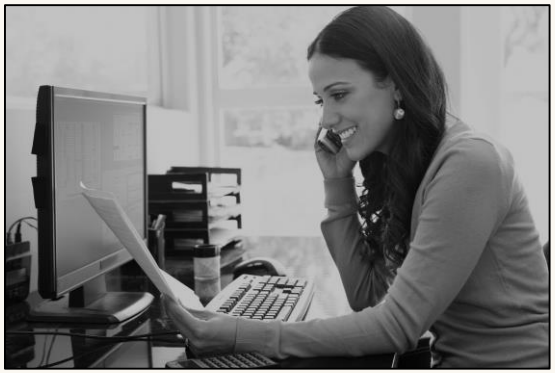



# COASTAL FINANCIAL CORPORATION

## INVESTOR PRESENTATION







Dated April 30, 2020

# Legal Information and Disclaimer

This presentation and oral statements made regarding the subject of this presentation contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect Coastal's current views with respect to, among other things, future events and Coastal's financial performance. Any statements about Coastal's expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipate," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimate," "plans," "projects," "continuing," "ongoing," "expects," "intends" and similar words or phrases. Any or all of the forward-looking statements in (or conveyed orally regarding) this presentation may turn out to be inaccurate. The inclusion of or reference to forward-looking information in this presentation should not be regarded as a representation by Coastal or any other person that the future plans, estimates or expectations contemplated by Coastal will be achieved. Coastal has based these forward-looking statements largely on its current expectations and projections about future events and financial trends that Coastal believes may affect its financial condition, results of operations, business strategy and financial needs. Coastal's actual results could differ materially from those anticipated in such forward-looking statements as a result of risks, uncertainties and assumptions that are difficult to predict. Factors that could cause actual results to differ materially from those in the forward-looking statements include, without limitation, the risks and uncertainties discussed under "Risk Factors" in Form 10-K for the year ended December 31, 2019, and in any of Coastal's subsequent filings with the Securities and Exchange Commission.

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This presentation includes industry and trade association data, forecasts and information that Coastal has prepared based, in part, upon data, forecasts and information obtained from independent trade associations, industry publications and surveys, government agencies and other information publicly available to Coastal, which information may be specific to particular markets or geographic locations. Some data is also based on Coastal's good faith estimates, which are derived from management's knowledge of the industry and independent sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. Statements as to Coastal's market position are based on market data currently available to Coastal. Although Coastal believes these sources are reliable, Coastal has not independently verified the information contained therein. While Coastal is not aware of any misstatements regarding the industry data presented in this presentation, Coastal's estimates involve risks and uncertainties and are subject to change based on various factors. Similarly, Coastal believes that its internal research is reliable, even though such research has not been verified by independent sources.

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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, including adjusted net income, adjusted earnings per share, 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 for first and second quarter of 2019 in addition to results presented in accordance with GAAP. These non-GAAP financial measures are presented to illustrate the impact of temporary high rate BaaS deposits on the balance sheet. By removing these temporary deposits to 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 temporary deposits. These measures include adjusted return on average assets, adjusted cost of funds, adjusted cost of deposits, adjusted net interest margin, adjusted noninterest expense to average assets, and adjusted loans receivable to deposits. The Company also presented comparable earnings information using GAAP financial measures. 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 relating to "Pre-provision, pre-tax net income" and "Pre-provision, pre-tax 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-provision, pre-tax net income" is net income. The most directly comparable GAAP measure to "Pre-provision, pre-tax 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.

