

COASTAL FINANCIAL CORPORATION

Investor Presentation





Dated October 30, 2020

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If one or more events related to these or other risks or uncertainties materialize, or if Coastal's underlying assumptions prove to be incorrect, actual results may differ materially from what Coastal anticipates. You are cautioned not to place undue reliance on forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made and Coastal undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

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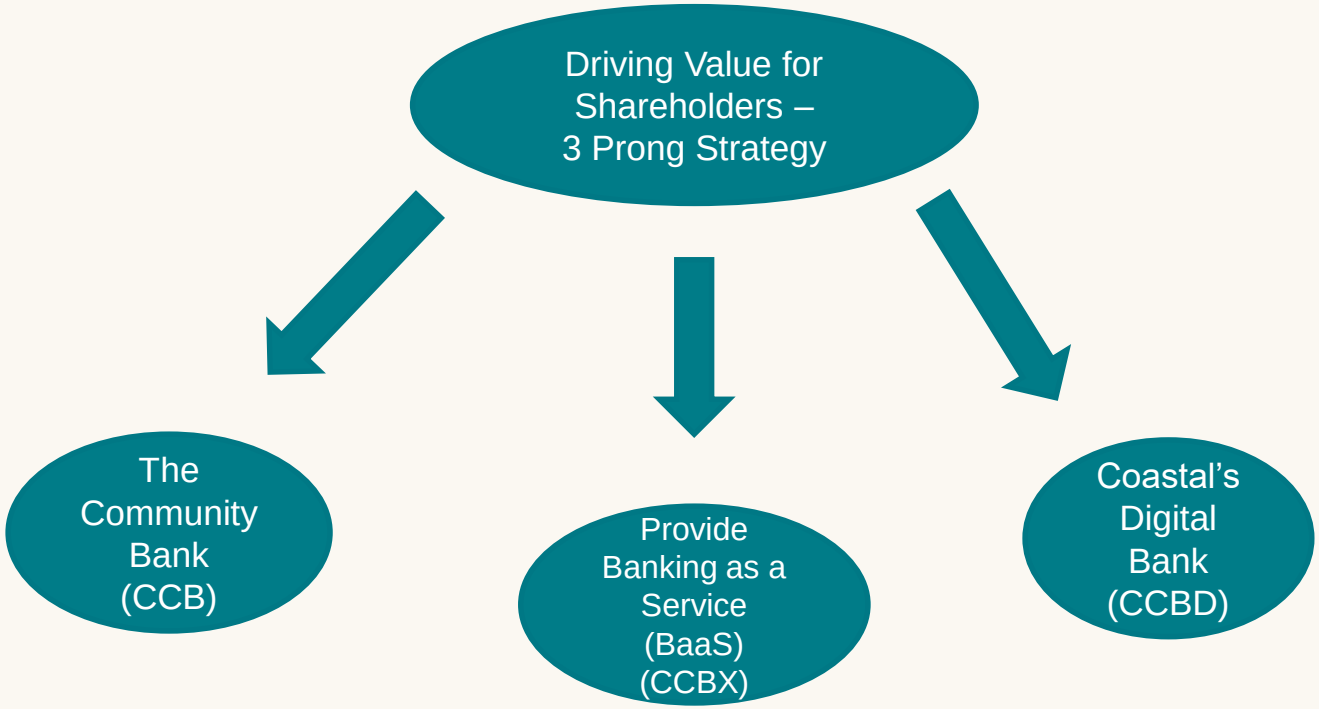
Non-GAAP Financial Measures

This presentation includes certain 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"), including adjusted net income, adjusted earnings per share, adjusted effective tax rate, adjusted return on average assets and adjusted return on average shareholders' equity. These non-GAAP financial measures 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 also contains certain non-GAAP financial measures in addition to results presented in accordance with GAAP relating to "pre-tax, pre-provision net income" and "pre-tax, pre-provision return on average assets" to illustrate the impact of provision for loan losses and provision for income taxes on net income and return on average assets. The most directly comparable GAAP measure to "pre-tax, pre-provision net income" is net income. The most directly comparable GAAP measure to "pre-tax, pre-provision return on average assets" is return on average assets. Reconciliations of the GAAP and non-GAAP measures are presented in the Appendix of this presentation.

This presentation also contains certain non-GAAP financial measures in addition to results presented in accordance with GAAP to illustrate and identify the impact of Paycheck Protection Program (PPP) loans, Paycheck Protection Program Liquidity Facility (PPPLF) borrowings, customer deposits from PPP loans, and related earnings and expenses. By removing these significant items and show what the results would have been without them we are providing investors with the information to better compare results with periods that did not have these significant items. Adjusted allowance for loan losses to loans receivable is a non-GAAP measure that excludes the impact of PPP loans on balance sheet. The most directly comparable GAAP measure is allowance for loan losses. Adjusted yield on loans receivable is a non-GAAP measure that excludes the impact of PPP loans on balance sheet. The most directly comparable GAAP measure is yield on loans. Adjusted contractual yield on loans receivable, excluding earned fees is a non-GAAP measure that excludes the impact of PPP loans on balance sheet. The most directly comparable GAAP measure is contractual yield on loans, excluding fees. Reconciliations of the GAAP and non-GAAP measures are presented in the Appendix of this presentation.

Three Prong Long-Term Strategy



No matter how we talk to our customers or what type of customer, Compliance and Operational Integrity are the same.

Corporate Overview

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

Headquarters

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

Branches

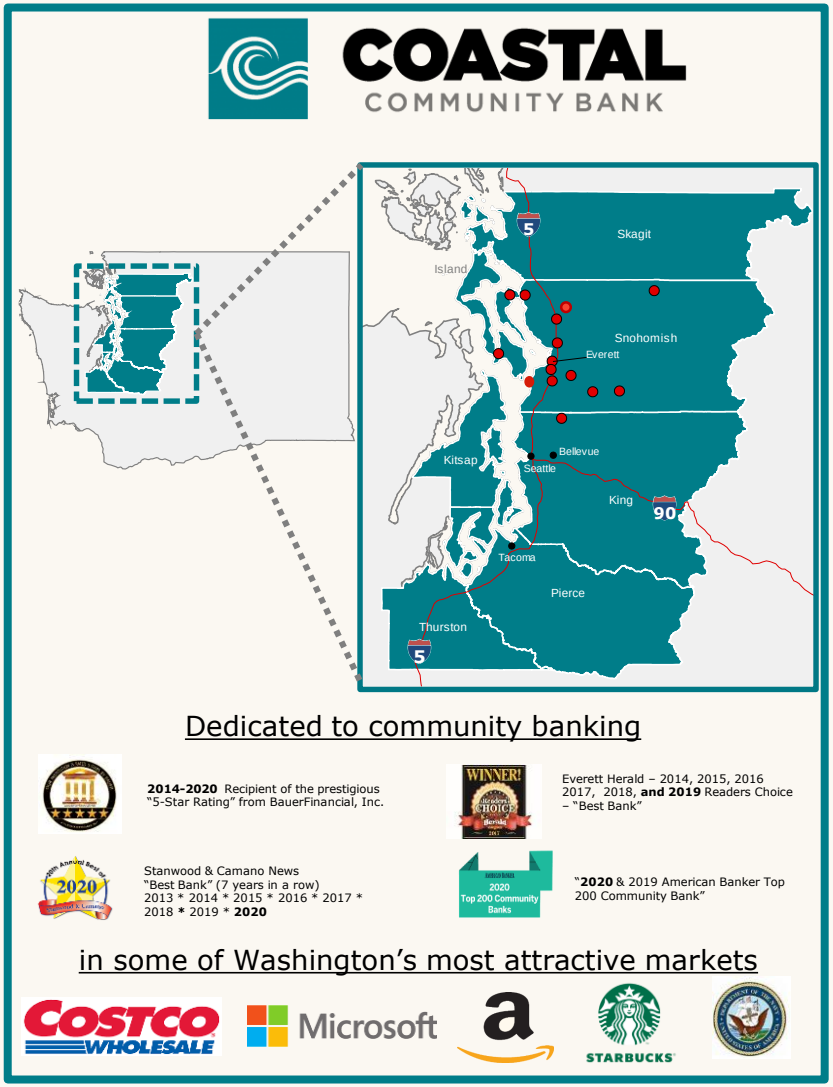
- 15 full-service banking locations
  - 12 in Snohomish County
  - Opened Edmonds branch in October 2018
  - Opened Arlington branch in June 2020
  - 2 in Island County
  - 1 in King County (Seattle)

Size and Scale

- $1.7 billion in total assets
- $1.5 billion in total loans
- $1.4 billion in total deposits
- Largest community bank by deposit market share in Snohomish County

Focus

- Meet the financial needs of the community
- Make decisions locally
- Support the communities the Bank serves



