COASTAL FINANCIAL CORPORATION

INVESTOR PRESENTATION

January 30, 2024

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Non-GAAP Financial Measures

This presentation includes non-GAAP financial measures for 2017 to exclude the impact of a deferred tax asset revaluation due to the enactment of the Tax Cuts and Jobs Act of 2017 (the "Tax Cuts and Jobs Act") on net income. This non-GAAP financial measure and any other non-GAAP financial measures that we discuss in this presentation should not be considered in isolation, and should be considered as additions to, and not substitutes for or superior to, measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their most directly comparable GAAP equivalents. For example, other companies may calculate non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of Coastal's non-GAAP financial measures as tools for comparison. See the Appendix to this presentation for a reconciliation of the non-GAAP financial measures used in (or conveyed orally during) this presentation to their most directly comparable GAAP financial measures.

This presentation includes non-GAAP financial measures to illustrate the impact of BaaS loan expense on net loan income and yield on CCBX loans, and net interest margin. Net BaaS loan income divided by average CCBX loans is a non-GAAP measure that includes the impact BaaS loan expense on net BaaS loan income and the yield on CCBX loans. The most directly comparable GAAP measure is yield on CCBX loans. Net interest income net of BaaS loan expense is a non-GAAP measure that includes the impact BaaS loan expense on net interest income. The most directly comparable GAAP measure is net interest income. Net interest margin, net of BaaS loan expense is a non-GAAP measure that includes the impact of BaaS loan expense on net interest margin. The most directly comparable GAAP measure is net interest margin.

Fiscal Year 2023 Highlights

Net Income

Year ended December 31, 2023
compared to
Year Ended December 31, 2022

Net income of $44.6 million, or $3.27 per diluted common share, for the year ended December 31, 2023, compared to $40.6 million, or $3.01 per diluted common share for the year ended December 31, 2022.

Total Assets

December 31, 2023
compared to
December 31, 2022

Total assets increased $608.9 million, or 19.4%, to $3.75 billion for the year ended December 31, 2023, compared to $3.14 billion at December 31, 2022.

Total Loans

December 31, 2023
compared to
December 31, 2022

Total loans, net of deferred fees increased $398.8 million, or 15.2%, to $3.03 billion for the year ended December 31, 2023, compared to $2.63 billion as of December 31, 2022.

Total Deposits

December 31, 2023
compared to
December 31, 2022

Deposits increased $542.8 million, or 19.3%, to $3.36 billion during the year ended December 31, 2023, compared to $2.82 billion at December 31, 2022.

To provide FDIC deposit insurance coverage and peace of mind to larger deposit customers, our deposits include $340.1 million in fully insured IntraFi network negotiable orders of withdrawal ("NOW") and money market reciprocal deposits as of December 31, 2023.

STRATEGY FOR REDUCING RISK and MANAGING EXPENSES

Continue optimizing our CCBX loan portfolio by selling higher yielding loans with a higher potential for credit deterioration or letting these loans run-off

Focus on reducing costs through automation and by leveraging gains across the organization by making smart investments in technology

We will continue our strategy of focusing on larger partners and companies, selecting partnerships that align with our long term profitability and growth objectives

We expect that our strategies will result in lower earnings in the short term with lower loan yields and compressed margins, but will provide for long term stability and increased profitability in the future

CONSOLIDATED FINANCIAL HIGHLIGHTS - *As of and for the Quarter ended December 31, 2023*

Balance Sheet (in millions)

Total Assets	$3,753.4
Loans Receivable	$3,026.1
Deposits	$3,360.4
Total Shareholders' Equity	$295.0

Earnings and Profitability

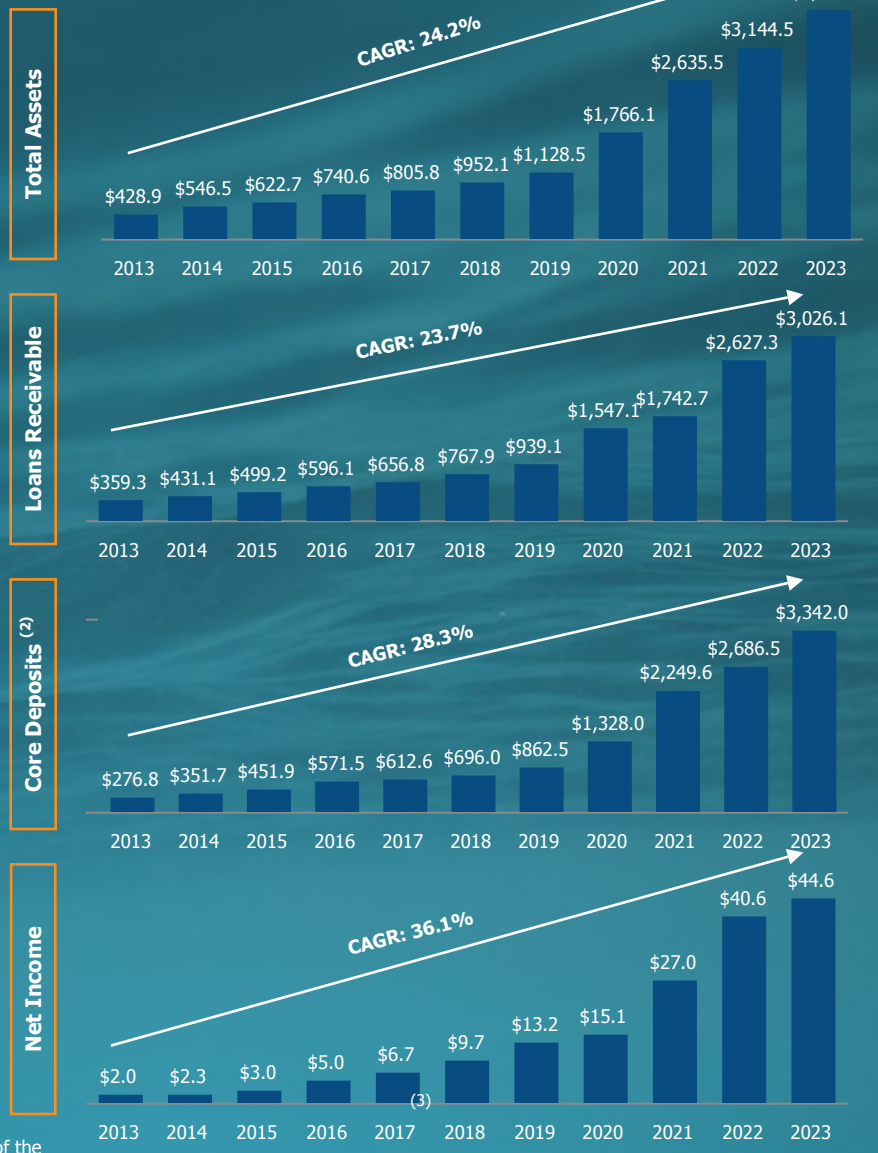
Net Income *(in millions)*	$9.0
Return on Average Assets ("ROAA") - *annualized*	0.97%
Return on Average Equity -*annualized*	12.35%
Net Interest Margin -*annualized*	6.61%
Efficiency Ratio	41.58%
Loans Receivable to Deposits	90.05%

Capital Ratios (Consolidated)

Total Shareholder Equity to Total Assets	7.86%
Tangible Equity to Tangible Assets (1)	7.86%
Tier 1 Leverage Capital Ratio (to average assets)	8.10%
Common Equity Tier 1 Capital (to risk-weighted assets)	9.10%
Tier 1 Risk-Based Capital Ratio (to risk-weighted assets)	9.20%
Total Risk-Based Capital Ratio (to risk-weighted assets)	11.87%

Asset Quality

Total Nonaccrual Loans to Total Loans Receivable	0.24%
Total Nonperforming Assets to Total Assets	1.43%
Total Nonperforming Loans to Total Loans Receivable	1.78%
Allowance for Credit Losses to Total Loans Receivable	3.86%



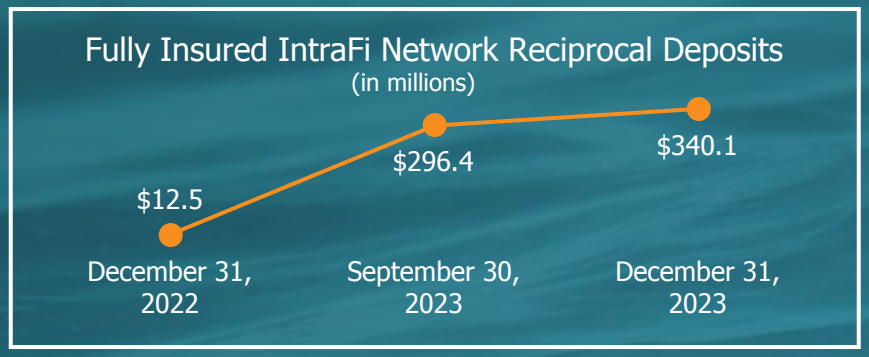
Note: Annual data as of or for the year ended December 31 of each respective year

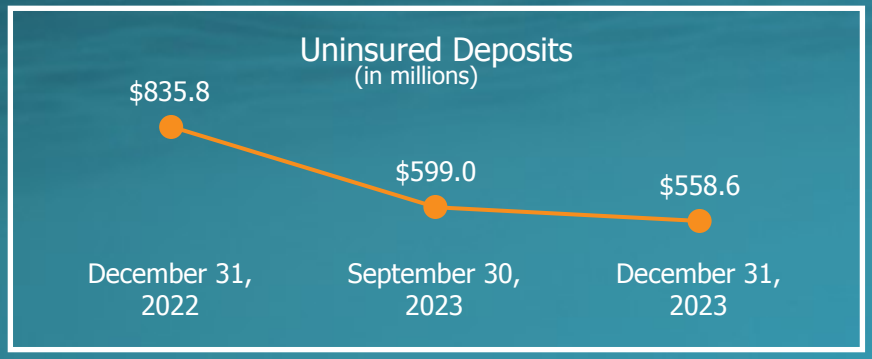
(1) Tangible equity to tangible assets is a non-GAAP measure. Since there is no goodwill or other intangible assets as of the date indicated, tangible equity to tangible assets is the same as total shareholders' equity to total assets as of the date indicated.
(2) Consists of total deposits less all time and brokered deposits.
(3) 2017 net income is adjusted to exclude the impact of a deferred tax asset revaluation due to the enactment of the Tax Cuts and Jobs Act. Refer to "Non-GAAP Reconciliation" in the Appendix for additional details.

FINANCIAL STABILITY

DEPOSITS

- Deposits increased $70.7 million, or 2.1%, during the three months ended December 31, 2023
- Includes $340.1 million in fully insured IntraFi network sweep deposits as of December 31, 2023, compared to $296.4 million as of September 30, 2023





INVESTMENTS

- Available for Sale Securities:
  - $99.5 million as of December 31, 2023; 99.9% are U.S. Treasuries
  - Weighted average remaining life of 2 months as of December 31, 2023
  - $537,000 of unrealized losses, or 0.18%, of shareholders' equity as of December 31, 2023
    - Expected to accrete back into equity in first quarter 2024 when all of our U.S. Treasuries mature
- Held to Maturity Securities:
  - $50.9 million as of December 31, 2023, with a fair market value of $51.0 million
  - 100% are U.S. Agency mortgage backed securities that were pledged and are held for CRA purposes
  - Weighted average remaining life of 17.7 years; weighted average yield is 5.45% for the quarter ended December 31, 2023.