# Key Management



## Eric Sprink

*President*
*Chief Executive Officer*

29 Years of Financial Services Experience
14 Years in the Puget Sound Region
14 Years at Coastal



## Joel Edwards

*Executive Vice President*
*Chief Financial Officer*

33 Years of Financial Services Experience
24 Years in the Puget Sound Region
7 Years at Coastal

# 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

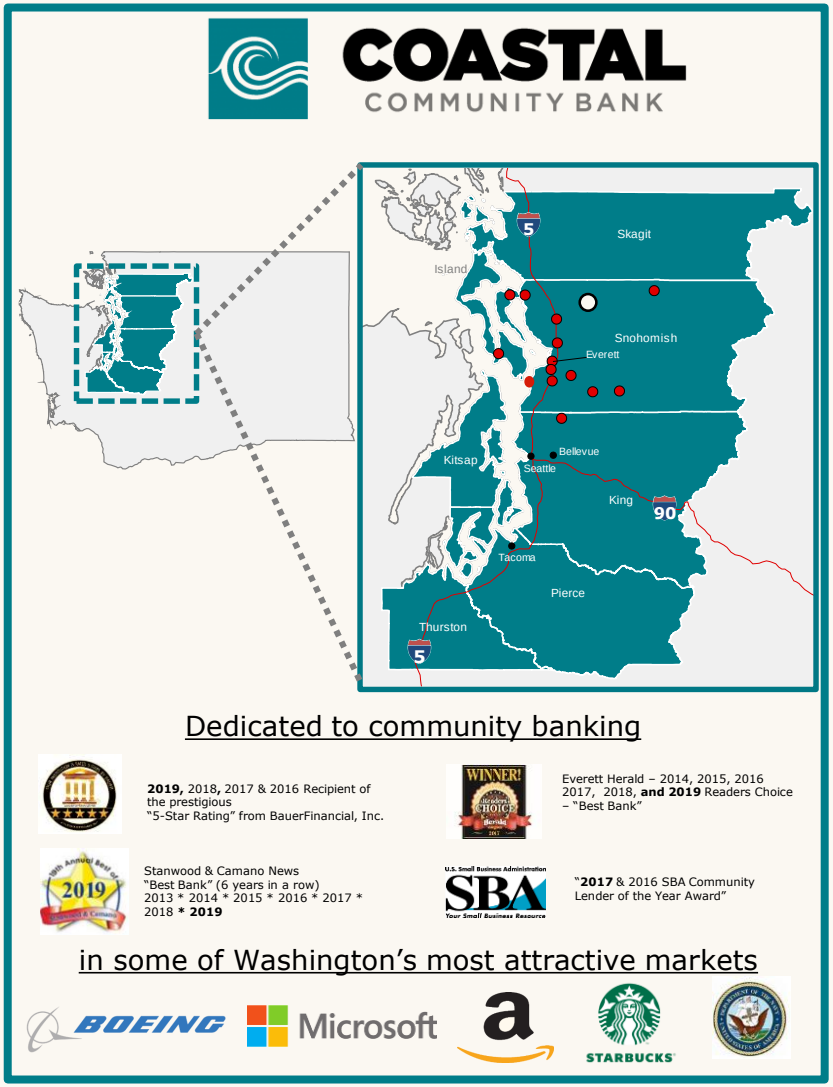
- 14 full-service banking locations[1]
  - 11 in Snohomish County
  - Opened Edmonds branch in October 2018
  - Opening Arlington branch in June 2020
  - 2 in Island County
  - 1 in King County (Seattle)

## Size and Scale

- $1.2 billion in total assets
- $1.0 billion in total loans
- $1.0 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




(1) Coastal will open our 15th branch in Arlington in June 2020
Note: Data as of March 31, 2020 unless otherwise indicated

# Key Investment Highlights

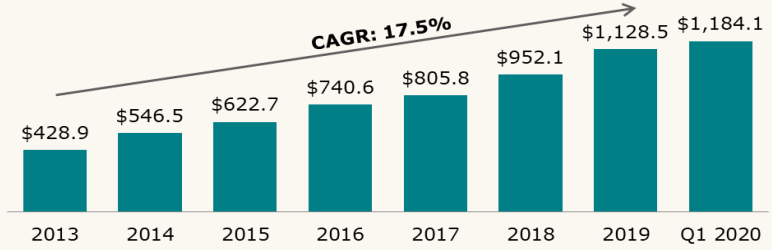
| | |
|---|---|
| **Premier Local Bank in the Puget Sound Region** | • Largest locally headquartered bank, by deposit market share, in rapidly growing Snohomish County[1]<br>• Attractive alternative to larger, more impersonal financial services companies |
| **Attractive Core Deposit Driven Franchise** | • Fund 88.8% of total loans with core deposits[2]<br>• Better positioned to adjust to changing rate environments due to core deposit growth driven franchise |
| **Scalable Operating Model with Consistent Growth** | • 9 consecutive years of organic deposit, loan, and net income growth<br>• Efficiencies to be obtained with additional scale<br>• Open to M&A opportunities to bolster growth |
| **Diversified Loan Portfolio** | • Business-focused bank with diverse portfolio primarily made up of owner-operated businesses and investor real estate loans |
| **Well Positioned for Various Rate Environments** | • Solid, lower cost core deposit-funded balance sheet<br>• Focus on growing lower cost core deposits instead of high rate CDs |
| **Disciplined Underwriting and Credit Administration** | • Reflected in historical asset quality metrics<br>• Focus on using customer service, not credit terms, to win business<br>• Quality underwriting and track record of strong asset quality |