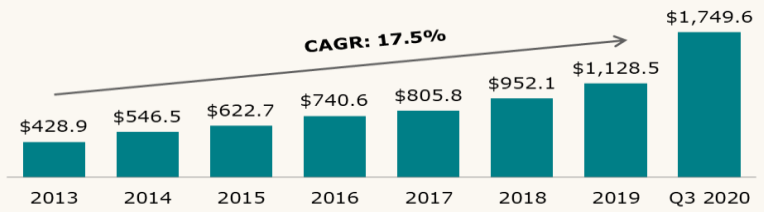
Note: Data as of September 30, 2020 unless otherwise indicated

Financial Highlights

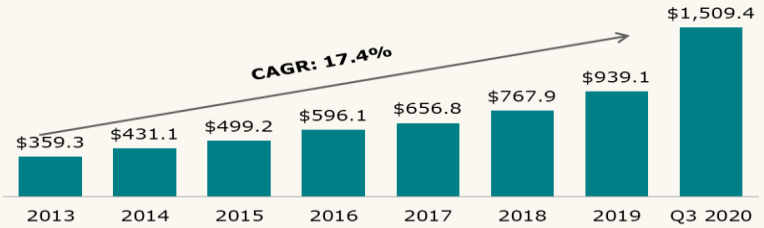
As of and for the Nine Months Ended September 30, 2020

Balance Sheet ($mm)	
Total Assets	$1,749.6
Total Loans	$1,509.4
Total Deposits	$1,360.0
Total Shareholders' Equity	$135.2
Earnings and Profitability	
Net Income ($mm)	$10.5
Return on Average Assets ("ROAA") Annualized	0.96%
Pre-Tax, Pre-Provision ROA Annualized	1.73%
"Pre-tax, pre-provision return on average assets" is a non-GAAP measure that excludes the impact of provision for loan losses and provision for income taxes from return on average assets. The most directly comparable GAAP measure is return on average assets.	
Return on Average Shareholders' Equity Annualized	10.73%
Net Interest Margin Annualized	3.81%
Efficiency Ratio	59.3%
Loans Receivable to Deposits	111.0%
Capital Ratios (Consolidated)	
Tangible Equity to Tangible Assets (1)	7.73%
Tier 1 Leverage Ratio	9.20%
Tier 1 Risk-Based Capital Ratio	12.45%
Total Risk-Based Capital Ratio	14.61%
Asset Quality	
Total Nonperforming Assets to Total Assets	0.26%
Total Nonperforming Loans to Total Loans	0.30%
Allowance for Loan Losses to Total Loans	1.13%
Net Charge-Offs to Average Loans Annualized	0.01%

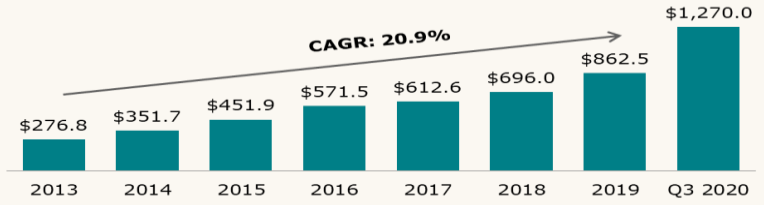
Total Assets



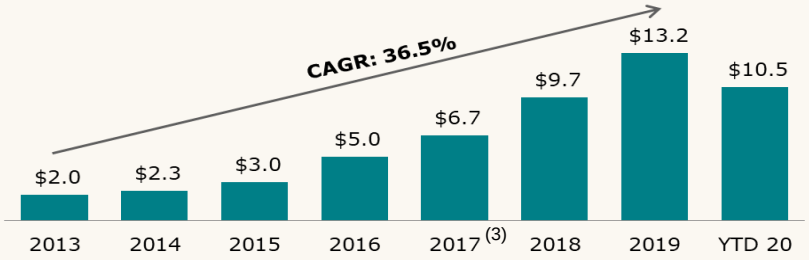
Total Loans



Core Deposits (2)



Net Income



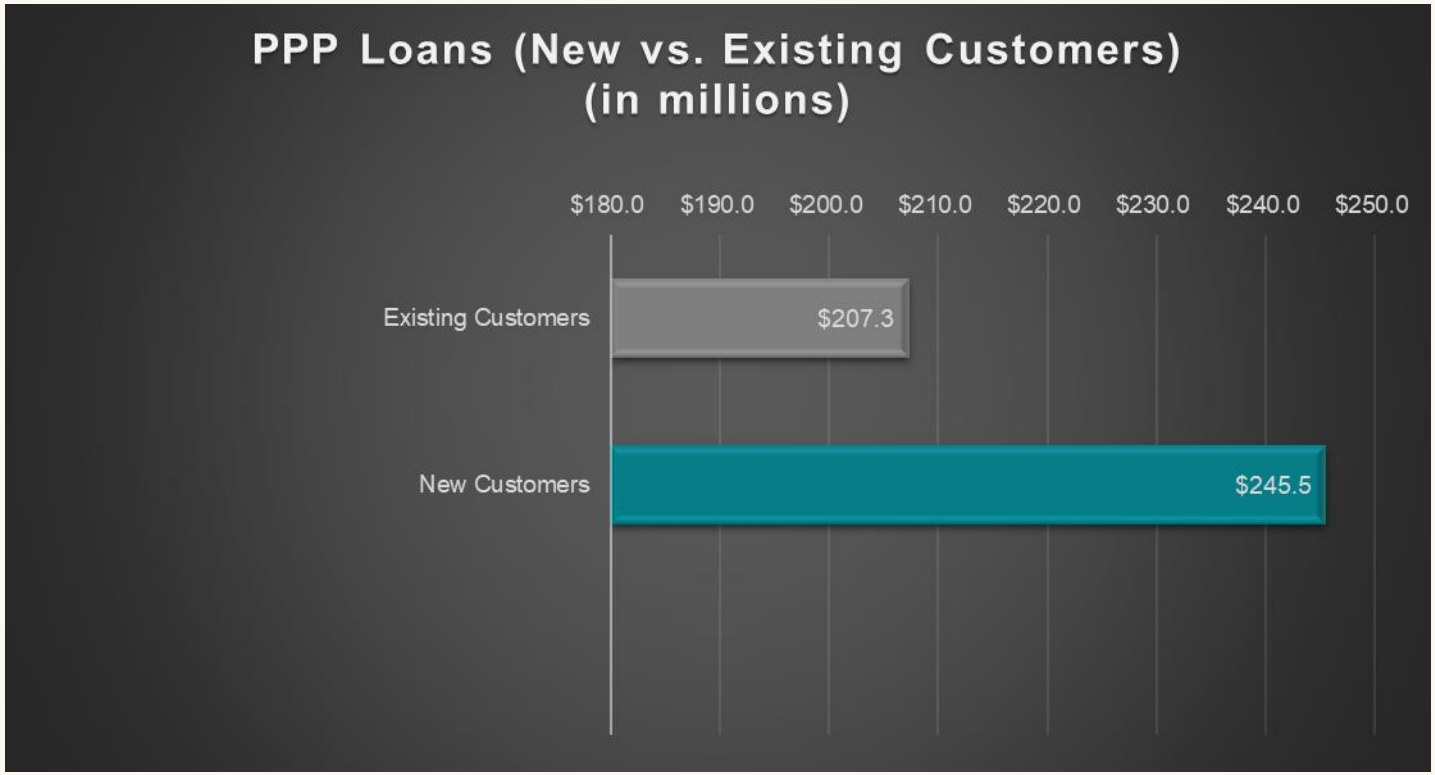
(1) Tangible equity to tangible assets is a non-GAAP measure. Since there is no goodwill or other intangible assets as of the date indicated, tangible equity to tangible assets is the same as total shareholders' equity to total assets as of the date indicated.

Note: Annual data as of or for the year ended December 31 of each respective year
(2) Consists of total deposits less all time deposits, BaaS, 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.

COVID-19 Response – PPP Loans

- As a preferred Small Business Administration (“SBA”) lender, we have funded $452.8 million in financial assistance to existing and new small business customers via the Paycheck Protection Program (“PPP”) as provided in the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), which represents 2,879 loans, impacting nearly 40,000 employees in our communities as of September 30, 2020.

- Utilized the Paycheck Protection Program Liquidity Facility (“PPPLF”) to fund PPP loans. $202.6 million loans pledged and borrowed at September 30, 2020.