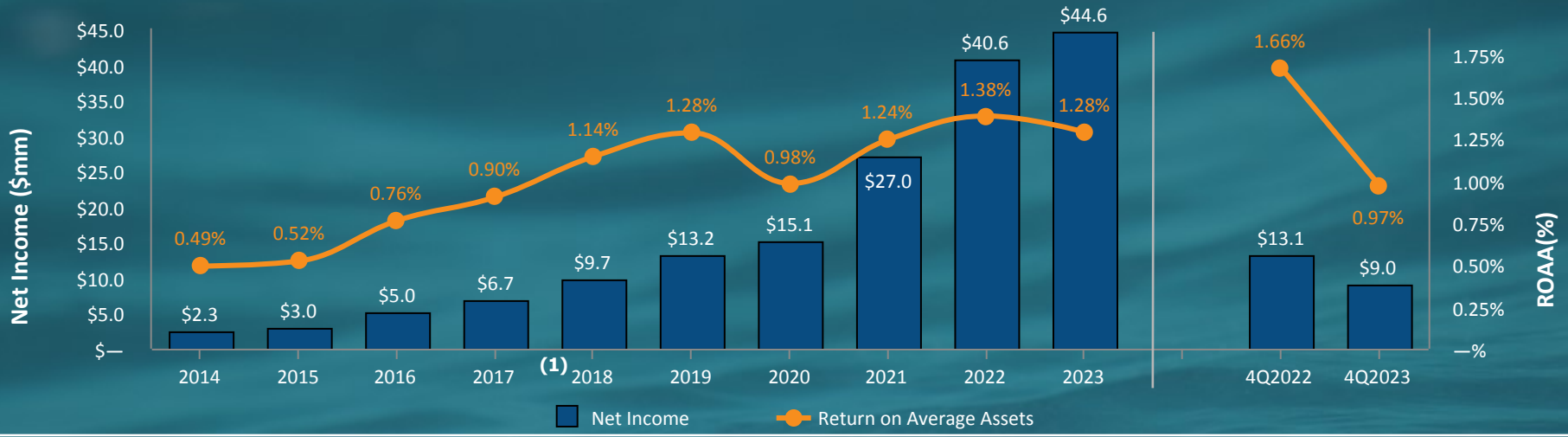
CASH & BORROWINGS

- Combined $1.12 billion cash and borrowing capacity
- Represents 33.4% of total deposits at December 31, 2023
- Exceeds $558.6 million in uninsured deposits as of December 31, 2023
- Uninsured deposits include $68.0 million in CCBX cash reserves that are controlled by the Bank

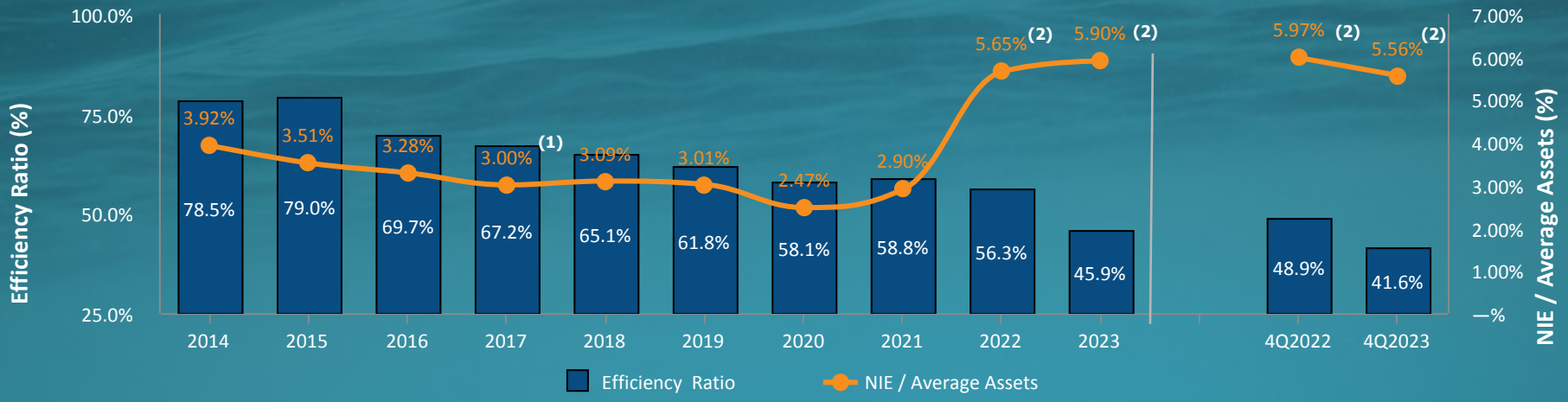
Note: Data as of three months ended December 31, 2023 unless otherwise indicated

HISTORIC PROFITABILITY AND EFFICIENCY

Net Income and Return on Average Assets



Efficiency Ratio (%) and Noninterest Expense ("NIE") to Average Assets (%)



Note: Annual data is as of and for the year ended December 31 of each respective year. Quarterly data is as of or for the three months ended of each respective quarter.
(1) Adjusted to exclude the impact of deferred tax asset revaluation due to the enactment of the Tax Cuts and Jobs Act. Refer to "Non-GAAP Reconciliation" in the Appendix for additional details.
(2) Change in NIE / Average Assets: Increases in BaaS loan and fraud expense compared to previous periods. This negatively affected the NIE to average asset ratio even though our partners cover the losses except in accordance with the program agreement for one partner where the Company is responsible for credit losses on approximately 10% of a portfolio. As of December 31, 2023 this portfolio was $288.1 million and our portion of this portfolio represented $29.1 million in loans.

LONG-TERM STRATEGIC VERTICALS

COASTAL FINANCIAL CORPORATION

The Community Bank "CCB"

- **Best-in-class community bank** that offers lending and deposit products to commercial customers
- Community bank loan portfolio consists **primarily of CRE loans, Construction, Land and Land Development loans, and C&I loans - $1.61 billion, or 87.6%** of community bank loans
- Attractive funding mix with **total balance of $1.50 billion,** with **98.8% core deposits[1] and cost of deposits of 1.57%**
- Conservative credit culture with strong **Net Charge-off to average loans performance: 0.00% YTD[2]**
- **Slightly asset-sensitive balance sheet** that is well-positioned for current interest rate environment

Provide Banking as a Service (BaaS) "CCBX"

- **Provides Banking as a Service (BaaS)** to broker dealers and digital financial services providers
- **19 active partners** with 2 more currently in the testing / implementation / onboarding or signed LOI stage
- **Robust sourcing capabilities, thorough due diligence and refining criteria** of potential partner relationships
- **Strategy of focusing on larger partners** and companies with **experienced** management teams, **existing** customer bases and **strong** financial positions.
- **Exceptional growth in BaaS program fee income[3]** of 26.0% YoY
- **Strong deposit generation platform** with total balance of **$1.86 billion** (45.6% growth YoY), and excludes **$69.4 million** transferred off the balance sheet for additional FDIC insurance coverage
- **18.1%** loan growth YoY, **$1.2 billion in total loans receivable,** with credit enhancements (on 97.6% of total CCBX loans) and fraud enhancements (on 100% of total CCBX loans)
- **Neutral balance sheet** that is well-positioned for both current rising interest rates and for declining rates in the future

Note: Data as of three months ended December 31, 2023 unless otherwise indicated
(1) Core deposits are all deposits excluding brokered and time deposits.
(2) Community bank only.
(3) Total BaaS program fee income includes servicing and other BaaS fees, transactions fees, interchange fees and reimbursement of expenses.

CCB OVERVIEW

Dedication to Community Banking

Coastal Community Bank was established in 1997 with a focus on serving small to medium-sized businesses within the Puget Sound region.

Offers traditional lending and deposit products to commercial and retail customers

- Lending products: Commercial real estate, Small Business Administration ("SBA"), business lines of credit and term, residential mortgage, and credit card and other consumer loans
- Deposit products: Checking, savings, money market, CDs & IRAs

Provides business services such as treasury management, remote deposit capture, credit card processing and Z-suite sub-accounting technology.

CCB's Core Markets

Largest community bank by deposit market share in Snohomish County (1)

- Headquartered in Everett, Washington - the largest city in and county seat of Snohomish County

Institution name	Market Share
Bank of America, National Association	18.14 %
JP Morgan Chase Bank, National Association	16.13 %
Coastal Community Bank	**15.81 %**
Wells Fargo, National Association	9.90 %
US Bank, National Association	7.80 %

14 full-service banking locations

- 12 in Snohomish County
- 1 in Island County
- 1 in King County

Notable Employers

BOEING, PROVIDENCE Health & Services, Department of the Navy, COSTCO WHOLESALE, Amazon, Naval Station Everett, Microsoft, TULALIP RESORT CASINO, STARBUCKS COFFEE

Accolades and Recognitions

- Everett Herald Readers Choice "Best Bank" "Best Mortgage" "Best Place to Work" **2023**
- "Fastest Growing Mid-Market Company in the Northwest" Puget Sound Business Journal **2023**
- Piper Sandler "Bank and Thrift Sm-All Stars" **2019 -2022**
- Stanwood & Camano News "Best Bank" **2013 - 2023**
- Raymond James "Community Bankers Cup Award" **2019-2023**
- "Corporate Citizenship" Puget Sound Business Journal **2022-2023**
- "Corporate Philanthropist" Puget Sound Business Journal **2023**
- Hovde Group "Hovde's High Performers" **2022 - 2023**

(1) FDIC Summary of Deposits June 30, 2023.
Note: Data as of December 31, 2023 unless otherwise indicated

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") INITIATIVES

ESG

For Coastal, ESG is a complex initiative across the whole organization. Addressing the issue of the 5.9 million unbanked households[(1)] in the United States cannot be tackled with merely adding products or providing diversity, equity and inclusion training. Nor can real environmental impact happen through mere board level policies and simply changing our investment portfolio. We are choosing to tackle our ESG initiatives throughout our company with meaningful actions and collaboration.

CCBX – Working with our CCBX partners allows us to provide a broader range of services to different demographics through their offerings. Developing the kind of unique offerings to specific under-served or under-banked populations would be difficult for a bank our size, but by partnering with third-party fintech partners like Brigit, Greenwood and One we are able to use our banking charter to support this effort in a much broader scope.

Coastal Community Bank – Our community bank has always had close ties to the communities we serve with our employees actively volunteering in those communities, and we have been recognized as a corporate philanthropist by the Puget Sound Business Journal. We are now evolving to offer affiliated products through our third-party fintech partners that are more inclusive and meet their needs of a broader range of consumers. Once again, our scope and reach is multiplied by collaborating with our third-party fintech partners to offer inclusive products.

Social Responsibility

Financial Inclusion

We see financial inclusion as **providing access to useful and affordable financial products and services to meet the needs of the under-served**. However, overcoming a widespread distrust of banks, lack of financial education, and barriers to entry are all part of the process to bring the underserved in our communities the financial products and services they need to thrive.

We are actively working to address:

- **Accessibility to services**
- **Needs-based solutions**
- **Education**

In collaboration with the **Cities for Financial Empowerment** and the **Bank On** national platform, this past year, a Coastal team worked to develop the **Access checking product** to support the financial stability of **unbanked and underbanked** residents in our communities by providing a safe, affordable and functional product. In January 2023, our Access checking product passed product certification and met the National Account Standards and was launched with the official **Bank On certification**.