(1) Source: S&P Global Market Intelligence; FDIC's Summary of Deposits as of June 30,2019
(2) Consists of total deposits less all time deposits, BaaS deposits, and brokered deposits as of March 31,2020

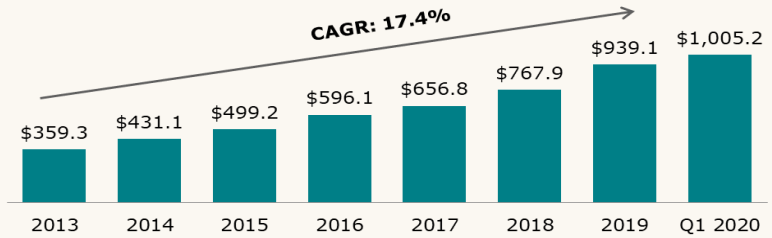
# Financial Highlights

| As of or for the Three Months Ended March 31, 2020 | |
|---|---|
| **Balance Sheet ($mm)** | |
| Total Assets | $1,184.1 |
| Total Loans | $1,005.2 |
| Total Deposits | $1,005.1 |
| Total Shareholders' Equity | $127.2 |
| **Earnings and Profitability** | |
| Net Income ($mm) | $2.7 |
| Return on Average Assets ("ROA") | 0.96% |
| Pre-Provision, Pre-Tax ROA ("PPPT") PPPT is a non-GAAP financial measure. Please refer to slide 25 for more detail | 1.77% |
| Return on Average Shareholders' Equity | 8.66% |
| Net Interest Margin | 4.15% |
| Efficiency Ratio | 64.3% |
| Loans to Deposits | 100.0% |
| **Capital Ratios (Consolidated)** | |
| Tangible Equity to Tangible Assets (1) | 10.74% |
| Tier 1 Leverage Ratio | 11.43% |
| Tier 1 Risk-Based Capital Ratio | 12.43% |
| Total Risk-Based Capital Ratio | 14.65% |
| **Asset Quality** | |
| Total Nonperforming Assets to Total Assets | 0.06% |
| Total Nonperforming Loans to Total Loans | 0.08% |
| Allowance for Loan Losses to Total Loans | 1.29% |
| Net Charge-Offs to Average Loans | 0.05% |

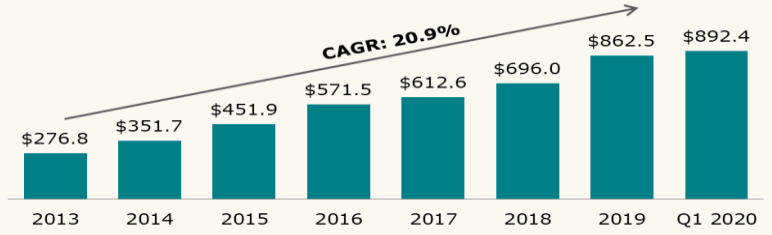
**Total Assets**



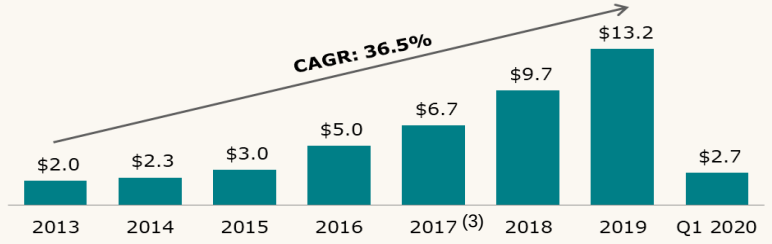

**Total Loans**




**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 and wholesale 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.

# Core Markets – Snohomish County

## Median Household Income

- $85,758 per household in 2018, the second highest in Washington vs. $63,179 for the United States

## Unemployment Rate

- 5.8% as of March 2020 vs. 4.4% for the United States(1)

## Market Deposits

- $12.6 billion deposits in Snohomish County, the second largest county by deposits in Washington (the largest is King County with $87.9 billion in deposits) (2)
- 42.2% growth in deposits from 2010 to 2019

## Positioning

- Lower cost of doing business compared to neighboring King County, while also providing ready access to King County and to the broader Puget Sound economy

## Recent Economic Developments

- Paine Field in Everett opened commercial air traffic in March 2019
- Boeing's plants reopened on April 20 as they resume working toward restarting 737 Max production
- Amazon plans for 15,000 employees in Bellevue(4)