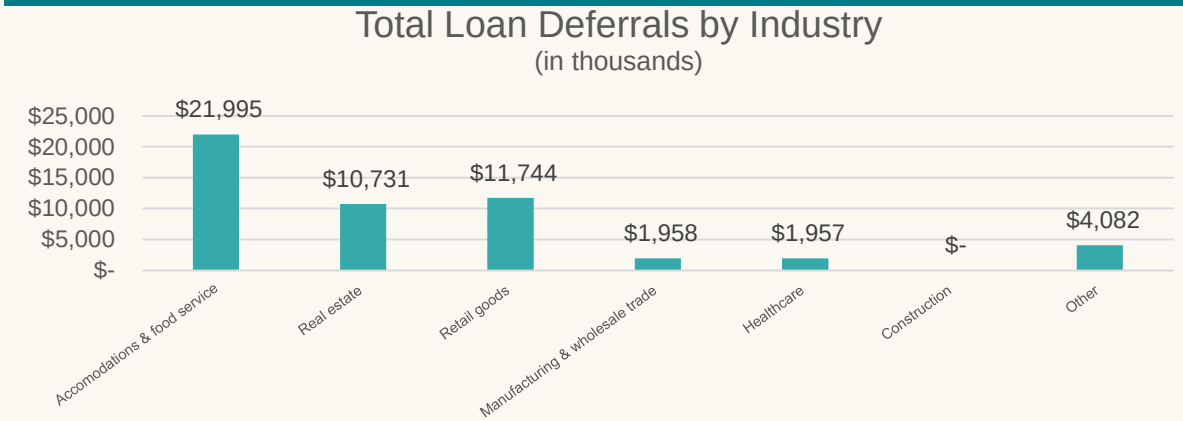


COVID-19 Response – Loan Modifications

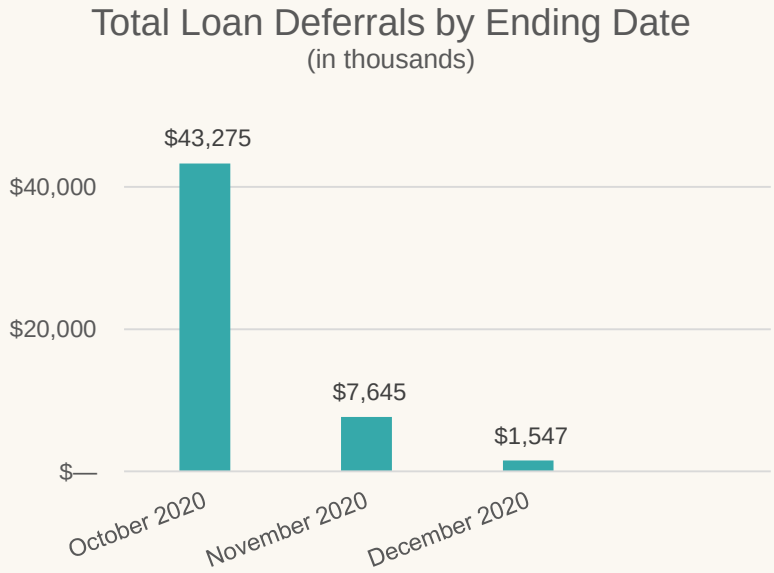
Modifications to Total Loan



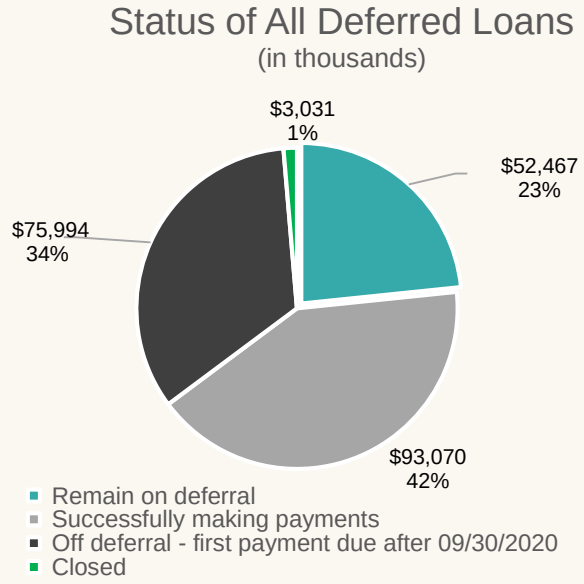
Loan Modifications By Industry(1)



Total Deferrals by Ending Date1)



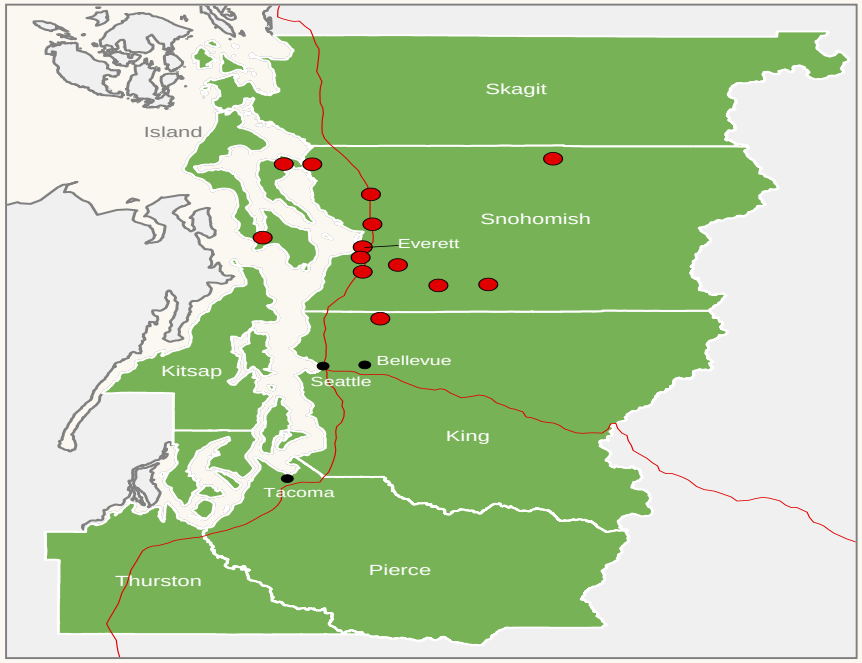
Status of All Deferred Loans(1)



(1) Deferral balances reflect deferrals still remaining as of September 30,2020

Core Markets – Snohomish County

Puget Sound Region



Notable Employers

BOEING
PROVIDENCE Health & Services
Microsoft
TULALIP TRIBES
NAVAL STATION EVERETT
STARBUCKS COFFEE

Snohomish County Branch Statistics (1)

Company Name	Number of Branches						Branch Deposits (000s)	
	Pre - Crisis			Post - Crisis			2020	Avg. Deposits/
	2004	2005	2006	2018	2019	2020	Deposits	Branch
Bank of America Corp.	22	23	23	21	21	20	$2,851,997	$142,600
JPMorgan Chase & Co.	23	23	23	25	24	22	2,366,885	107,586
Wells Fargo & Co.	17	17	17	20	19	16	1,731,228	108,202
Coastal Financial Corp.	**3**	**4**	**5**	**10**	**11**	**12**	**1,123,359**	**93,613** (2)
U.S. Bancorp	12	12	12	12	12	12	948,801	79,067

Largest Locally HQ'd Bank in Snohomish County (1)

Institution (Headquarter State)	Overall Rank	In-Market HQ Rank	Deposits in Market ($ in millions)	Number of Branches	Deposit Market Share (%) as of 6/30/2020
Bank of America Corp. (NC)	1		2,852	20	19.2%
JPMorgan Chase & Co. (NY)	2		2,367	22	15.9%
Wells Fargo & Co. (CA)	3		1,731	16	11.7%
Coastal Financial Corp. (WA) at 9/30/2020 (2)	4	1	1,142	12	7.7%
Coastal Financial Corp. (WA)	**4**	**1**	**1,123**	**12**	**7.6%**
U.S. Bancorp (MN)	5		949	12	6.4%
KeyCorp (OH)	6		798	16	5.4%
FS Bancorp Inc. (WA)	7	2	692	4	4.7%
Heritage Financial Corp. (WA)	8		554	8	3.7%
Mitsubishi UFJ Financial	9		514	7	3.5%
Washington Federal Inc. (WA)	10		486	9	3.3%
Total for Institutions In Market	**28**		**14,856**	**167**	

(1) Source: S&P Global Market Intelligence; FDIC's Summary of Deposits as of June 30, 2020
(2) Total Deposits in Market for Coastal Financial Corporation are $1.1 billion at September 30, 2020

Community Bank, Community Bankers

COASTAL COMMUNITY BANK

Basic Principles of Community Banking

- Know our markets and our customers
- Meaningfully contribute to communities we serve

#1 Contributor of Service Hours per Employee

- Coastal employees contributed the most community service hours per employee in 2017 as reported by the *Puget Sound Business Journal*
- Top 15 in total 2018 volunteer hours of all business reporting in the Puget Sound per the Puget Sound Business Journal

Employee Leadership in Non-Profit Organizations

- Coastal employees volunteer or serve on the Boards of 56 local non-profit organizations within the community
- Employee volunteer hours surpassed 9,700 supporting more than 173 organizations in 2019

"It's representative of the bank's commitment to Community. We believe this is the best way to deliver charitable dollars to the communities where we do business. This is about the bank's employees doing something together in order to make a real impact."

