5,045)	-10%
Yield / Cost %⁽¹⁾											
Yield on portfolio loans	5.84%	5.99%	5.80%	-0.15%		0.04%		5.90%	5.63%	0.27%	
Yield on investment securities	3.45%	3.53%	3.48%	-0.08%		-0.03%		3.47%	3.31%	0.16%	
Yield on interest-bearing cash	4.79%	5.39%	5.44%	-0.60%		-0.65%		5.26%	5.04%	0.22%	
Cost of interest-bearing deposits	1.77%	1.74%	1.28%	0.03%		0.49%		1.62%	0.86%	0.76%	
Cost of borrowings	6.68%	7.21%	7.31%	-0.53%		-0.63%		7.10%	6.93%	0.17%	
Cost of deposits and borrowings	1.17%	1.15%	0.83%	0.02%		0.34%		1.07%	0.58%	0.49%	
Yield on interest-earning assets	5.10%	5.29%	5.14%	-0.19%		-0.04%		5.19%	4.94%	0.25%	
Cost of interest-bearing liabilities	1.87%	1.85%	1.41%	0.02%		0.46%		1.74%	0.99%	0.75%	
Net interest spread	3.23%	3.44%	3.73%	-0.21%		-0.50%		3.45%	3.95%	-0.50%	
Net interest margin	3.99%	4.19%	4.34%	-0.20%		-0.35%		4.18%	4.39%	-0.21%	

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

Pacific Financial Corp Reports Fourth Quarter 2024 Financial Results

January 31, 2025

Page 12

**ALLOWANCE FOR CREDIT LOSSES
(ACL) (unaudited)**

(\$ in 000s)

	Quarter Ended			Change From				Twelve Months Ended		Change	
	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023	Sep 30, 2024 \$ %	Dec 31, 2023 \$ %	Dec 31, 2024	Dec 31, 2023	\$	%		
Allowance for Credit Losses											
Beginning of period balance	\$ 8,897	\$ 8,859	\$ 8,347	\$ 38	0%	\$ 550	7%	\$ 8,530	\$ 8,236	\$ 294	4%
Impact of CECL Adoption (ASC 326)	-	-	-	-	-100%	-	-100%	-	(157)	157	-100%
Charge-offs	(32)	(5)	(20)	(27)	540%	(12)	60%	(129)	(279)	150	-54%
Recoveries	105	16	41	89	556%	64	156%	124	96	28	29%
Net (charge-off) recovery	73	11	21	62	564%	52	248%	(5)	(183)	178	-97%
Provision (benefit)	(119)	27	162	(146)	-541%	(281)	-173%	326	634	(308)	-49%
End of period balance	\$ 8,851	\$ 8,897	\$ 8,530	\$ (46)	-1%	\$ 321	4%	\$ 8,851	\$ 8,530	\$ 321	4%
Net charge-off (recovery) to											
average portfolio loans	-0.04%	-0.01%	-0.01%	-0.03%		-0.03%		0.00%	0.03%	-0.03%	
ACL to portfolio loans	1.26%	1.27%	1.24%	-0.01%		0.02%		1.26%	1.24%	0.02%	
Allowance for unfunded loans											
Beginning of period balance	\$ 524	\$ 617	\$ 749	\$ (93)	-15%	\$ (225)	-30%	\$ 698	\$ 203	\$ 495	244%
Impact of CECL Adoption (ASC 326)	-	-	-	-	-100%	-	-100%	-	609	(609)	-100%
Provision (benefit)	16	(93)	(51)	109	-117%	67	-131%	(158)	(114)	(44)	39%
End of period balance	\$ 540	\$ 524	\$ 698	\$ 16	3%	\$ (158)	-23%	\$ 540	\$ 698	\$ (158)	-23%

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 December 31, 2024, the Company had total assets of \$1.15 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.