## Notable Employers

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

## Largest Locally HQ'd Bank in Snohomish County

| Institution (Headquarter State) | Overall Rank | In-Market HQ Rank | Deposits in Market ($ in millions) | Number of Branches | Deposit Market Share (%) as of 6/30/2019 |
|---|---|---|---|---|---|
| Bank of America Corp. (NC) | 1 | | 2,717 | 20 | 21.6% |
| JPMorgan Chase & Co. (NY) | 2 | | 1,928 | 24 | 15.3% |
| Wells Fargo & Co. (CA) | 3 | | 1,443 | 19 | 11.5% |
| Coastal Financial Corp. (WA) at 3/31/2020 (3) | 4 | 1 | 868 | 11 | 6.9% |
| Coastal Financial Corp. (WA) | 4 | 1 | 775 | 11 | 6.2% |
| U.S. Bancorp (MN) | 5 | | 753 | 12 | 6.0% |
| KeyCorp (OH) | 6 | | 695 | 16 | 5.5% |
| FS Bancorp Inc. (WA) | 7 | 2 | 517 | 4 | 4.1% |
| Mitsubishi UFJ Financial | 8 | | 484 | 7 | 3.9% |
| Washington Federal Inc. (WA) | 9 | | 462 | 9 | 3.7% |
| Heritage Financial Corp. (WA) | 10 | | 437 | 8 | 3.5% |
| **Total for Instiutions In Market** | **27** | **5** | **12,570** | **172** | |

(1) U.S. Bureau of Labor Statistics.
(2) Source: S&P Global Market Intelligence; FDIC's Summary of Deposits as of June 30, 2019.
(3) Total Deposits in Market for Coastal Financial Corporation are $867.8 million at March 31, 2020
(4) Source: The Seattle Times, February 6, 2020

# Core Markets – Puget Sound Region

The Puget Sound region in the state of Washington encompasses the Seattle MSA, the metropolitan areas of Olympia, Bremerton and Mount Vernon, and Island County.

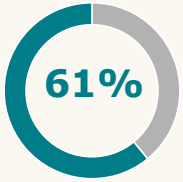
We believe there is significant organic growth opportunities given the:

**22%** **Employment growth** from 2010 to 2018 compared to national employment growth of 15%

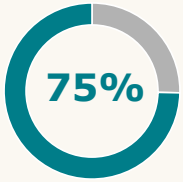
**13%** **Population growth** from 2010 to 2018 compared to national population growth of 6%