– Lee Pintar, founder of Coastal Community Bank

Coastal Employee Giving Fund

- Created in 2002, the Coastal Employee Giving Fund through the Greater Everett Foundation, has given over 397 grants exceeding $572,650

Awards and Achievements

2019, 2018, 2017**,** 2016, 2015 and 2014 Readers Choice "Best Bank"
- *Everett Herald*

"Corporate Citizenship Award 2014-2018"
- *Puget Sound Business Journal*

"Small-Cap All Star Class of 2020 and 2019"
- *Sandler O'Neill*

"Top 200 Community Bank in 2020"
"Top 200 Community Bank in 2019"
- *American Banker*

"Raymond James 2020 Community Bankers Cup Award"

Loan Composition

61.0% of loans (measured by dollar amount outstanding) were secured by real estate, and 88% were made to borrowers who live or conduct business, in the Puget Sound region

$31.8 million legal lending limit as of September 30, 2020

Overall Loan Portfolio

- 2.37 years weighted average reprice
- 5.46 years weighted average maturity

Commercial & Industrial ("C&I") Portfolio

- $589.2 million total C&I loans
  - $452.8 million in PPP C&I loans
  - $136.4 million in other C&I loans
- $461.3 million of Small Business Administration "SBA" loans in C&I portfolio

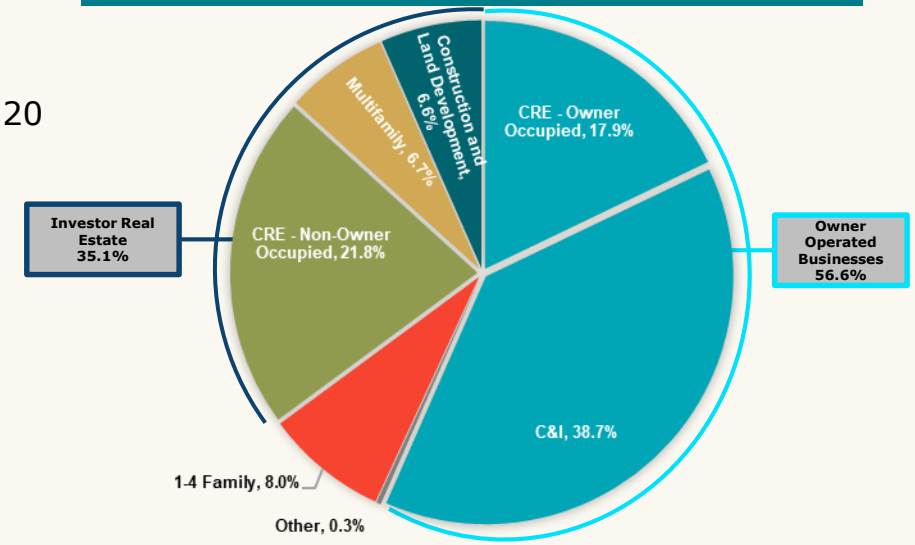
Commercial Real Estate ("CRE") Portfolio

- $806.1 million total CRE loans
- 340% regulatory aggregate CRE to total risk-based capital (1)
- $4.8 million of SBA 504 loans in portfolio

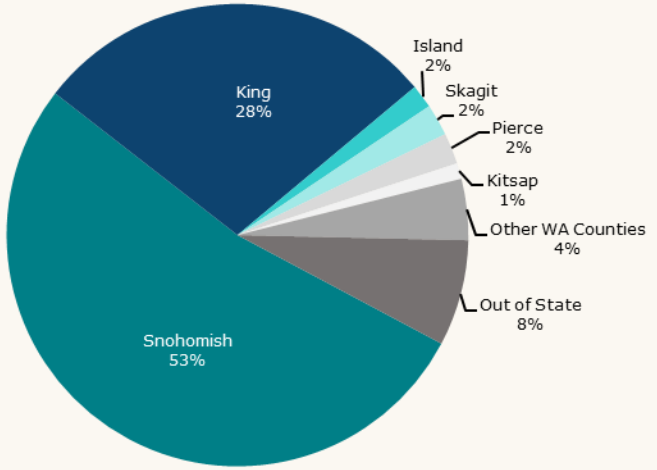
1-4 Family Real Estate Portfolio

- $121.1 million total 1-4 family loans
  - ➢ $17.9 million purchased from financial institutions, all of which were individually re-underwritten

Loan Composition



Loan Concentrations by County



(1) Calculated on Bank-level Tier 1 Capital + Allowance for Loan Losses as of September 30, 2020

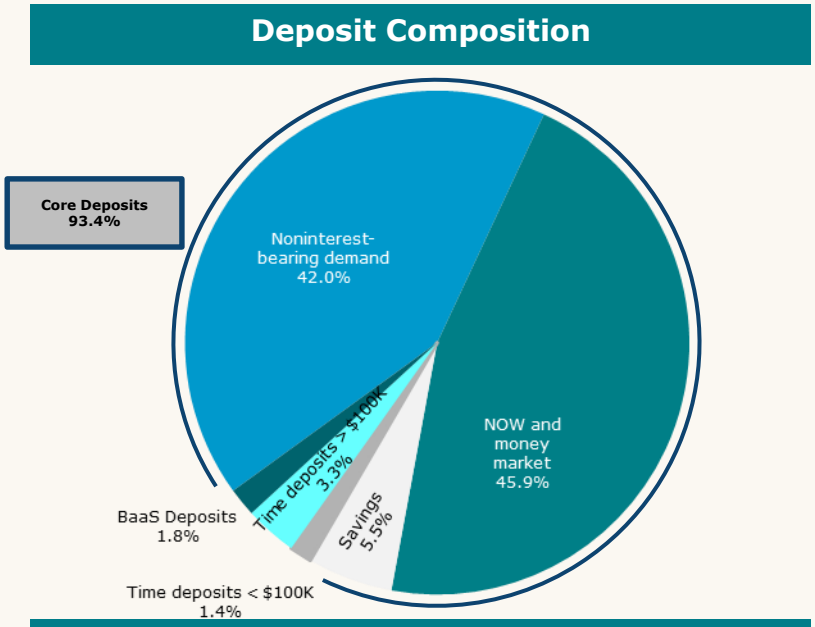
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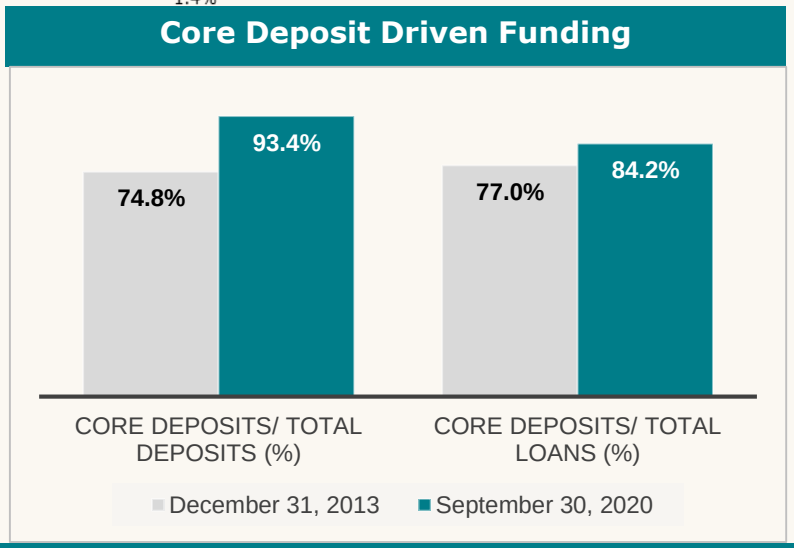
Deposit Composition

Emphasis on core deposits has helped generate an attractive funding mix

Core Deposit Franchise

- We define core deposits as total deposits less time deposits, BaaS deposits, and brokered deposits
- 84.2% of total loans were funded with core deposits as of September 30, 2020
- Core deposits were 93.4% of total deposits as of September 30, 2020
- Cost of total deposits was 0.27% for the quarter ended September 30, 2020 versus 0.64% for the quarter ended September 30, 2019, and 0.35% for the quarter ended June 30, 2020
- Deposit rates were lowered and most rate changes were effective March and April 2020
- No internet-sourced deposits
- Ability to use funding from BaaS program