Environmental Responsibility

Climate Change

Coastal is approaching our responsibility in many ways from **understanding our carbon footprint and identifying potential offsets, reductions and to developing strong partnerships with ESG focused fintechs.**

In January 2023 we **completed our Sustainable Impact Survey with Aspiration** to understand our GHG impact and ways we can offset it. Working with Aspiration, we are exploring ways to develop customer facing-solutions that enable climate action. By working with partners like Aspiration, we are able to participate in developing and implementing meaningful changes to help turn the tide on climate change, doing our part to help transition to a net-zero economy.

Additionally, we have and will continue to consider climate change and **its impact on our loan portfolio and customers.**

(1) Source: 2021 National Survey of Unbanked and Underbanked Households by the Federal Deposit Insurance Corporation (FDIC) in November 2022.

COASTAL WORLD

Opportunity and Potential

Coastal World is an immersive 3D web platform that promotes, educates, and informs visitors about digital banking solutions that best fit their lifestyle, values, or specific financial situations through a fun and engaging online experience.



Engagement

- The next generation of banking customers are comfortable with engaging online with 4.8 billion world wide social media users.
- They are willing to spend their time and money online.

Conversion

As the "Digital Evolver" visits the experience, we will gather valuable demographic information to inform targeted marketing and create custom conversion funnels to acquire new partner customers.

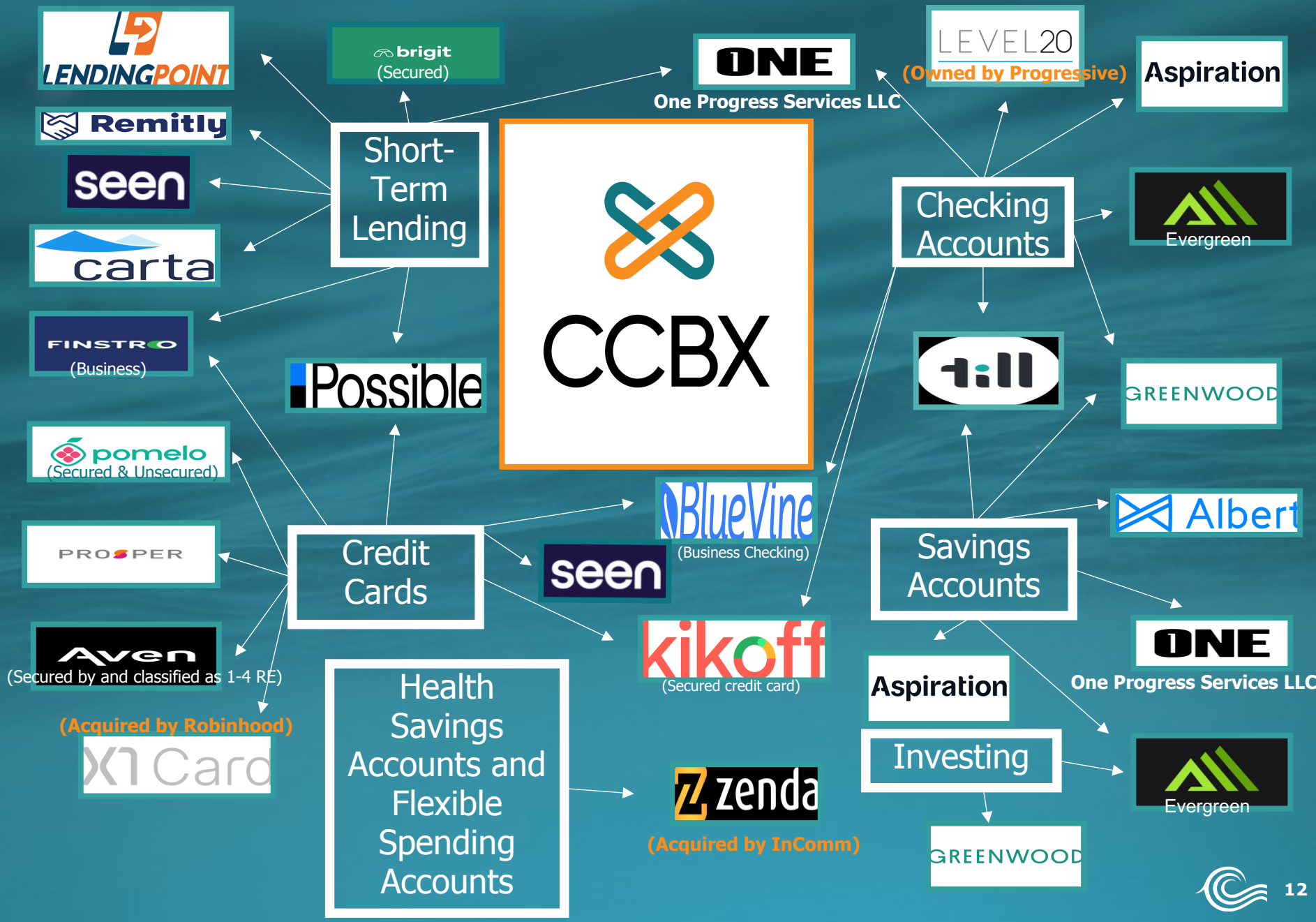
2023 Key Milestones

- Added a 4th island with new fintech partners
- Over 241,000 visits to the site
- Over 1.5 million interactions tracked on the site
- Average of 4 minutes on site per visit (industry average is 54 seconds)
- 5,284 clicks to partner websites (Aug - Dec 2023)s of ads
- Visitor statistics:
  - Age: 39% - 25-34; 22% 35-44; 13% 18-24
  - 53% male and 47% female.

What is Next?

- Implement feature set roadmap with enhancements to drive new customer acquisition
- Utilize visitor demographic data to inform targeted fintech marketing initiatives
- Explore the viability of tools such as AI, the Coastal Data Lake, Chat GPT, and third-party APIs
- Collaborate with our Fintech partners on enhancements, new content, and custom campaigns

Banking as a Service – "BaaS" Partners



CCBX PARTNER ACTIVITY

Business Overview

CCBX provides banking as a service (BaaS) that enables broker dealers and digital financial services partners to offer their customers banking services

19 active partners with 2 more currently in the testing or signed LOI stage as of December 31, 2023:

- Robust sourcing capabilities and intensive due diligence process
- Our strategy for new CCBX partnerships is to focus on larger, more established partners, with experienced management teams, existing customer bases and strong financial positions. This strategy will likely yield fewer, but larger, CCBX partnerships moving forward.
- The sale of $125.1 million in CCBX loans during the quarter ended December 31, 2023 is part of our strategy to strengthen the balance sheet and manage overall credit risk by selling higher risk and higher yielding loans when portfolio limits are reached and to reduce credit risk in specific portfolios. We continue to work to optimize our loan portfolio and onboard new partners with enhanced credit standards and lower potential for future credit deterioration.
- We expect net interest margin will tighten as higher quality loans yield less than higher risk loans and we also expect the size of our CCBX loan portfolio will be about the same as the previous quarter while we work to grow the portfolio with loans that are subject to increased underwriting standards. We expect this process to take two quarters.

Fee-based business model primarily driven by:

- Servicing, expense recovery and other BaaS fees
- Interchange and transaction fees
- Credit and fraud enhancements
- Interest income

CCBX Partner Activity



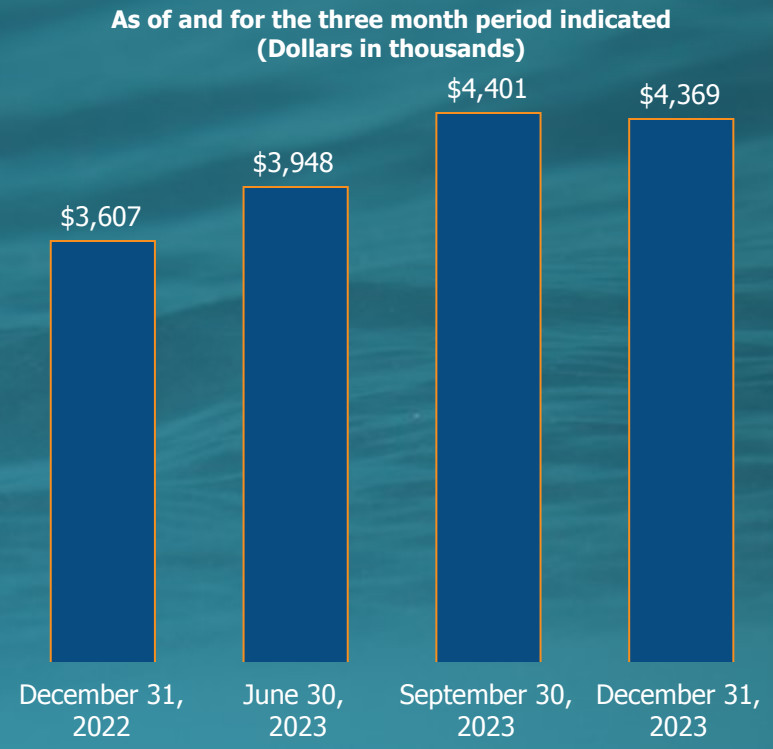
Note: Data as of and for the quarter ended December 31, 2023, unless otherwise indicated

CCBX REVENUE GROWTH

Revenue Growth

- **BaaS Fees includes $59.2 million in credit enhancements and fraud enhancements** for the three months ended December 31, 2023, compared to $28.8 million for the three months ended September 30, 2023 and $38.0 million for the three months ended December 31, 2022.
- **Reimbursement for any partner credit enhancement and fraud loss** provided by the partner is included in noninterest income. Partner fraud loss represents non-credit fraud losses on partner's customer loan and deposit accounts and is recognized in noninterest expense. BaaS fraud loss expense decreased $2.1 million for the three months ended December 31, 2023 compared to the three months ended September 30, 2023 and decreased $6.0 million compared to the three months ended December 31, 2022.
- **BaaS Program Fee Income** includes servicing and other BaaS fees, transaction fees, interchange and reimbursement of expenses and excludes BaaS credit enhancements and BaaS fraud enhancements. BaaS Program Fee Income for the three months ended December 31, 2023 grew 21.1% compared to the three months ended December 31, 2022.