(%) of Washington **population** represented by Puget Sound

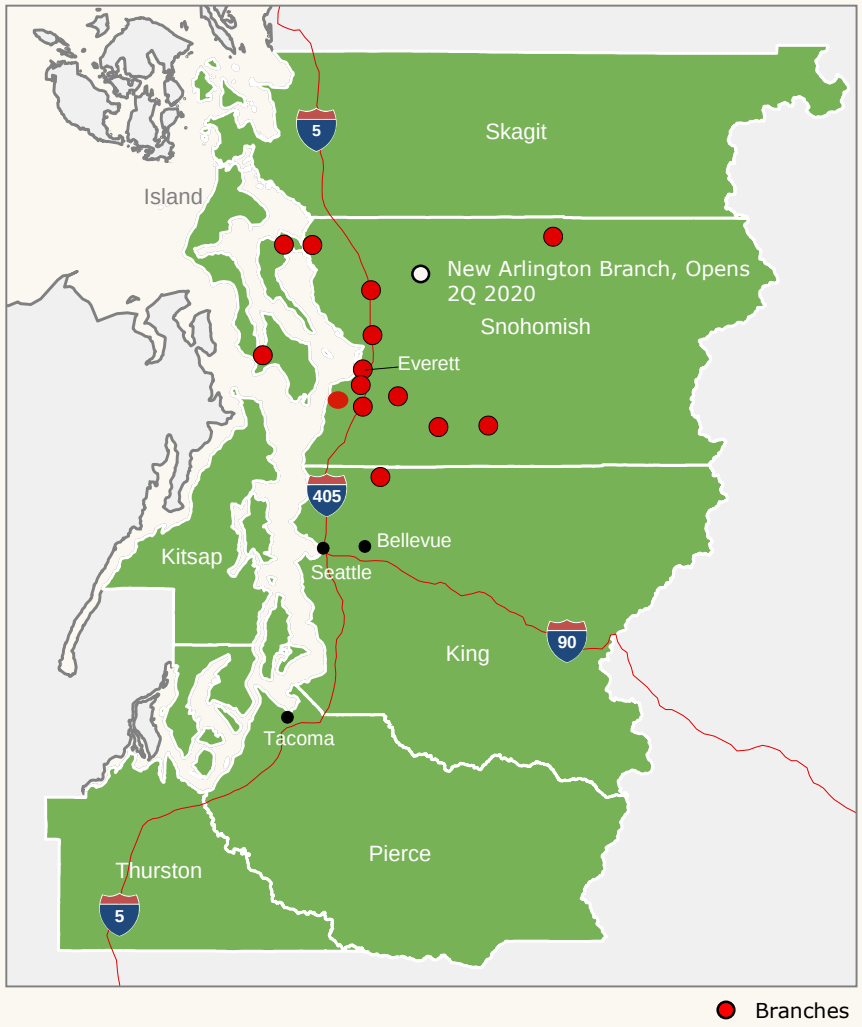



(%) of Washington **businesses** represented by Puget Sound




(%) of Washington **deposits** represented by Puget Sound

**Puget Sound Region**




Source: S&P Global Market Intelligence; Employment Security Department/WITS; U.S. Bureau of Labor Statistics.

# Scalable Operating Model

We complement our traditional branches with a robust digital banking delivery system

## Digital Banking Platform

- Leverage technology to deliver seamless services to our clients
- Average 6,000 digital deposits monthly, both consumer and commercial remote deposit capture
- Scale across Puget Sound region with limited branch locations

### Snohomish County Branch Statistics (1)

| | Number of Branches | | | | | | Branch Deposits (000s) | |
|---|---|---|---|---|---|---|---|---|
| | Pre - Crisis | | | Post - Crisis | | | 2019 | Avg. Deposits/ |
| Company Name | 2004 | 2005 | 2006 | 2017 | 2018 | 2019 | Deposits | Branch |
| Bank of America Corp. | 22 | 23 | 23 | 21 | 21 | 20 | $2,716,577 | $135,829 |
| JPMorgan Chase & Co. | 23 | 23 | 23 | 25 | 25 | 24 | 1,928,338 | 80,347 |
| Wells Fargo & Co. | 17 | 17 | 17 | 20 | 20 | 19 | 1,443,184 | 75,957 |
| **Coastal Financial Corp.** | **3** | **4** | **5** | **10** | **10** | **11** | **775,340** | **70,485** (2) |
| U.S. Bancorp | 12 | 12 | 12 | 12 | 12 | 12 | 752,881 | 62,740 |

### Number of Client Households by Location




(1) Source: S&P Global Market Intelligence; FDIC's Summary of Deposits as of June 30, 2019;
(2) Total Deposits in Market for Coastal Financial Corporation are $867.8 million at March 31, 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

*"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 387 grants exceeding $524,650

## 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 2019"
*- Sandler O'Neill*

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

# Loan Composition

86.4% 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

$29.3 million legal lending limit as of March 31, 2020

## Overall Loan Portfolio

- 2.86 years weighted average reprice
- 7.30 years weighted average maturity

## Commercial & Industrial (C&I) Portfolio

- $122.7 million total C&I loans
- $7.5 million of SBA loans in C&I portfolio

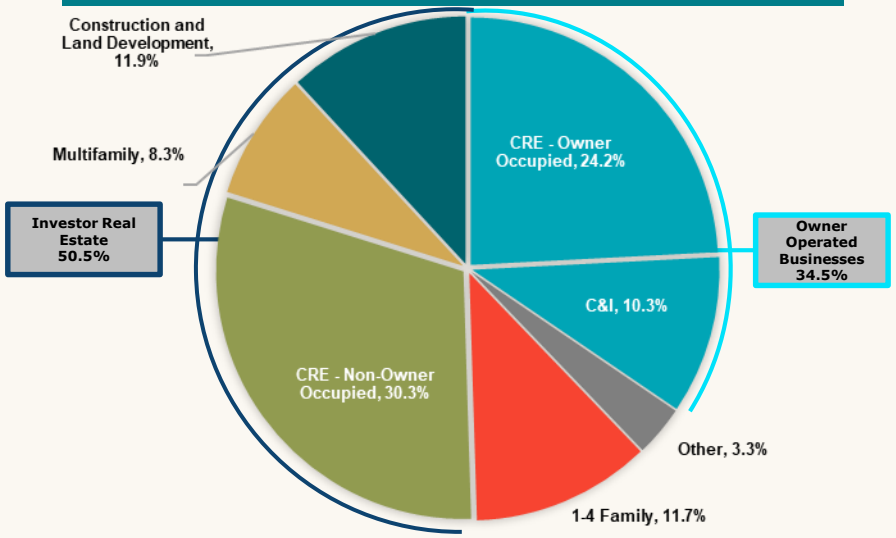
## Commercial Real Estate (CRE) Portfolio