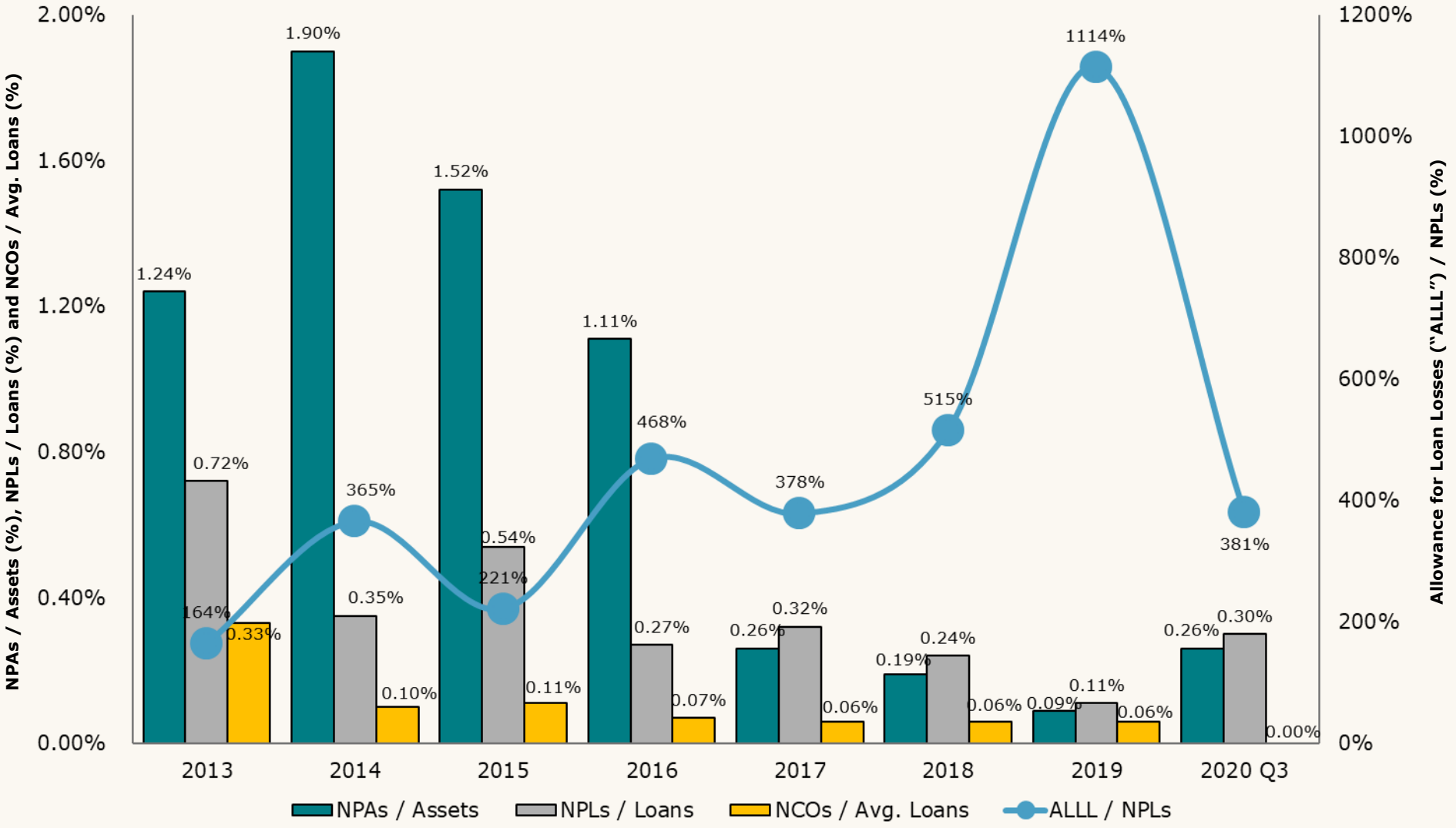




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Strong Asset Quality

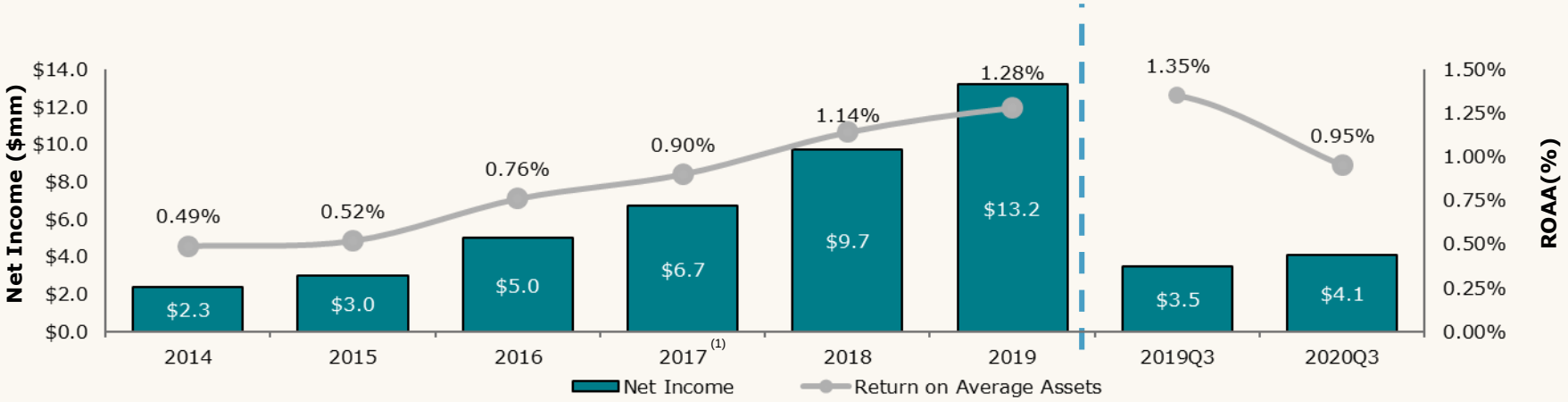
Asset Quality Trends



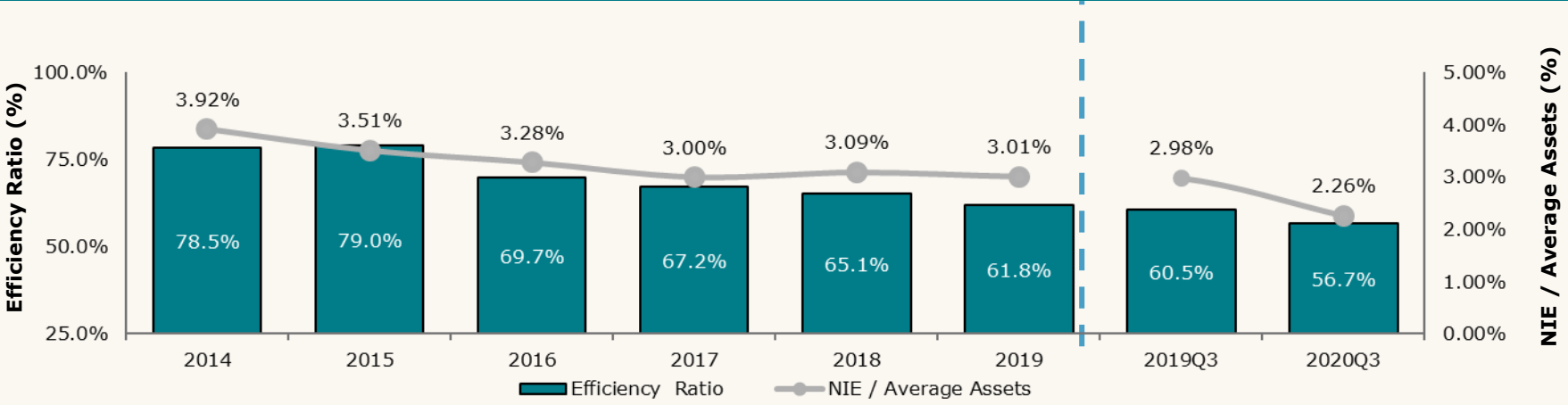
Note: Data as of and for the year ended December 31 of each respective year unless noted otherwise

Historic Profitability and Efficiency

Net Income and Return on Average Assets (assets for Q3 2020 include $452.8 million in PPP loans)



Efficiency Ratio (%) and Noninterest Expense ("NIE") to Average Assets (%) (assets for Q3 2020 include $452.8 million in PPP loans)



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 September 30 of each respective year.
(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.

Recent Developments

2020 Q3 Financial Results:

Earnings	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Net Income (Dollars in millions)	$4.1	$3.5	$10.5	$9.6
Basic Earnings Per Share	$0.34	$0.30	$0.88	$0.81
Return on Average Assets	0.95% (1)	1.35%	0.96% (1)	1.27%
Pre-Tax, Pre-Provision Return (2) on Average Assets	1.72% (1)	1.95%	1.73% (1)	1.83%
Provision for Loan Losses (Dollars in thousands)	$2,200 (3)	$637	$5,708 (3)	$1,724

Balance Sheet	As of the quarter ended (Dollars in millions, except per share amounts) September 30, 2020	June 30, 2020	September 30, 2019
Total Assets	$1,749.6 (1)	$1,679.0 (1)	$1,090.1
Total Loans (1)	$1,509.4 (1)	$1,447.1	$874.1
Total Deposits	$1,360.0	$1,306.4	$922.2
Total Shareholders' Equity	$135.2	$131.0	$120.4
Book Value Per Share	$11.34	$10.98	$10.11

(1) Includes $452.8 million in PPP loans in the third quarter of 2020 and $438.1 million in PPP loans in the second quarter of 2020
(2) Pre-Tax, Pre-Provision return on average assets is a non-GAAP measure that excludes the impact of the provision for income taxes and loan losses from return on average assets. Please refer to non-GAAP reconciliation in the Appendix for additional details
(3) Increased provision for loan losses in the first three quarters of 2020 compared to comparable periods of 2019 due to the COVID-19 pandemic

- **CCBX Division introduced January 27, 2020.**
  - Provides Banking as a Service ("BaaS") enabling broker dealers and digital financial service providers to offer their clients banking services.
  - The "X" is indicative of the technology services that our partners provide.