BaaS Program Fee Income

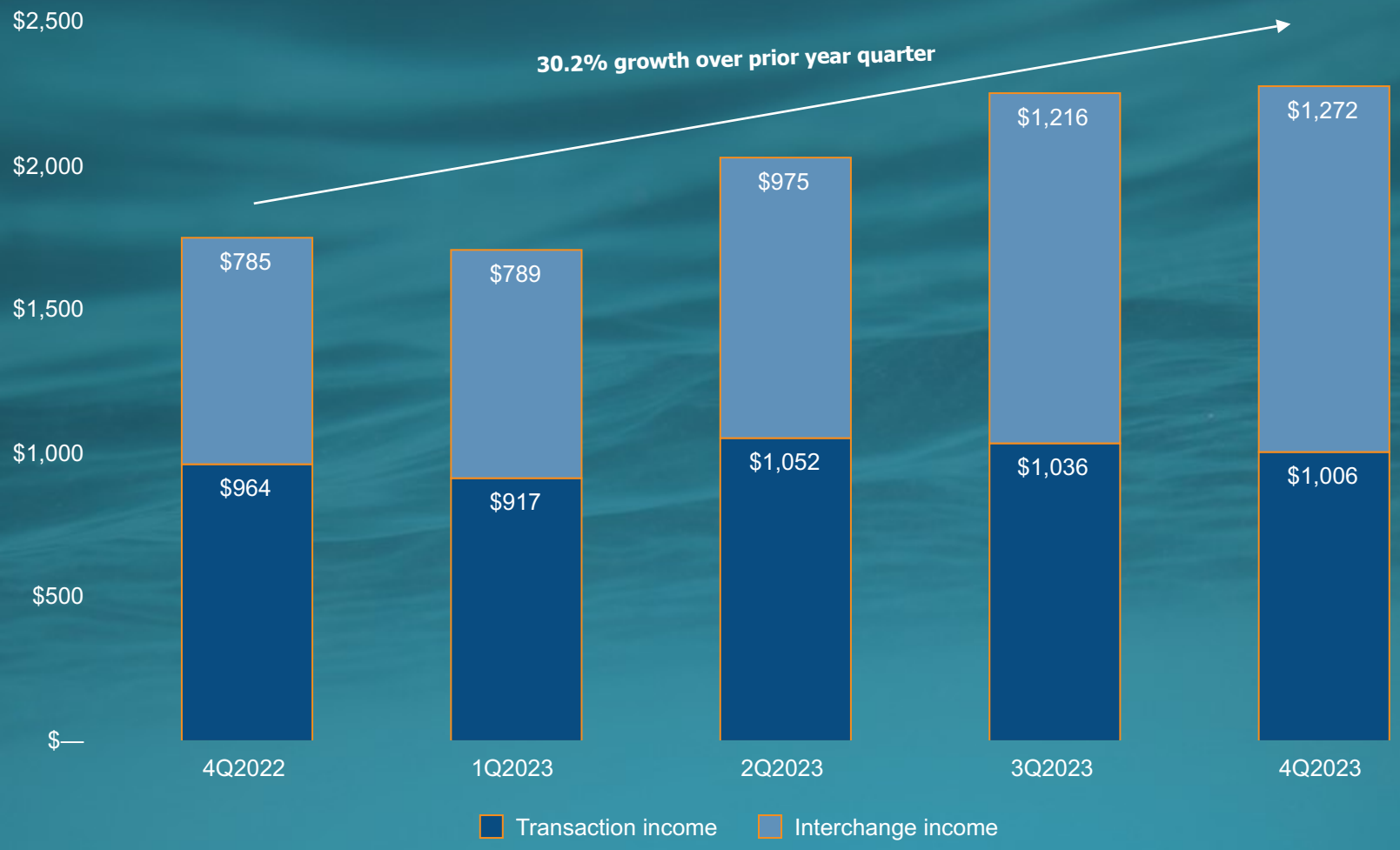


Note: Data as of and for the quarter ended December 31, 2023, unless otherwise indicated

GROWTH IN CCBX ACTIVITY BASED INCOME

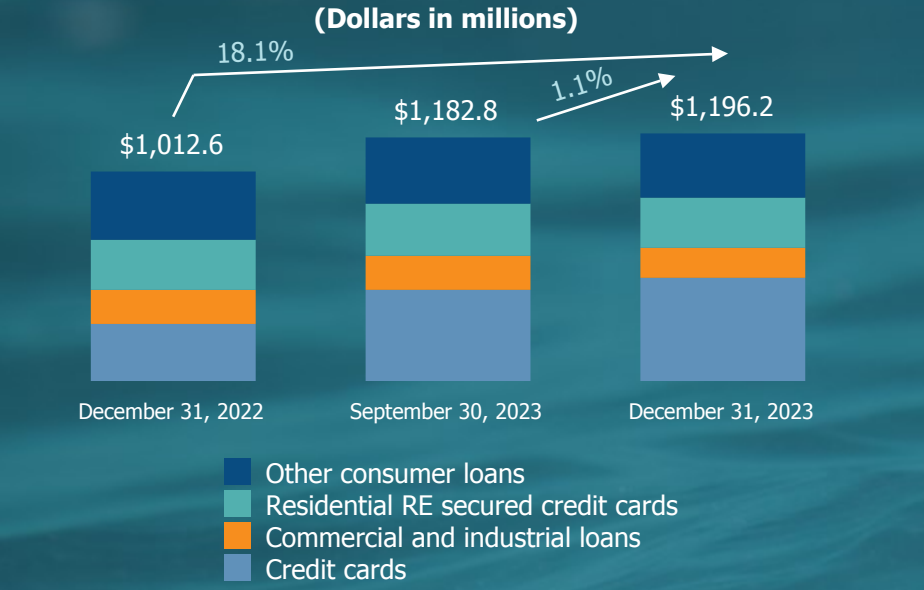
CCBX TRANSACTION AND INTERCHANGE INCOME

(Dollars in thousands)

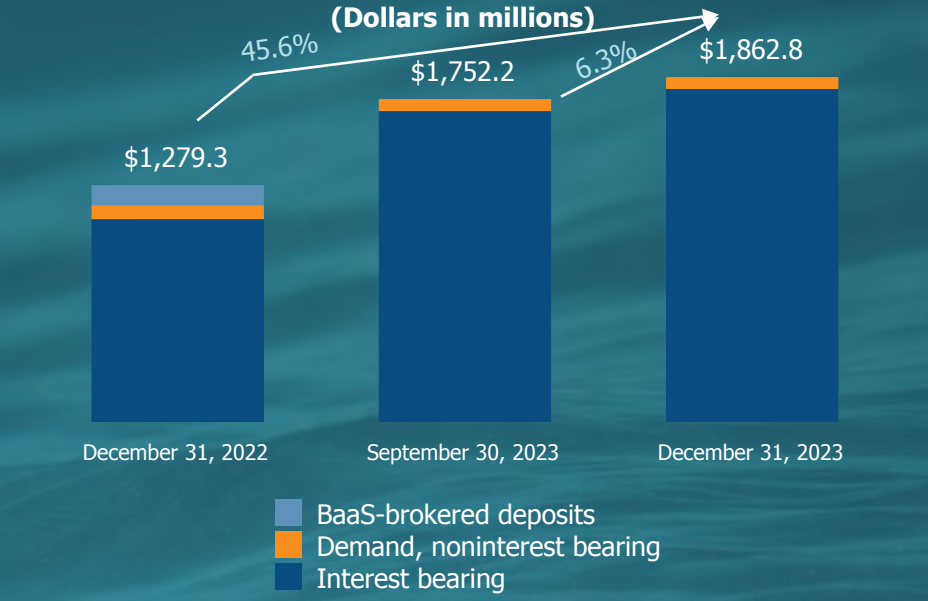


CCBX Loans and Deposits

CCBX Loans Receivable



CCBX Deposits



Partner loan origination diversifies loan portfolio

- Continue our strategy of reducing risk by selling higher risk loans or letting such loans mature, optimizing the CCBX loan portfolio and strengthening our balance sheet through enhanced credit standards
- As of December 31, 2023, CCBX gross loans increased $13.4 million, or 1.1%, compared to September 30, 2023, and increased $183.7 million or 18.1%, compared to December 31, 2022
- Sold $125.1 million in CCBX loans during the quarter ended December 31, 2023

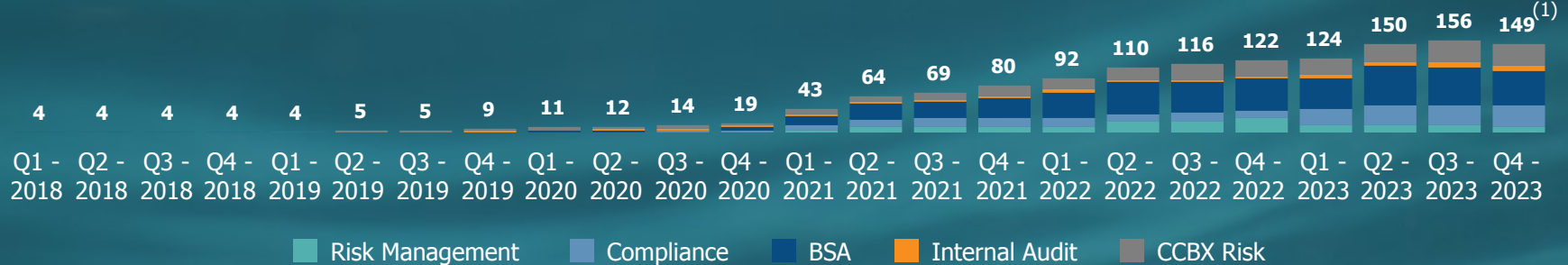
Growing platform for deposit generation

- CCBX deposit growth of $110.5 million, or 6.3%, as of December 31, 2023, compared to September 30, 2023, and growth of $583.5 million, or 45.6%, compared to December 31, 2022
- CCBX deposits are net of an additional $69.4 million in CCBX deposits that were transferred off balance sheet for increased FDIC insurance coverage as of December 31, 2023
- CCBX noninterest bearing deposits of $63.6 million as of December 31, 2023
- 100% of CCBX deposits are core deposits[(1)]

Note: Data as of and for the quarter ended December 31, 2023, unless otherwise indicated
[(1)] Core deposits are all deposits excluding time deposits and brokered deposits

RISK MANAGEMENT

Growth and Investment in Risk and Compliance Personnel



	Q1 -2018	Q2 -2018	Q3 -2018	Q4 -2018	Q1 -2019	Q2 -2019	Q3 -2019	Q4 -2019	Q1 -2020	Q2 -2020	Q3 -2020	Q4 -2020	Q1 -2021	Q2 -2021	Q3 -2021	Q4 -2021	Q1 -2022	Q2 -2022	Q3 -2022	Q4 -2022	Q1 -2023	Q2 -2023	Q3 -2023	Q4 -2023
Risk Management	—	—	—	—	1	1	1	2	3	1	2	3	7	12	13	13	13	21	21	27	14	15	16	12
Compliance	1	1	1	1	1	1	1	1	1	3	3	3	9	12	14	13	15	13	14	13	27	32	32	35
BSA	1	1	1	1	1	1	1	1	1	2	2	6	14	27	26	33	42	52	52	52	51	65	61	56
Internal Audit	2	2	2	2	1	1	1	2	2	2	3	3	4	4	4	5	5	5	4	5	6	6	10	10
CCBX Risk	—	—	—	—	—	1	1	3	4	4	4	4	9	9	12	16	17	19	25	25	26	32	37	36

People

- 29% or our staff are risk personnel: Risk Management, Compliance, BSA, Internal Audit, CCBX Risk & Compliance
- Significantly increased our risk personnel as we have grown CCBX
- Hired and continue to hire experienced and talented risk personnel
- Develop risk personnel by supporting the attainment of professional designations/certifications

Systems/Automation/Technology

- Use industry leading software and systems
- Focused on the effectiveness and efficiency of our risk systems and processes
- Use outsourcing where it make sense and is cost effective without compromising data/privacy/ effectiveness
- Employ experts/consultants to evaluate our processes and to develop new and better processes

(1) In addition to the individuals above that are on staff, we co-sourced an equivalent of 58 FTE as of December 31, 2023 through a national consulting firm to supplement our BSA resources. We have been utilizing co-sourced resources for this purpose since December 2022.