- $763.2 million total CRE loans
- 348% regulatory aggregate CRE to total risk-based capital (1)
- $5.1 million of SBA 504 loans in portfolio

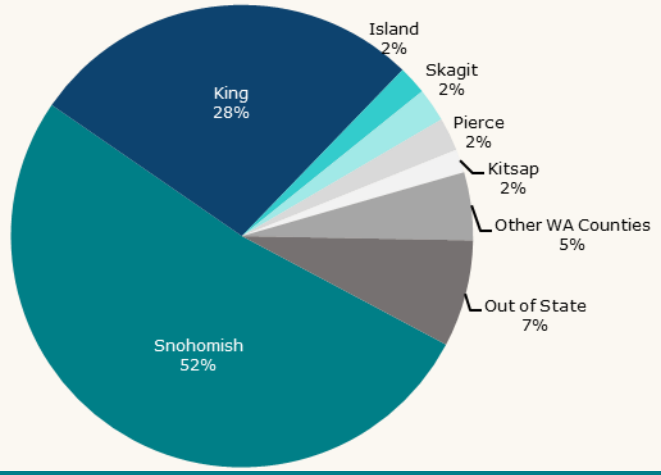
## 1-4 Family Real Estate Portfolio

- $117.8 million total 1-4 family loans
  - ➢ $26.6 million purchased from financial institutions, all of which are individually re-underwritten

**Loan Composition**




**Loan Concentrations by County**




(1) Calculated on Bank-level total risk-based capital as of March 31, 2020

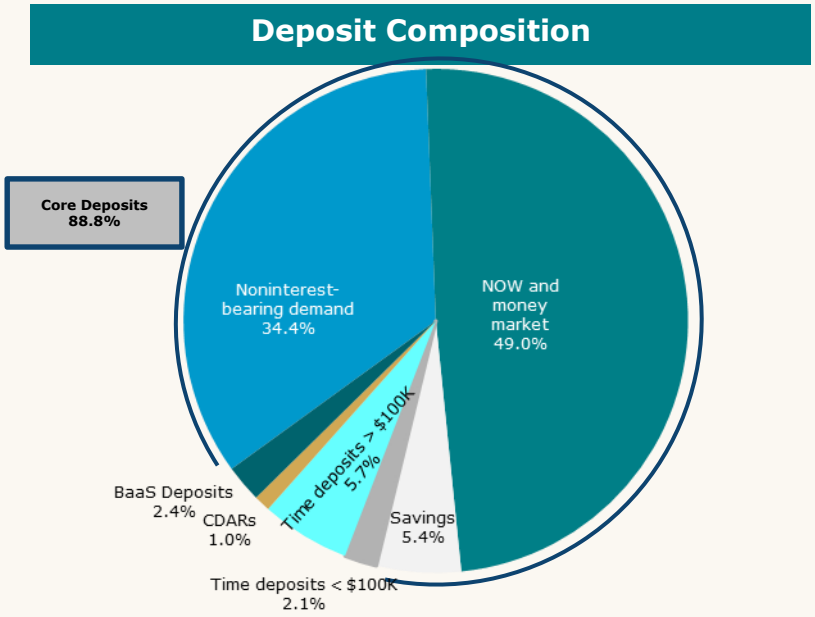
Note: Data as of or for the quarter ended March 31, 2020 unless otherwise indicated.