- **Fintech Partners –** As of September 30, 2020, we have four active partners, one in friends and family trials, four in onboarding/implementation, two signed LOI's, and a solid pipeline of potential new relationships.

- **Infrastructure –** We hired support staff to build infrastructure and are making additional hires in 2020 for new partners. The investments we are making today are not for immediate returns but for longer-term returns that we believe will build value for shareholders while benefiting our customers, employees, and communities that we serve. We entered into an agreement with a Fintech and made an investment in them to build a standardized platform to allow us to more profitably deliver BaaS to Fintechs desiring standardized banking services for their customers.

- **Cost –** As we build out CCBX, we will do our best to cover related costs with new revenues from CCBX customers. These hires are investments in our future and necessary to perform the services safely and soundly and to manage the risks associated with this line of business.

- **Risk –** We hired a Chief Risk Officer and Data Scientist/Architect with PhD in Artificial Intelligence to perform services safely and soundly. We also recently announced that we are building an integrated compliance and reporting system to monitor and address these risks through an investment and contractual agreement with Neocova. Although we carefully underwrite and complete extensive due diligence of each partner, we know that all of partners may not be successful, and like any new business some might fail. Through ongoing monitoring of each relationship, we believe that we will be able to minimize any impact, but recognize that income streams may diminish should a partner fail.

- **Compliance –** We are very cognizant of both our compliance responsibility and the *True Lender Doctrine*, and should any of our partners offer lending products, the Bank will be the True Lender and engage with the relationships accordingly.

- **Financial Reporting –** Starting with the fourth quarter 2019, we have changed references made to "wholesale" and "wholesale banking services" to "BaaS" and "BaaS fees."

- **Asset Growth –** Some of our fintech contracts include lending products which, if successful, may potentially lead to additional loan growth beyond the community bank's organic growth, use of funding from partners, increased utilization of capital, and additional growth in assets.

Coastal's Digital Bank Through Collaboration With Google

- Coastal's collaboration with Google is anticipated to be a great avenue for us to reach existing customers, our communities, and expand to new communities in the coming years. We expect that the new platform will provide customers with an enhanced customer experience and provide them with new avenues to interact with us.

- With a projected launch in 2021, the Google banking platform will give Coastal the opportunity to tap into a younger demographic and offer consumer products to further diversify our customer base.

- Why is this important?

  - Already this year, we have seen community banks launch their own stand-alone digital bank (like Incredible Bank and Rising Bank).

  - Banks must reinvent by pursuing a new strategic focus, building new expertise and establishing new ways of working in order to survive.

Appendix

COASTAL
COMMUNITY BANK

Selected Year-End Financials

(Dollars in thousands, except per share data)	As of and for the Year Ended December 31, 2019	2018	2017	2016	2015
Statement of Income Data:					
Total interest income	$ 48,587	$ 38,743	$ 32,113	$ 28,460	$ 24,829
Total interest expense	6,576	3,926	2,875	2,523	2,501
Provision for loan losses	2,544	1,826	870	1,919	941
Net interest income after provision for loan losses	39,467	32,991	28,368	24,018	21,387
Total noninterest income	8,258	5,467	4,154	4,977	3,506
Total noninterest expense	31,063	26,216	22,433	21,538	20,406
Provision for income taxes	3,461	2,541	4,653	2,454	1,483
Net income	13,201	9,701	5,436	5,003	3,004
Adjusted net income [1]	N/A	N/A	6,731	N/A	N/A
Balance Sheet Data:					
Cash and cash equivalents	$ 127,814	$ 125,782	$ 89,751	$ 86,975	$ 84,674
Investment securities	32,710	37,922	38,336	34,994	16,150
Loans	939,103	767,899	656,788	596,128	499,186
Allowance for loan losses	11,470	9,407	8,017	7,544	5,989
Total assets	1,128,526	952,110	805,753	740,611	622,678
Interest-bearing deposits	596,716	510,089	460,937	424,707	370,028
Noninterest-bearing deposits	371,243	293,525	242,358	223,955	173,554
Total deposits	967,959	803,614	703,295	648,662	543,582
Total borrowings	23,562	33,546	33,529	28,513	20,376
Total shareholders' equity	124,173	109,156	65,711	59,897	55,753
Share and Per Share Data: [2]					
Shares outstanding at end of period	11,913,885	11,893,203	9,248,901	9,238,788	9,232,538
Weighted average common shares outstanding–diluted	12,196,120	10,608,764	9,237,629	9,227,216	9,220,836
Book value per share	$ 10.42	$ 9.18	$ 7.11	$ 6.48	$ 6.04
Tangible book value per share [3]	10.42	9.18	7.11	6.48	6.04
Earnings per share – basic	1.11	0.93	0.59	0.54	0.33
Earnings per share – diluted	1.08	0.91	0.59	0.54	0.33
Adjusted earnings per share – diluted [1]	N/A	N/A	0.73	N/A	N/A
Performance Ratios:					
Return on average assets	1.28%	1.14%	0.73%	0.76%	0.52%
Adjusted return on average assets [1]	N/A	N/A	0.90%	N/A	N/A
Return on average shareholders' equity	11.29%	11.40%	8.27%	8.56%	5.52%
Adjusted return on average shareholders' equity [1]	N/A	N/A	10.24%	N/A	N/A
Credit Quality Ratios:					
Nonperforming assets to total assets	0.09%	0.19%	0.26%	1.11%	1.52%
Nonperforming assets to total loans and OREO	0.11%	0.24%	0.32%	1.38%	1.89%
Nonperforming loans to total loans	0.11%	0.24%	0.32%	0.27%	0.54%
Allowance for loan losses to total loans	1.22%	1.23%	1.22%	1.27%	1.20%
Net charge-offs to average loans	0.06%	0.06%	0.06%	0.07%	0.11%

(1) Refer to "Non-GAAP Reconciliation" in this Appendix for additional details.
(2) Share and per share amounts are based on total common shares outstanding, which includes common stock and nonvoting common stock.
(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.

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.
- "Adjusted earnings per share" is a non-GAAP measure defined as net income, plus additional income tax expense as noted above, divided by weighted average outstanding shares (diluted). The most directly comparable GAAP measure is earnings per share.
- "Adjusted return on average assets" is a non-GAAP measure defined as net income, plus additional income tax expense as noted above, divided by average assets. The most directly comparable GAAP measure is return on average assets.
- "Adjusted return on average shareholders' equity" is a non-GAAP measure defined as net income, plus additional income tax expense as noted above, divided by average shareholders' equity. The most directly comparable GAAP measure is return on average shareholders' equity.

(Dollars in thousands, except share and per share data)	As of and for the Year Ended December 31, 2017
Adjusted net income:	
Net income	$ 5,436
Plus: additional income tax expense	1,295
Adjusted earnings per share	$ 6,731
Adjusted earnings per share—diluted	
Net income	$ 5,436
Plus: additional income tax expense	1,295
Adjusted net income	$ 6,731
Weighted average common shares outstanding—diluted (1)	9,237,629
Adjusted earnings per share—diluted (1)	$ 0.73
Adjusted return on average assets	
Net income	$ 5,436
Plus: additional income tax expense	1,295
Adjusted net income	$ 6,731
Average assets	$ 748,940
Adjusted return on average assets	0.90%
Adjusted return on average shareholders' equity	
Net income	$ 5,436
Plus: additional income tax expense	1,295
Adjusted net income	$ 6,731
Average shareholders' equity	$ 65,720
Adjusted return on average shareholders' equity	10.24%

(1) Share and per share amounts are based on total common shares outstanding, which includes common stock and nonvoting common stock. These amounts have been adjusted to give effect to a one-for-five reverse stock split of common shares completed effective May 4, 2018.