LOAN COMPOSITION

Consolidated Commercial & Industrial ("C&I") Portfolio

- $291.3 million total C&I loans
  - $87.5 million in capital call lines
  - $198.1 million in other C&I loans
  - $3.0 million in PPP Small Business Administration ("SBA") C&I loans
  - $2.7 million in other SBA C&I loans

Consolidated Commercial Real Estate ("CRE") Portfolio

- $1.46 billion total CRE & Construction, Land and Land Development loans
  - $77.9 million of SBA 504 loans in portfolio
  - 238% regulatory aggregate CRE to total risk-based capital [(1)]

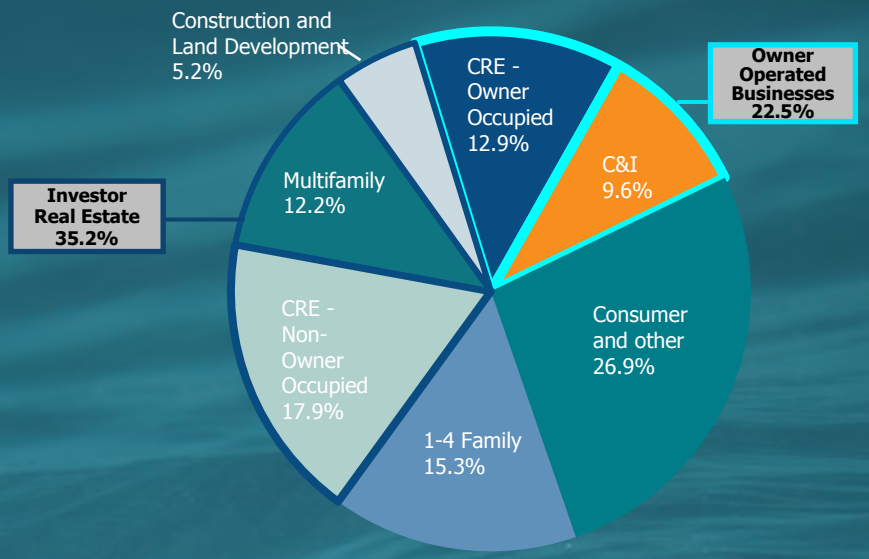
Consolidated 1-4 Family Real Estate Portfolio

- $463.4 million total 1-4 family loans
  - $8.1 million purchased from financial institutions and were individually re-underwritten
  - $238.0 million in CCBX loans, 100% of CCBX 1-4 family real estate loans have credit enhancement

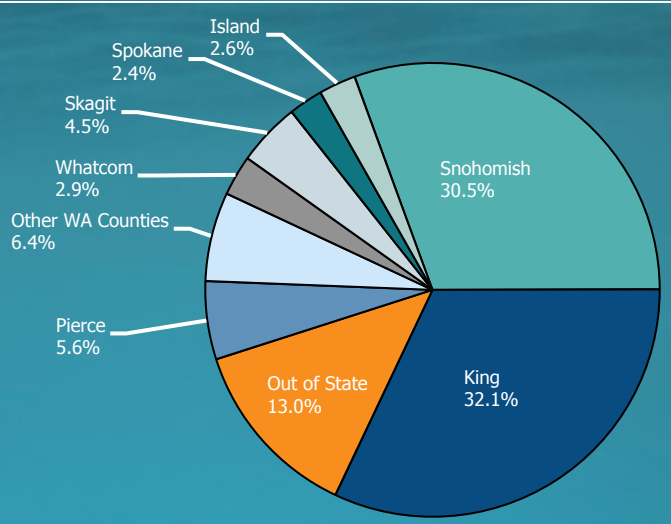
Consumer Loans

- Total $818.0 million
  - $816.4 million in CCBX loans, 96.4% of total CCBX consumer loans have credit enhancement
    - Credit cards, consumer term loans & lines of credit

Consolidated Loan Composition



Community Bank Loan Concentrations by County



(1) Calculated on Bank-level Tier 1 Capital + Allowance for Loan Losses as of December 31, 2023.

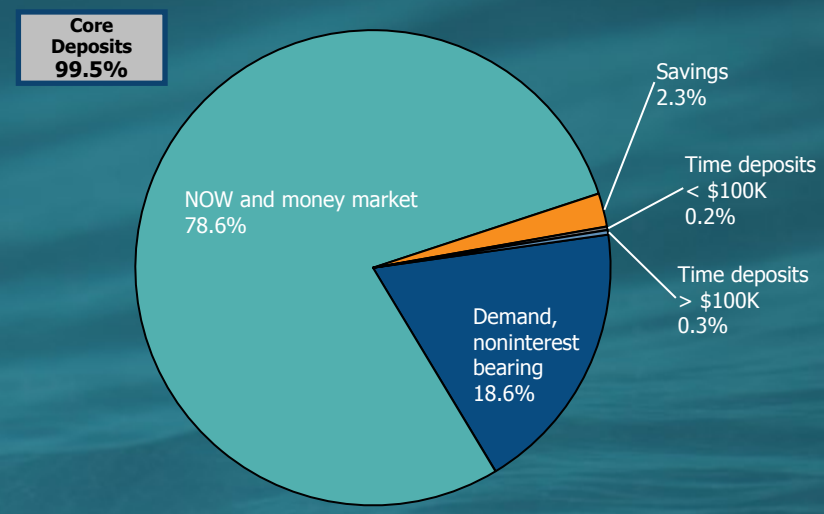
Note: Data as of and for the quarter ended December 31, 2023, unless otherwise indicated.

DEPOSIT COMPOSITION

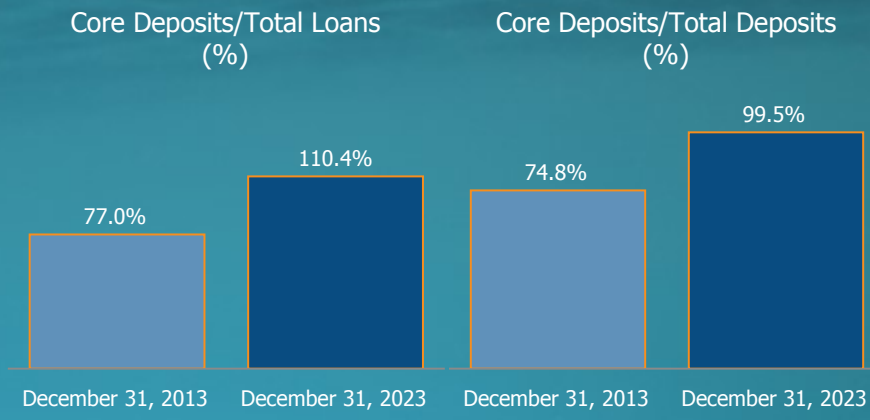
Emphasis on core deposits has helped generate an attractive funding mix

- Core deposits are all deposits excluding time deposits and brokered deposits
- Core deposits were 110.4% of total loans as of December 31, 2023
- Core deposits were 99.5% of total deposits as of December 31, 2023
- Noninterest bearing deposits of $625.2 million as of December 31, 2023
  - Community bank noninterest bearing deposits of $561.6 million, or 37.5% of community bank deposits
  - CCBX noninterest bearing deposits of $63.6 million, or 3.4% of CCBX deposits as of December 31, 2023
- $340.1 million in fully insured IntraFi network reciprocal deposits as of December 31, 2023, compared to $296.4 million as of September 30, 2023.
- 83.4% of total deposits are FDIC insured
- CCBX deposits are net of an additional $69.4 million in CCBX deposits that were transferred off balance sheet for increased FDIC insurance coverage
- Ability to use funding from BaaS program and to transfer deposits off the balance sheet when not needed.

Deposit Composition



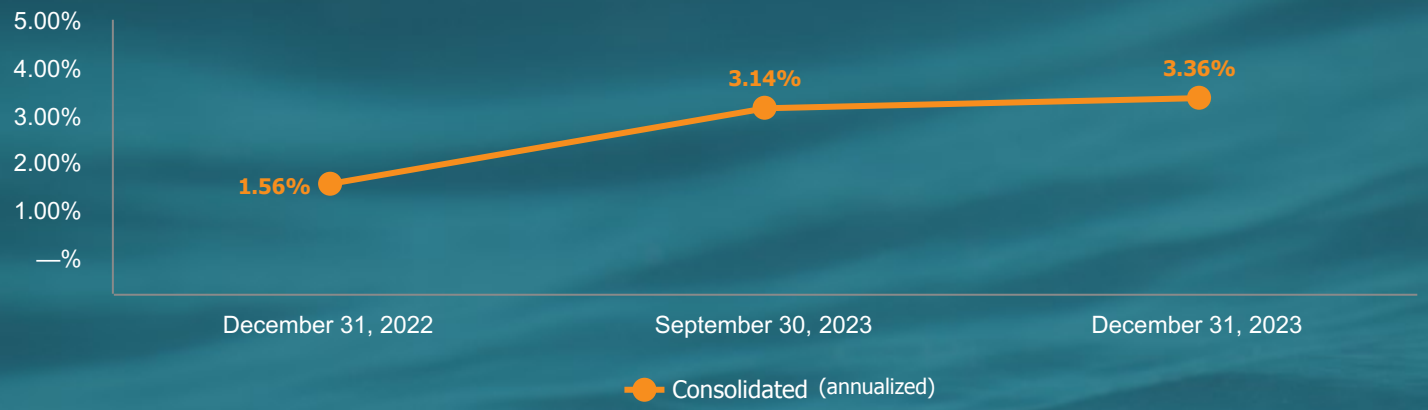
Core Deposit Driven Funding



Note: Data as of and for the quarter ended December 31, 2023 unless otherwise indicated.

DEPOSIT COSTS

- Cost of total deposits was 3.36% for the quarter ended December 31, 2023 compared to 3.14% for the quarter ended September 30, 2023, and 1.56% for the quarter ended December 31, 2022



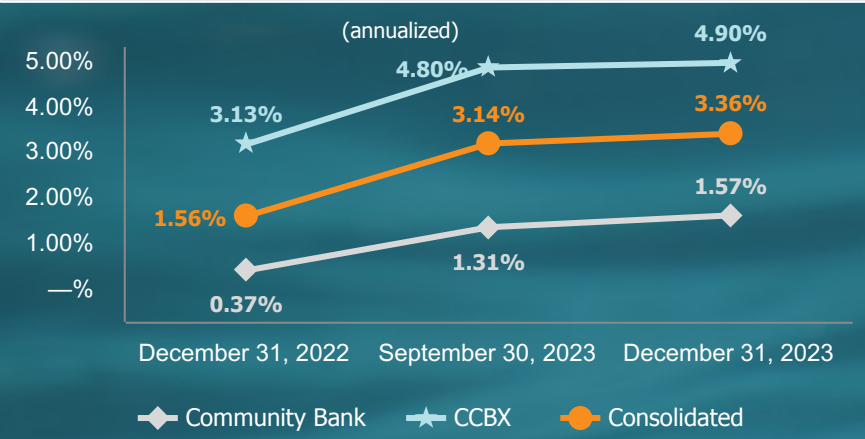
  - Cost of deposits for the community bank and CCBX were 1.57% and 4.90%, respectively, for the quarter ended December 31, 2023

- Deposit costs were higher on interest bearing deposits as a result of:
  - CCBX deposit pricing being tied to the Fed Funds rate
  - CCBX deposits are growing at a faster rate than community bank deposits
- We continue to focus on managing our deposits to hold down deposit costs when possible
- We are not increasing community bank deposit rates and are allowing higher interest rate deposits to run-off
  - We are comfortable with our pricing discipline because we have adequate funding access through our CCBX deposits, and despite the generally higher cost of deposits, these CCBX deposits are less costly than raising our rates to meet competitors' rates, brokered funds or borrowing rates
- No internet-sourced deposits through nonbrokered marketplaces

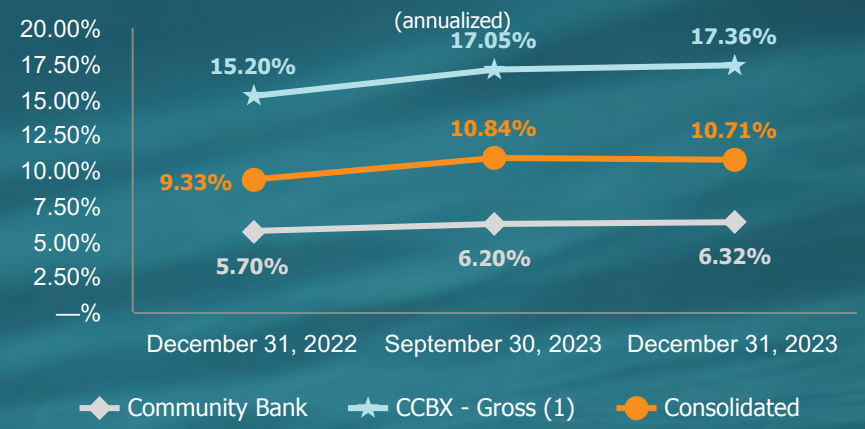
Note: Data as of and for the quarter ended December 31, 2023 unless otherwise indicated.