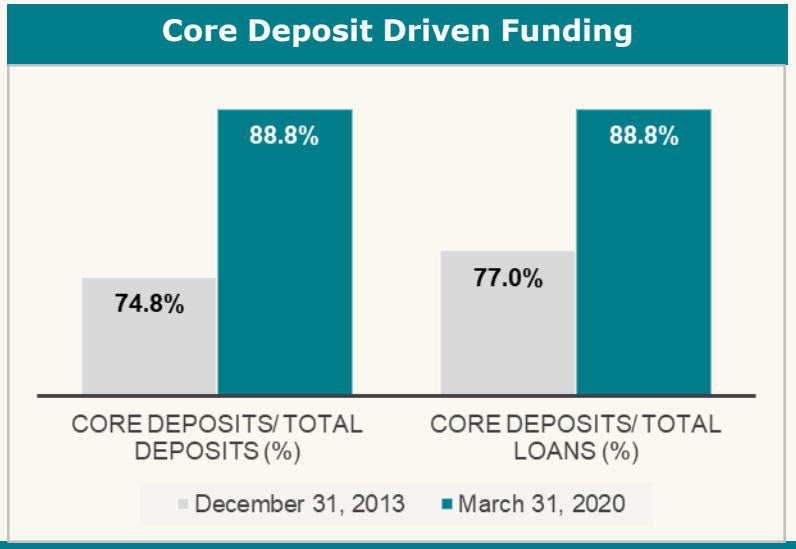
# Deposit Composition

Emphasis on core deposits has helped generate an attractive funding mix

## Core Deposit Franchise

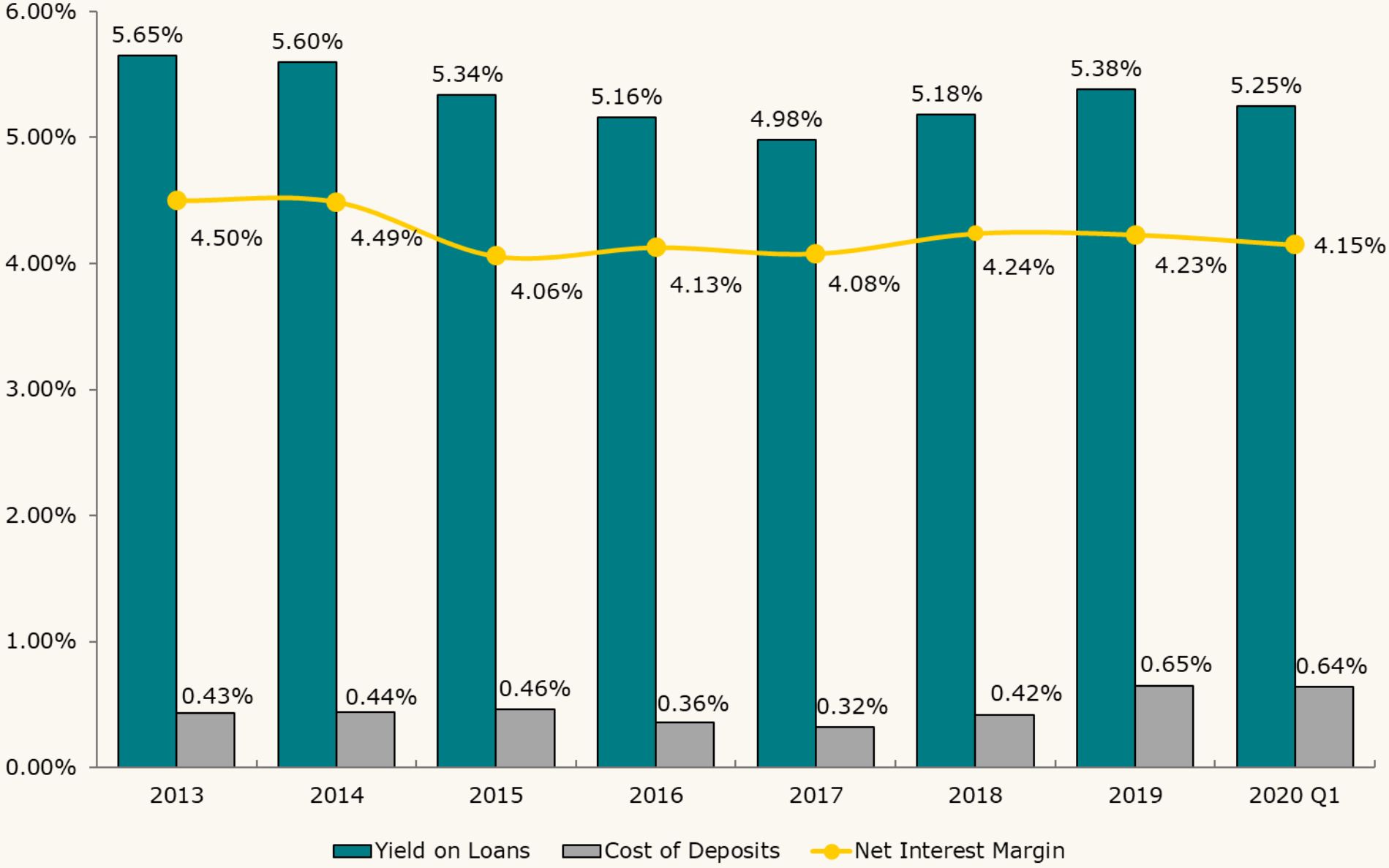
- We define core deposits as total deposits less time deposits and all BaaS deposits
- 88.8% of total loans were funded with core deposits as of March 31, 2020
- Core deposits were 88.8% of total deposits as of March 31, 2020
- Cost of total deposits was 0.64% for the quarter ended March 31, 2020 versus 0.68% for the quarter ended March 31, 2019, and 0.63% for the quarter ended December 31, 2019
- Deposit rates remained competitive in first quarter 2020 until late March
- 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




Note: Data as of or for the quarter ended March 31, 2020 unless otherwise indicated.