Selected Quarterly Financials

(Dollars in thousands, except per share data)	As of and for the Quarter Ended 2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3
Statement of Income Data:					
Total interest income	$ 16,394	$ 15,426	$ 13,120	$ 13,034	$ 12,355
Total interest expense	1,298	1,433	1,756	1,703	1,628
Provision for loan losses	2,200	1,930	1,578	820	637
Net interest income after provision for loan losses	12,896	12,063	9,786	10,511	10,090
Total noninterest income	1,942	1,520	2,671	2,059	2,088
Total noninterest expense	9,666	8,945	9,019	8,015	7,748
Provision for income taxes	1,082	967	714	947	919
Net Income	4,090	3,671	2,724	3,608	3,511
Balance Sheet Data:					
Cash and cash equivalents	$ 182,170	$ 174,176	$ 129,236	$ 127,814	$ 153,347
Investment securities	23,782	24,318	19,759	32,710	32,696
Loans	1,509,389	1,447,144	1,005,180	939,103	874,112
Allowance for loan losses	17,046	14,847	12,925	11,470	10,888
Total assets	1,749,619	1,678,956	1,184,071	1,128,526	1,090,060
Interest-bearing deposits	789,347	742,633	659,559	596,716	573,162
Noninterest-bearing deposits	570,664	563,794	345,503	371,243	349,087
Total deposits	1,360,011	1,306,427	1,005,062	967,959	922,249
Core Deposits	1,270,249	1,212,215	892,408	862,516	817,593
Total borrowings	241,167	228,725	38,564	23,562	33,557
Total shareholders' equity	135,232	130,977	127,166	124,173	120,422
Share and Per Share Data: [1]					
Shares outstanding at end of period	11,930,243	11,926,263	11,929,413	11,913,885	11,912,115
Weighted average common shares outstanding–diluted	12,181,272	12,190,284	12,208,175	12,213,512	12,188,507
Book value per share	$ 11.34	$ 10.98	$ 10.66	$ 10.42	$ 10.11
Tangible book value per share [2]	11.34	10.98	10.66	10.42	10.11
Earnings per share – basic	0.34	0.31	0.23	0.30	0.30
Earnings per share – diluted	0.34	0.30	0.22	0.30	0.29
Performance Ratios:					
Return on average assets	0.95%	0.96%	0.96%	1.31%	1.35%
Return on average shareholders' equity	12.14%	11.37%	8.66%	11.66%	11.72%
Credit Quality Ratios:					
Nonperforming assets to total assets	0.26%	0.26%	0.06%	0.09%	0.12%
Nonperforming assets to total loans and OREO	0.30%	0.31%	0.08%	0.11%	0.15%
Nonperforming loans to total loans	0.30%	0.31%	0.08%	0.11%	0.15%
Allowance for loan losses to total loans	1.13%	1.03%	1.29%	1.22%	1.25%
Net charge-offs to average loans	0.00%	0.00%	0.05%	0.10%	0.09%
Other Key Ratios:					
Yield on Loans Receivable	4.33%	4.57%	5.25%	5.36%	5.36%
Cost of Deposits	0.27%	0.35%	0.64%	0.63%	0.64%
Net Interest Margin	3.62%	3.78%	4.15%	4.26%	4.29%
Efficiency Ratio	56.73%	57.66%	64.26%	59.86%	60.46%
Loans Receivable to Deposits	110.98%	110.77%	100.01%	97.02%	94.78%
Cost of Funds	0.33%	0.41%	0.70%	0.70%	0.72%

(1) Share and per share amounts are based on total common shares outstanding, which includes common stock and nonvoting common stock.
(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.

Non-GAAP Reconciliation – Pre-Tax, Pre-Provision

Some of the financial measures included in this presentation are not measures of financial performance recognized by GAAP.

The following non-GAAP measures are presented to illustrate the impact of provision for loan losses and provision for income taxes on net income and return on average assets.

"Pre-tax, pre-provision net income" is a non-GAAP measure that excludes the impact of provision for loan losses and provision for income taxes from net income. The most directly comparable GAAP measure is net income.

"Pre-tax, pre-provision return on average assets" is a non-GAAP measure that excludes the impact of provision for loan losses and provision for income taxes from return on average assets. The most directly comparable GAAP measure is return on average assets.

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

	As of and for the Three Months Ended					As of and for the Nine Months Ended	
(Dollars in thousands, unaudited)	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	September 30, 2020	September 30, 2019
Pre-tax, pre-provision net income and pre-tax, pre-provision return on average assets:							
Total average assets	$ 1,704,874	$ 1,538,546	$ 1,141,453	$ 1,095,343	$ 1,031,969	$ 1,462,512	$ 1,010,620
Total net income	4,090	3,671	2,724	3,608	3,511	10,485	9,593
Plus: provision for loan losses	2,200	1,930	1,578	820	637	5,708	1,724
Plus: provision for income taxes	1,082	967	714	947	919	2,763	2,514
Pre-tax, pre-provision net income	$ 7,372	$ 6,568	$ 5,016	$ 5,375	$ 5,067	$ 18,956	$ 13,831
Return on average assets	0.95%	0.96%	0.96%	1.31%	1.35%	0.96%	1.27%
Pre-tax, pre-provision return on average assets:	1.72%	1.72%	1.77%	1.95%	1.95%	1.73%	1.83%

Non-GAAP Reconciliation – 2020 PPP Loans Impact

The following non-GAAP financial measures are presented to illustrate and identify the impact of PPP loans, PPPLF borrowings, customer deposits from PPP loans, and related earnings and expenses. By removing these significant items and show what the results would have been without them we are providing investors with the information to better compare results with periods that did not have these significant items. These measures include the following:

"Adjusted allowance for loan losses to loans receivable" is a non-GAAP measure that excludes the impact of PPP loans on balance sheet. The most directly comparable GAAP measure is allowance for loan losses to loans receivable.

"Adjusted yield on loans receivable" is a non-GAAP measure that excludes the impact of PPP loans on balance sheet. The most directly comparable GAAP measure is yield on loans.

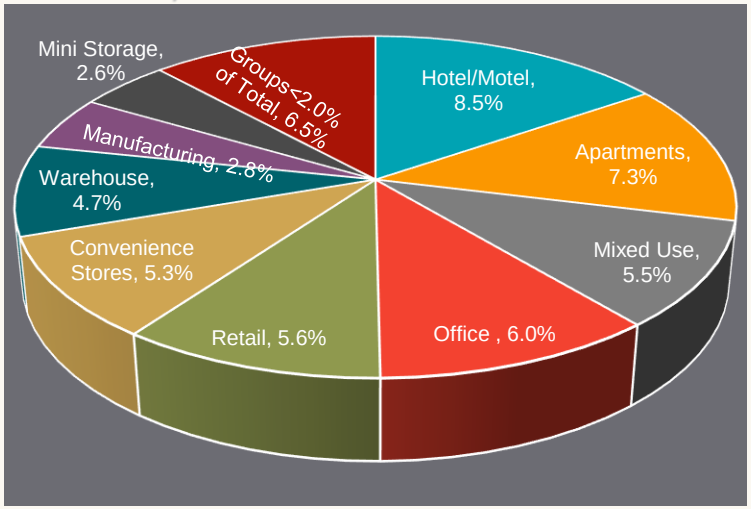
"Adjusted contractual yield on loans receivable, excluding earned fees and interest on PPP loans" is a non-GAAP measure that excludes the impact of PPP loans on balance sheet. The most directly comparable GAAP measure is contractual yield on loans, excluding fees.

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

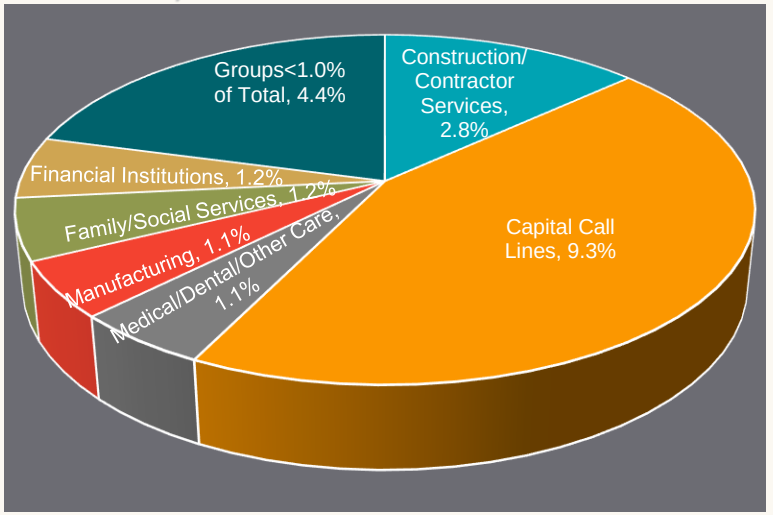
(Dollars in thousands, unaudited)	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Adjusted allowance for loan losses to loans receivable:		
Total loans, net of deferred fees	$ 1,509,389	$ 1,509,389
Less: PPP loans	(452,846)	(452,846)
Less: net deferred fees on PPP loans	8,586	8,586
Adjusted loans, net of deferred fees	$ 1,065,129	$ 1,065,129
Allowance for loan losses	$ (17,046)	$ (17,046)
Allowance for loan losses to loans receivable	1.13%	1.13%
Adjusted allowance for loan losses to loans receivable	1.60%	1.60%
Adjusted yield on loans receivable:		
Total average loans receivable	$ 1,493,024	$ 1,265,705
Less: average PPP loans	(448,313)	(261,854)
Plus: average deferred fees on PPP loans	9,599	6,112
Adjusted total average loans receivable	$ 1,054,310	$ 1,009,964
Interest income on loans	$ 16,244	$ 44,025
Less: interest and deferred fee income recognized on PPP loans	(3,566)	(6,325)
Adjusted interest income on loans	$ 12,678	$ 37,700
Yield on loans receivable	4.33%	4.65%
Adjusted yield on loans receivable:	4.78%	4.99%
Adjusted contractual yield on loans receivable, excluding earned fees and interest on PPP loans:		
Total average loans receivable	$ 1,493,024	$ 1,265,705
Less: average PPP loans	(448,313)	(261,854)
Plus: average deferred fees on PPP loans	$ 9,599	$ 6,112
Adjusted total average loans receivable, excluding earned fees	$ 1,054,310	$ 1,009,964
Interest and earned fee income on loans	$ 16,244	$ 44,025
Less: earned fee income on all loans	$ (2,693)	$ (5,303)
Less: interest income on PPP loans	(1,129)	(1,966)
Adjusted interest income on loans	$ 12,422	$ 36,756
Contractual yield on loans receivable, excluding earned fees	3.61%	4.08%
Adjusted contractual yield on loans receivable, excluding earned fees and interest on PPP loans:	4.69%	4.86%