SEGMENT OVERVIEW - Community Bank and CCBX **(for the three months ended)**

Average Cost of Deposits

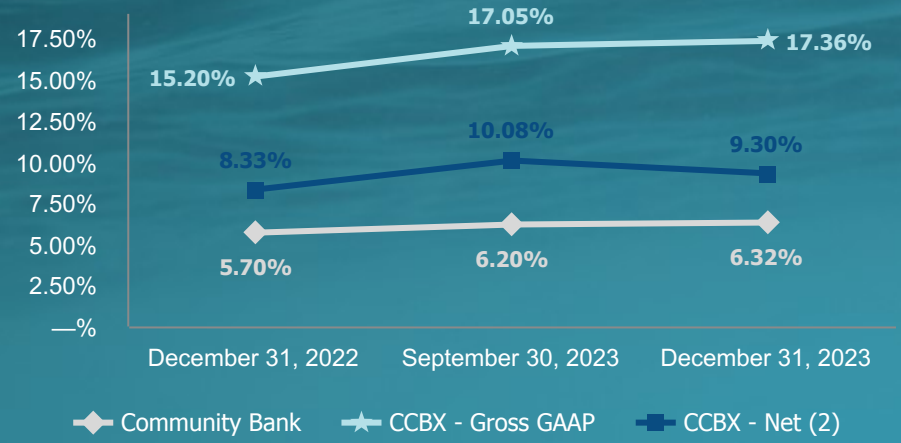


Average Yield - Loans Receivable



Yield

Community Bank & CCBX -GAAP: Average Yield - Loans Receivable
CCBX - Net: Net BaaS Loan Income /Average CCBX Loans



Net Interest Margin

Community Bank & CCBX - GAAP: Net interest Income/Average Earning Assets
CCBX - Net: Net Interest Income less BaaS Loan Expense/Average Earning Assets



(1) CCBX - gross yield does not include the impact of BaaS loan expense. BaaS loan expense represents the amount paid or payable to partners for credit enhancement and servicing CCBX loans. To determine net revenue (Net BaaS loan income) earned from CCBX loan relationships, the Company takes BaaS loan interest income and deducts BaaS loan expense to arrive at Net BaaS loan income which can be compared to interest income on the Company's community bank loans.
(2) CCBX - net BaaS loan income represents BaaS loan interest income minus BaaS loan expense divided by average CCBX loans. This produces a ratio which can be compared to average yield of community bank loans.
(3) Net interest margin, net of BaaS loan expense represents CCBX net interest income less BaaS loan expense divided by average earning assets. This produces a ratio that can be compared to net interest margin of the community bank.

SEGMENT OVERVIEW - Credit Quality

Allowance for Loan Losses to Total Loans



CCBX partner agreements provide for a credit enhancement[(1)] that covers the net-charge-offs on CCBX loans and negative deposit accounts

CCBX partners were responsible for and reimbursed the Company for 96.7% of the $44.9 million in net charge-offs for CCBX loans for the quarter ended December 31, 2023

CCBX partners pledge a cash reserve account[(2)] at the Bank which the Bank can collect from when losses occur that is then replenished by the partner on a regular interval

[(1)] Except in accordance with the program agreement for one partner where the Company is responsible for credit losses on approximately 10% of a $288.1 million loan portfolio. At December 31, 2023, 10% of this portfolio represented $29.1 million in loans.
[(2)] $68.0 million in CCBX cash reserves that are controlled by the Bank at December 31, 2023 and are designated for partner loan losses.

CCBX LOAN PORTFOLIO STATISTICS & LENDING APPROACH

CCBX Loan Portfolio Information
December 31, 2023

(dollars in thousands; unaudited)	Type of Lending	Balance	Percent of CCBX loans receivable	Available Commitments (1)	Maximum Portfolio Size	Number of Accounts	Average Loans Size	Reserve/ Pledge Account Amount (2)
Commercial and industrial loans:								
Capital call lines	Business - Venture Capital	$ 87,494	7.3 %	$ 608,837	$ 350,000	163	$ 536.8	$ —
All other commercial & industrial loans	Business - Small Business	54,298	4.5	9,144	305,905	3,346	16.2	2,426
Real estate loans:								
Home equity lines of credit (3)	Home Equity - Secured Credit Cards	238,035	19.9	418,761	375,000	9,792	24.3	28,043
Consumer and other loans:								
Credit cards - cash secured	Credit Cards - Primarily Consumer	43		—				—
Credit cards - unsecured	Credit Cards - Primarily Consumer	505,794		1,014,959				27,704
Credit cards - total		505,837	42.3	1,014,959	756,614	308,955	—	27,704
Installment loans - cash secured	Consumer	68,856		—				—
Installment loans - unsecured	Consumer	233,385		134				8,960
Installment loans - total		302,241	25.3	134	933,374	266,203	1.1	8,960
Other consumer and other loans	Consumer - Secured Credit Builder & Unsecured consumer	8,333	0.7	63	709,108	113,798	0.1	820
Gross CCBX loans receivable		1,196,238	100.0 %	$ 2,051,898	$ 3,430,001	702,257	$ 1.7	$ 67,953
Net deferred origination fees		(300)						
Loans receivable		$ 1,195,938						

(1) Remaining commitment available, net of outstanding balance.
(2) Balances are as of January 9, 2024
(3) These home equity lines of credit are secured by residential real estate and are accessed by using a credit card, but are classified as 1-4 family residential properties per regulatory guidelines.

Three Rings of Defense:

1. **Well-Funded Partner Cash Reserve Accounts**
2. **Underlying Financial Strength of Our Partners**
3. **Full Economic Benefit and Retention of Loans**

97.6% of total CCBX loans are covered by credit enhancements

STRONG ASSET QUALITY

NPAs / Total Assets



NPLs / Loans Receivable



NPAs by Segment (in thousands)



NPLs by Segment (in thousands)

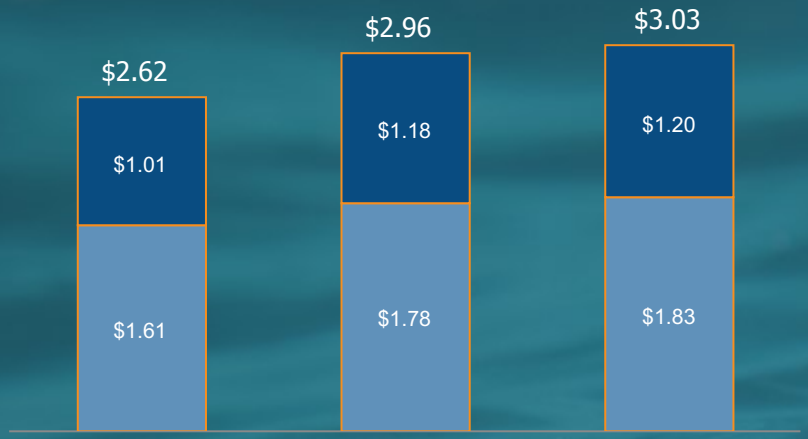


(1) These ratios are impacted by the increase in CCBX loans over 90 days delinquent that are covered by CCBX partner credit enhancements, see note below for more information. CCBX loans represent 1.24% and 1.54% for NPAs/Total Assets and NPLs/Loans Receivable, respectively as of December 31, 2023.
(2) Agreements with our CCBX partners provide for a credit enhancement which protects the Bank by absorbing incurred losses. Under the agreement, the CCBX partner will reimburse the Bank for its loss/charge-off on these loans. Timing of the loss/charge-off varies depending on the type of loan; installment loans are charged off at 120 days and credit cards and open ended lines at 180 days. Once the loss/charge-off occurs then the Bank will collect the loss amount from the CCBX partner.

CFC LOAN AND DEPOSIT GROWTH

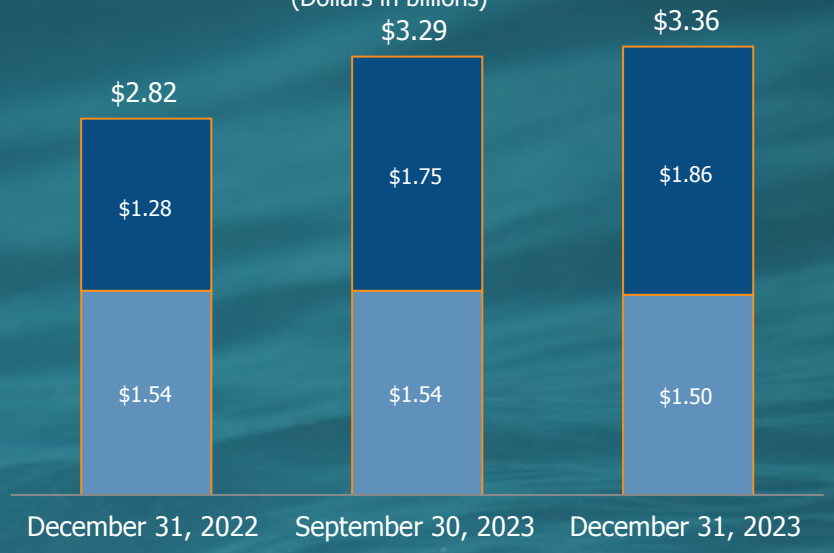
Total Loans Receivable

(Dollars in billions)



Total Deposits

(Dollars in billions)



Loans increased $59.1 million or 2.0% from September 30, 2023 as we optimize our CCBX portfolio, strengthening our balance sheet through enhanced credit standards

Additional CCBX loan sales expected as we continue to optimize our CCBX portfolio and build on our strong relationships

Cost of Deposits 3.36% for the Quarter Ended December 31, 2023

$125.1 million in CCBX loans sold during the three months ended December 31, 2023

CCBX Deposit Growth of $110.5 million* or 6.3% from September 30, 2023

*Does not include $69.4 million in CCBX deposits as of December 31, 2023, that were transferred off the balance sheet for additional FDIC insurance coverage

Note: Data as of and for the quarter ended December 31, 2023, unless otherwise indicated

CFC QUARTERLY RESULTS

Earnings *(Dollars in millions, except per share amounts)*	**For the Three Months Ended December 31,**	
	2023	**2022**
Net Income	$9.0	$13.1
Efficiency Ratio	41.58%	48.94%
Basic Earnings Per Share	$0.68	$1.01
Return on Average Assets	0.97%	1.66%

Balance Sheet *(Dollars in millions, except per share amounts)*	**As of the Quarter Ended**		
	December 31, 2023	**September 30, 2023**	**December 31, 2022**
Total Assets	$3,753.4	$3,678.3	$3,144.5
Total Loans Receivable	$3,026.1	$2,967.0	$2,627.3
Total Deposits	$3,360.4	$3,289.7	$2,817.5
Total Shareholders' Equity	$295.0	$284.5	$243.5
Book Value Per Share	$22.17	$21.38	$18.50

APPENDIX

CFC SELECTED YEAR-END FINANCIALS

(Dollars in thousands, except per share data)	As of and for the Year Ended December 31, 2023	2022	2021	2020	2019
Statement of Income Data:					
Total interest income	$ 330,371	$ 192,170	$ 83,083	$ 63,038	$ 48,587
Total interest expense	91,644	20,395	3,646	5,652	6,576
Provision for loan losses	184,043	79,064	9,915	8,308	2,544
Provision (recapture) for unfunded commitments	(51)				
Net interest income after provision for loan losses	54,735	92,711	69,522	49,078	39,467
Total noninterest income	207,175	124,684	28,118	8,182	8,258
Total noninterest expense	204,777	166,774	63,263	38,119	31,063
Provision for income taxes	12,554	9,996	7,372	3,995	3,461
Net income	44,579	40,625	27,005	15,146	13,201
Balance Sheet Data:					
Cash and cash equivalents	$ 483,128	$ 342,139	$ 813,161	$ 163,117	$ 127,814
Investment securities	150,364	98,353	36,623	23,247	32,710
Loans	3,026,092	2,627,256	1,742,735	1,547,138	939,103
Allowance for loan losses	(116,958)	(74,029)	(28,632)	(19,262)	(11,470)
Total assets	3,753,366	3,144,467	2,635,517	1,766,122	1,128,526
Interest-bearing deposits	2,735,161	2,042,509	1,007,879	829,046	596,716
Noninterest-bearing deposits	625,202	775,012	1,355,908	592,261	371,243
Total deposits	3,360,363	2,817,521	2,363,787	1,421,307	967,959
Total borrowings	47,734	47,587	52,873	192,292	23,562
Total shareholders' equity	294,978	243,494	201,222	140,217	124,173
Share and Per Share Data: [(1)]					
Shares outstanding at end of period	13,304,339	13,161,147	12,875,315	11,954,327	11,913,885
Weighted average common shares outstanding–diluted	13,676,513	13,603,978	12,701,464	12,209,371	12,196,120
Book value per share	$ 22.17	$ 18.50	$ 15.63	$ 11.73	$ 10.42
Tangible book value per share [(2)]	22.17	18.50	15.63	11.73	10.42
Earnings per share – basic	3.36	3.14	2.25	1.27	1.11
Earnings per share – diluted	3.27	3.01	2.16	1.24	1.08
Performance Ratios:					
Return on average assets	1.28%	1.38%	1.24%	0.98%	1.28%
Return on average shareholders' equity	16.41%	18.24%	17.24%	11.44%	11.29%
Credit Quality Ratios:					
Nonaccrual loans to total loans	0.24%	0.27%	0.01%	0.05%	0.11%
Nonperforming assets to total assets	1.43%	1.06%	0.07%	0.04%	0.09%
Nonperforming assets to total loans and OREO	1.78%	1.26%	0.10%	0.05%	0.11%
Nonperforming loans to total loans	1.78%	1.26%	0.10%	0.05%	0.11%
Allowance for loan losses to total loans	3.86%	2.82%	1.64%	1.25%	1.22%
Net charge-offs to average loans	4.94%	1.49%	0.03%	0.04%	0.06%

(1) Share and per share amounts are based on total actual or average common shares outstanding, as applicable.
(2) Tangible book value per share is a non-GAAP measure. Since there is no goodwill or other intangible assets as of the dates indicated, tangible book value per share is the same as book value per share as of each of the dates indicated.

CFC SELECTED QUARTERLY FINANCIALS

(Dollars in thousands, except per share data)	As of and for the Quarter Ended 4Q2023	3Q2023	2Q2023	1Q 2023	4Q2022
Statement of Income Data:					
Total interest income	$ 88,243	$ 88,331	$ 83,686	$ 70,111	$ 65,030
Total interest expense	28,586	26,102	21,336	15,620	11,598
Provision for loan losses	60,744	27,157	52,598	43,544	33,600
Recapture (provision) for unfunded commitments	45	96	(345)	153	—
Net interest income after provision for loan losses	(1,132)	34,976	10,097	10,794	19,832
Total noninterest income	64,694	34,579	58,595	49,307	42,815
Total noninterest expense	51,703	56,501	51,910	44,663	47,103
Provision for income taxes	2,847	2,784	3,876	3,047	2,426
Net Income	9,012	10,270	12,906	12,391	13,118
Balance Sheet Data:					
Cash and cash equivalents	$ 483,128	$ 474,946	$ 275,060	$ 393,916	$ 342,139
Investment securities	150,364	141,489	110,730	101,704	98,353
Loans	3,026,092	2,967,035	3,007,553	2,837,204	2,627,256
Allowance for loan losses	(116,958)	(101,085)	(110,762)	(89,123)	(74,029)
Total assets	3,753,366	3,678,265	3,535,283	3,451,033	3,144,467
Interest-bearing deposits	2,735,161	2,637,914	2,436,980	2,333,423	2,042,509
Noninterest-bearing deposits	625,202	651,786	725,592	761,800	775,012
Total deposits	3,360,363	3,289,700	3,162,572	3,095,223	2,817,521
Core deposits [1]	3,342,004	3,269,082	3,137,747	3,068,162	2,686,528
Total borrowings	47,734	47,695	47,658	47,619	47,587
Total shareholders' equity	294,978	284,450	272,662	258,763	243,494
Share and Per Share Data: [2]					
Shares outstanding at end of period	13,304,339	13,302,449	13,300,809	13,281,533	13,161,147
Weighted average common shares outstanding–diluted	13,676,513	13,675,833	13,597,763	13,609,491	13,603,978
Book value per share	$ 22.17	$ 21.38	$ 20.50	$ 19.48	$ 18.50
Tangible book value per share [3]	22.17	21.38	20.50	19.48	18.50
Earnings per share – basic	0.68	0.77	0.97	0.94	1.01
Earnings per share – diluted	0.66	0.75	0.95	0.91	0.96
Performance Ratios:					
Return on average assets	0.97%	1.13%	1.52%	1.58%	1.66%
Return on average shareholders' equity	12.35%	14.60%	19.53%	19.89%	21.86%
Credit Quality Ratios:					
Nonaccrual loans to total loans	0.24%	0.25%	0.25%	0.25%	0.27%
Nonperforming assets to total assets	1.43%	1.18%	0.95%	0.91%	1.06%
Nonperforming assets to total loans and OREO	1.78%	1.47%	1.12%	1.11%	1.26%
Nonperforming loans to total loans	1.78%	1.47%	1.12%	1.11%	1.26%
Allowance for loan losses to total loans	3.86%	3.41%	3.68%	3.14%	2.82%
Net charge-offs to average loans	5.92%	4.77%	4.19%	4.84%	2.87%
Other Key Ratios:					
Yield on Loans Receivable	10.71%	10.84%	10.85%	9.95%	9.33%
Cost of Deposits	3.36%	3.14%	2.72%	2.13%	1.56%
Net Interest Margin	6.61%	7.10%	7.58%	7.15%	6.96%
Efficiency Ratio	41.58%	58.36%	42.92%	43.03%	48.94%
Loans Receivable to Deposits	90.05%	90.19%	96.23%	92.55%	93.25%
Cost of Funds	3.39%	3.18%	2.77%	2.19%	1.61%

(1) Core deposits are defined as all deposits excluding time and brokered deposits.
(2) Share and per share amounts are based on total actual or average common shares outstanding, as applicable.
(3) Tangible book value per share is a non-GAAP measure. Since there is no goodwill or other intangible assets as of the dates indicated, tangible book value per share is the same as book value per share as of each of the dates indicated.

COMMUNITY BANK LOAN PORTFOLIO STATISTICS

Significant CRE Loan Sub-Categories	Total Commitments	Weighted Average Seasoning (Months)	Weighted Average FICO Score[2]	Weighted Average LTV[3]	Weighted Average DSCR[4]
Apartments	$380,275,432	30.3 Months	771.75	61.04%	2.45x
Hotels[1]	$174,781,862	41.1 Months	766.28	54.06%	2.24x
Retail/Strip mall	$146,996,961	32.4 Months	769.20	56.33%	2.33x
Conveniece Stores	$133,092,909	33.8 Months	779.42	56.69%	3.49x
Warehouse	$116,737,786	45.5 Months	784.91	55.03%	3.25x
Mixed Use	$97,324,991	49.2 Months	750.19	53.13%	2.88x
Mini Storage	$89,710,110	23.3 Months	772.09	60.48%	3.84x
Office - Professional[5]	$59,350,520	48.5 Months	770.61	55.48%	3.04x
Manufacturing	$39,460,469	72.9 Months	747.85	52.66%	2.68x
Office - General[5]	$33,103,678	54.4 Months	772.67	57.88%	2.83x

Loan Category	Commitments	Weighted Average Seasoning (Months)	Weighted Average FICO Score[2]	Weighted Average LTV[3]	Weighted Average DSCR[4]
Commercial Real Estate	$1,346,448,739	38.3 Months	770.60	57%	2.88x
C&I	$224,584,107	34 Months	762.49	31%	8.76x
Construction/Land	$270,634,585	16.5 Months	773.48	48%	9.36x

(1) The Bank's hotel portfolio predominantly consists of travel hotels/motels and as such our occupancy rates are higher than the national average.

(2) Based on best available data. If a loan has multiple guarantors, FICO score represented is highest of the guarantors. FICO scores are based off origination unless updated through annual term loan review or other credit action.

(3) Loan to Value ("LTV") data is based on best available data. LTV at origination is used unless updated information was made available through an annual term loan review or other credit action.

(4) Debt Service Coverage Ratio ("DSCR") data is based on best available data. DSCR at origination is used unless updated information was made available through an annual term loan review or other credit action.

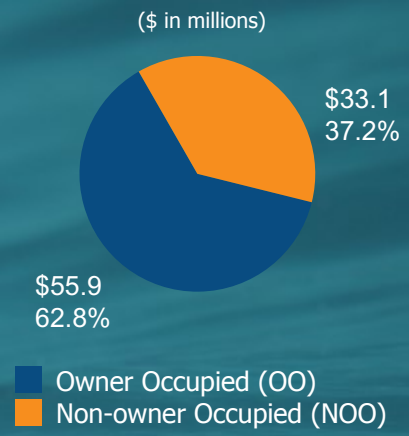
(5) Office - General is office space with desks, cubicles, etc.; Office - Professional includes special purpose spaces such as for doctors, dentists, walk-in clinics, etc. Office loans are suburban properties with an average loan size of $989,000.