Diverse Loan Portfolio

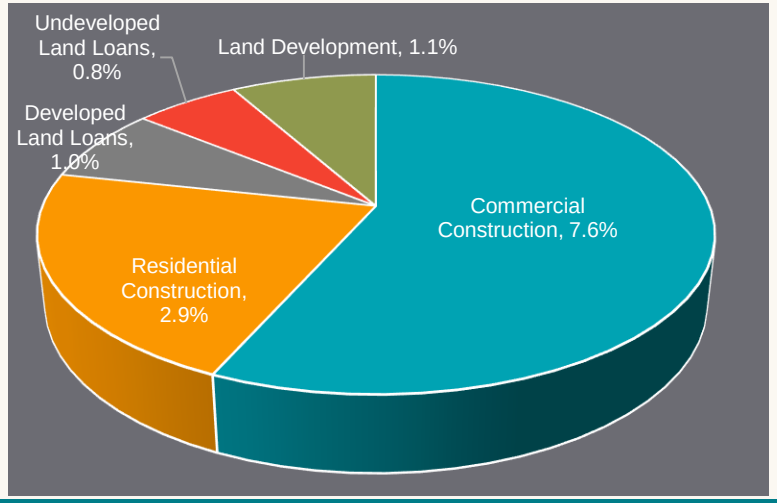
CRE Loan Breakdown as % of Total Outstanding Balances and Available Commitments (Excludes PPP Loans)



C&I Loan Breakdown as % of Total Outstanding Balances and Available Commitments (Excludes PPP Loans)



Construction/Land Loan Breakdown as % of Total Outstanding Balances and Available Commitments (Excludes PPP Loans)



Loan Portfolio Statistics

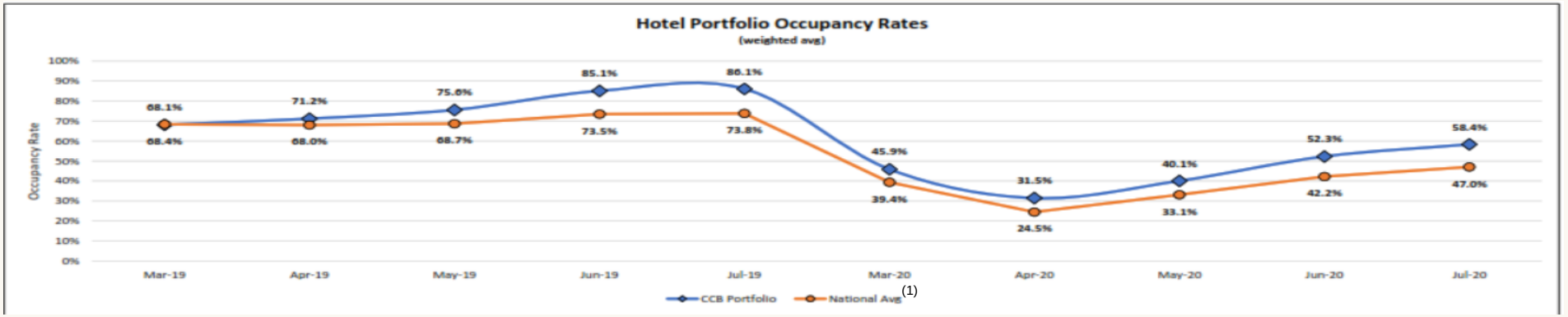
Loan Category	Commitments	Weighted Average Seasoning (Months)	Weighted Average FICO Score	Weighted Average LTV	Weighted Average DSCR
Commercial Real Estate	$702,891,880	37.6	768	55%	2.82
C&I (excludes PPP loans)	$260,833,985	21.5	773	54%	1.85
Construction/Land	$177,258,713	15.2	778	44%	2.93

Loan Sub-Categories	Total Commitments	Weighted Average Seasoning (Months)	Weighted Average FICO Score	Weighted Average LTV	Weighted Average DSCR
Convenience Store/Gas Stations	$69,725,255	30.5	772	60%	2.63
Hotels	$112,302,133	25.1	766	56%	2.16
Manufacturing	$36,310,311	52.0	770	53%	3.04
Mini Storage	$34,026,183	21.2	787	56%	4.78
Mixed Use	$74,472,548	45.7	754	56%	2.22
Multifamily	$105,651,803	35.9	765	55%	2.79
Office - General	$48,611,511	43.1	770	54%	4.39
Office - Professional	$30,551,440	31	774	59%	3.08
Retail	$78,439,816	38.4	771	56%	2.33
Warehouse	$62,625,596	41.2	763	54%	3.72

(1) 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.

(2) 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.

(3) 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.



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

(1) Source: https://www.statista.com/statistics/206546/us-hotels-occupancy-rate-by-month/

Most current data as of September 30, 2020 unless noted otherwise

COVID-19 Update – Washington's Phase Recovery Approach (1)

- Phase 2: King, Kitsap, Pierce, Skagit, and Snohomish
- Phase 3: Island and Thurston

WASHINGTON'S PHASED APPROACH

Reopening Business and Modifying Physical Distancing Measures

	1 Phase 1	2 Phase 2	3 Phase 3	4 Phase 4
High-Risk Populations*	Continue to Stay Home, Stay Healthy	Continue to Stay Home, Stay Healthy	Continue to Stay Home, Stay Healthy	Resume public interactions, with physical distancing
Recreation	Some outdoor recreation (hunting, fishing, golf, boating, hiking)	All outdoor recreation involving fewer than 5 people outside your household (camping, beaches, etc.)	- Outdoor group rec. sports activities (5-50 people) - Recreational facilities at <50% capacity (public pools, etc.)	Resume all recreational activity
Gatherings (social, spiritual)	- None - Drive in spiritual service with one household per vehicle	Gather with no more than 5 people outside your household per week	Allow gatherings with no more than 50 people	Allow gatherings with >50 people
Travel	Only essential travel	Limited non-essential travel within proximity of your home	Resume non-essential travel	Continue non-essential travel
Business/ Employers	- Essential businesses open - Existing construction that meet agreed upon criteria - Landscaping - Automobile sales - Retail (curb-side pick-up orders only) - Car washes - Pet walkers	- Remaining manufacturing - New construction - In-home/domestic services (nannies, housecleaning, etc.) - Retail (in-store purchases allowed with restrictions) - Real estate - Professional services/office-based businesses (telework remains strongly encouraged) - Hair and nail salons/Barbers - Housecleaning - Restaurants <50% capacity table size no larger than 5	- Restaurants <75% capacity/ table size no larger than 10 - Bars at <25% capacity - Indoor gyms at <50% capacity - Movie theaters at <50% capacity - Government (telework remains strongly encouraged) - Libraries - Museums - All other business activities not yet listed except for nightclubs and events with greater than 50 people	- Nightclubs - Concert venues - Large sporting events - Resume unrestricted staffing of worksites, but continue to practice physical distancing and good hygiene

* High-risk populations are currently defined by CDC as: persons 65 years of age and older; people of all ages with underlying medial conditions (particularly not well controlled) including people with chronic lung disease or moderate to severe asthma, people who have serious heart conditions, people who are immunocompromised, people with severe obesity, people with diabetes, people with chronic kidney disease undergoing dialysis, and people with liver disease; people who live in a nursing home or long-term care facility.

(1) *(1) As of October 27, 2020*
(2) *Source: https://www.governor.wa.gov/sites/default/files/SafeStartPhasedReopening.pdf*