Most current data as of December 31, 2023 unless noted otherwise

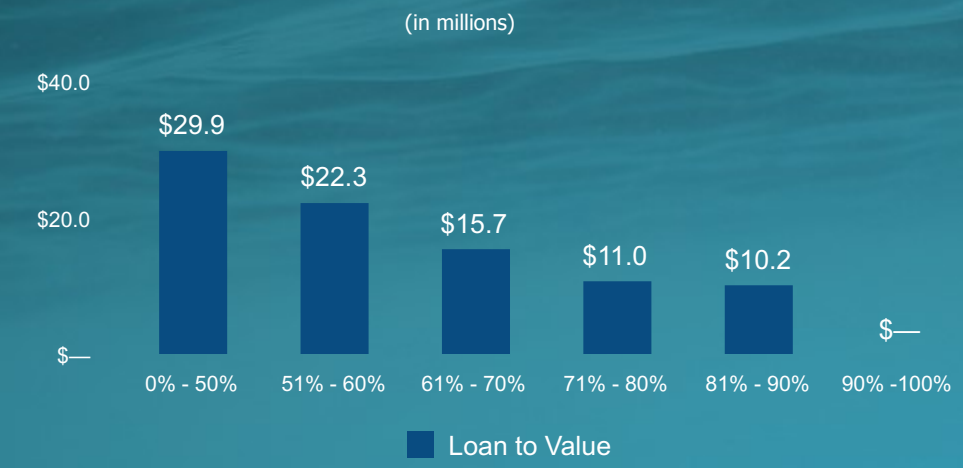
OFFICE LOANS - COMMUNITY BANK

- Office loans are suburban properties
- Office loans are 1.7% of total loans outstanding and available loan commitments
- Average office loan size of $989,000 as of December 31, 2023
- Total of 90 office loans as of December 31, 2023
- Total of $89.0 million in office loans outstanding and available loan commitments of $3.4 million as of December 31, 2023
- No delinquent office loans as of December 31, 2023

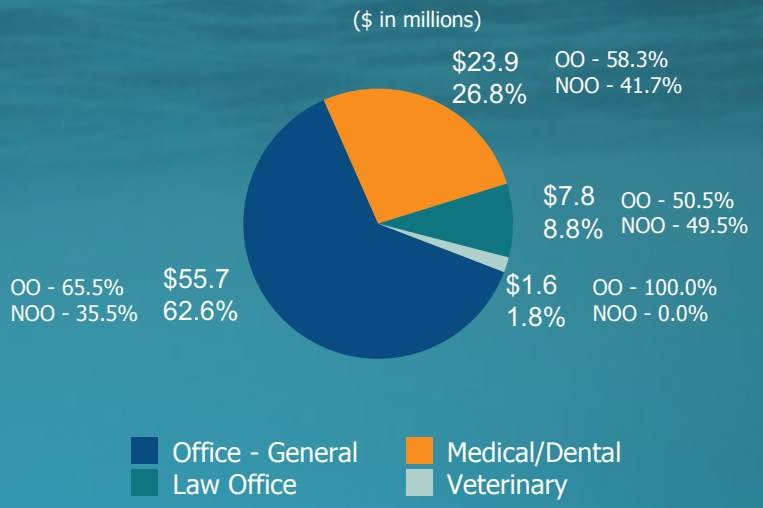
Occupancy Type



Loan to Value Ranges



Collateral Type



Most current data as of December 31, 2023 unless noted otherwise

CCBX LOAN PORTFOLIO STATISTICS & LENDING APPROACH

1. Well-Funded Partner Cash Reserve Accounts

Partner pledges/places cash in a Bank controlled deposit account at an agreed percentage of the loan balance:

- We call this account the cash reserve pledge account;
- The Bank has the right to access the cash reserve account for losses when they occur;
- The percentage in the cash reserve account is determined based on underwriting criteria and the loss rate expected on the loan category and frequency on which the account must be replenished/backfilled (weekly or monthly); and
- We monitor cash pledge accounts regularly to determine if any replenishment amounts are late and to determine consistency of losses with underwriting.

2. Underlying Financial Strength of Our Partners

CCBX Partner ("Partner") contractually agrees to cover credit and fraud losses on loans they originate beyond the cash pledge account and to replenish the cash pledge account:

- Terms are specified in program agreement;
- We compensate the Partner for taking on this risk by paying Partner for credit and fraud enhancements which are reflected as BaaS loan expense on our books; and
- If losses are managed well and lower than expected, then the Partner has higher net revenue (revenue received from the Bank less losses paid to the Bank)- they have a financial incentive to underwrite correctly and reduce/contain losses. We call this skin in the game.

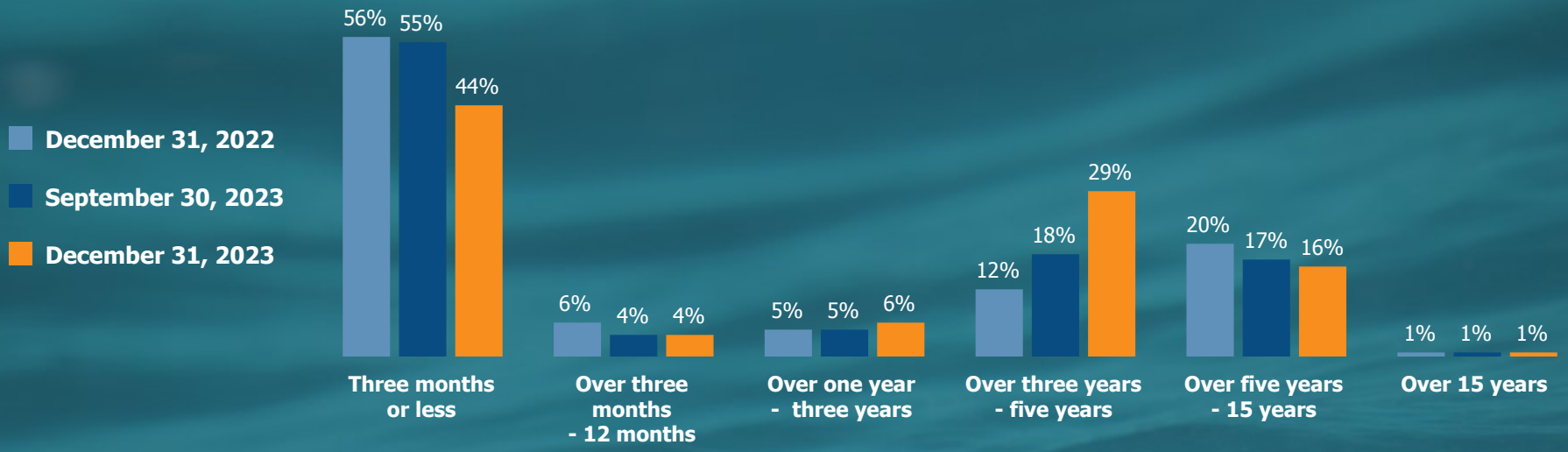
3. Full Economic Benefit and Retention of Loans

Credit enhancement waterfall approach:

- Cash reserve pledge account is available to cover ongoing loan losses and is replenished weekly or monthly;
- The Partner contractually agrees to replenish the cash pledge reserve account based on its financial wherewithal (cash, capital reserves, and future earnings);
- If account is not replenished, then the partner is in default of the agreement and the Bank can withhold credit and fraud enhancement and loan servicing revenue until the account is replenished – the Bank has back-up loan servicing options for partners if it needs to take over servicing;
- If the partner defaults, then the Bank retains all interest to cover future loans, would write-off any amounts due from the partner.
- Note – Loan losses on the loan portfolio will have already been incurred and recognized from using the cash pledge reserve and the cash pledge reserve replenishment feature (financial wherewithal of Partner) so the portfolio that the Bank will be taking over and incurring losses on will be partially or fully seasoned, so loan losses going forward would be anticipated to be lower than the initial losses on the portfolio already incurred by the Partner.

ASSET-SENSITIVE BALANCE SHEET

Loan Repricing



Bank will Benefit when Rates Increase

- Slightly asset sensitive
- 44% of our assets reprice within 3 months as of December 31, 2023

Community Bank Loans:

- 2.89 years weighted average reprice
- 7.09 years weighted average maturity

CCBX loans:

- Portion of rate that bank retains reprices as Fed Funds rate changes
- 71% of CCBX loans are included in "three months or less" in chart above

Loan Strategy:

- shorter term loans
- interest rate swaps
- variable rate loans

Deposit Strategy:

- Funding from noninterest bearing deposits, savings and money markets vs. term deposits (ex. time deposits)
- CCBX deposit costs - after exceeding the floor, deposits reprice as the Fed Funds rate changes

Note: Data as of and for the quarter ended December 31, 2023 unless otherwise indicated.

NON-GAAP RECONCILIATION –Net BaaS Loan Income Interest Margin

The Company uses certain non-GAAP financial measures to provide meaningful supplemental information regarding the Company's operational performance and to enhance investors' overall understanding of such financial performance.

However, these non-GAAP financial measures are supplemental and are not a substitute for an analysis based on GAAP measures. As other companies may use different calculations for these adjusted measures, this presentation may not be comparable to other similarly titled adjusted measures reported by other companies.

The following non-GAAP measure is presented to illustrate the impact of BaaS loan expense on net loan income and yield on CCBX loans.

Net BaaS loan income divided by average CCBX loans is a non-GAAP measure that includes the impact BaaS loan expense on net BaaS loan income and the yield on CCBX loans. The most directly comparable GAAP measure is yield on CCBX loans.

The following non-GAAP measure is presented to illustrate the impact of BaaS loan expense on net interest income and net interest margin.

Net interest income net of BaaS loan expense is a non-GAAP measure that includes the impact BaaS loan expense on net interest income. The most directly comparable GAAP measure is net interest income.

Net interest margin, net of BaaS loan expense is a non-GAAP measure that includes the impact of BaaS loan expense on net interest rate margin. The most directly comparable GAAP measure is net interest margin.

Reconciliations of the GAAP and non-GAAP measures are presented below.

	As of and for the Three Months Ended		
(dollars in thousands; unaudited)	December 31, 2023	September 30, 2023	December 31, 2022
Net BaaS loan income divided by average CCBX loans:			
CCBX loan yield (GAAP)[1]	17.36 %	17.05 %	15.20 %
Total average CCBX loans receivable	$ 1,196,137	$ 1,309,380	$ 994,080
Interest and earned fee income on CCBX loans (GAAP)	52,327	56,279	38,086
BaaS loan expense	(24,310)	(23,003)	(17,215)
Net BaaS loan income	$ 28,017	$ 33,276	$ 20,871
Net BaaS loan income divided by average CCBX loans [1]	9.30 %	10.08 %	8.33 %
Net interest margin, net of BaaS loan expense:			
CCBX interest margin [1]	8.62 %	9.66 %	10.01 %
CCBX earning assets	1,765,502	1,684,012	1,212,661
Net interest income	38,338	40,990	30,582
Less: BaaS loan expense	(24,310)	(23,003)	(17,215)
Net interest income, net of BaaS loan expense	$ 14,028	$ 17,987	$ 13,367
Net interest margin, net of BaaS loan expense [1]	3.15 %	4.24 %	4.37 %

[1] Annualized for periods presented.

NON-GAAP RECONCILIATION – 2017 ADJUSTED MEASURES

Some of the financial measures included in this presentation are not measures of financial performance recognized by GAAP. Our management uses the non-GAAP financial measures set forth below in its analysis of our performance for 2017 to exclude the impact of a deferred tax asset revaluation due to the enactment of the Tax Cuts and Jobs Act.

- "Adjusted net income" is a non-GAAP measure defined as net income increased by the additional income tax expense that resulted from the revaluation of deferred tax assets as a result of the reduction in the corporate income tax rate under the recently enacted Tax Cuts and Jobs Act. The most directly comparable GAAP measure is net income.

(dollars in thousands)	As of or for the Year Ended, December 31, 2017
Adjusted net income:	
Net income	$ 5,436
Plus: additional income tax expense	1,295
Adjusted net income	$ 6,731