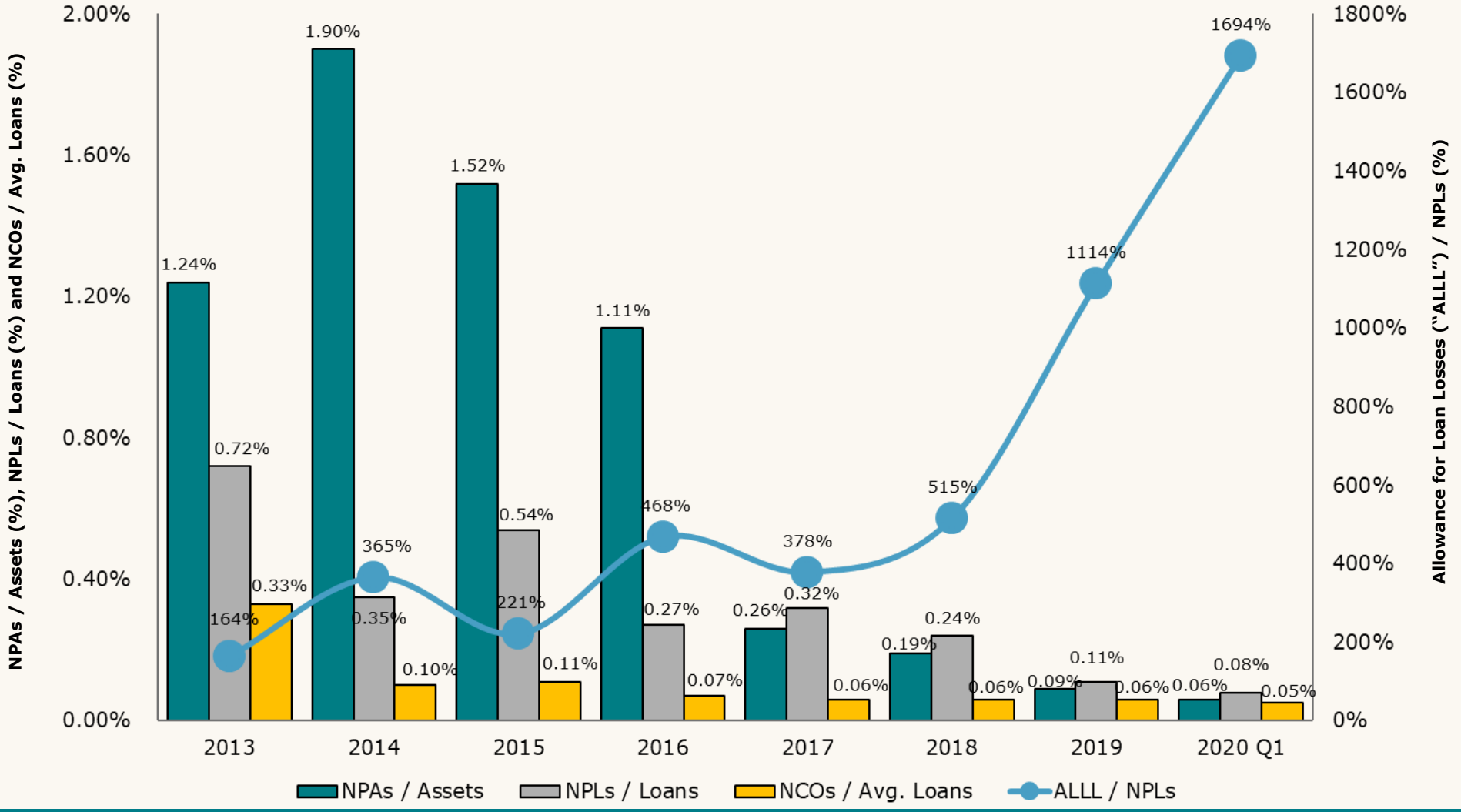
# Yield and Cost Margin Analysis




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

# Strong Asset Quality

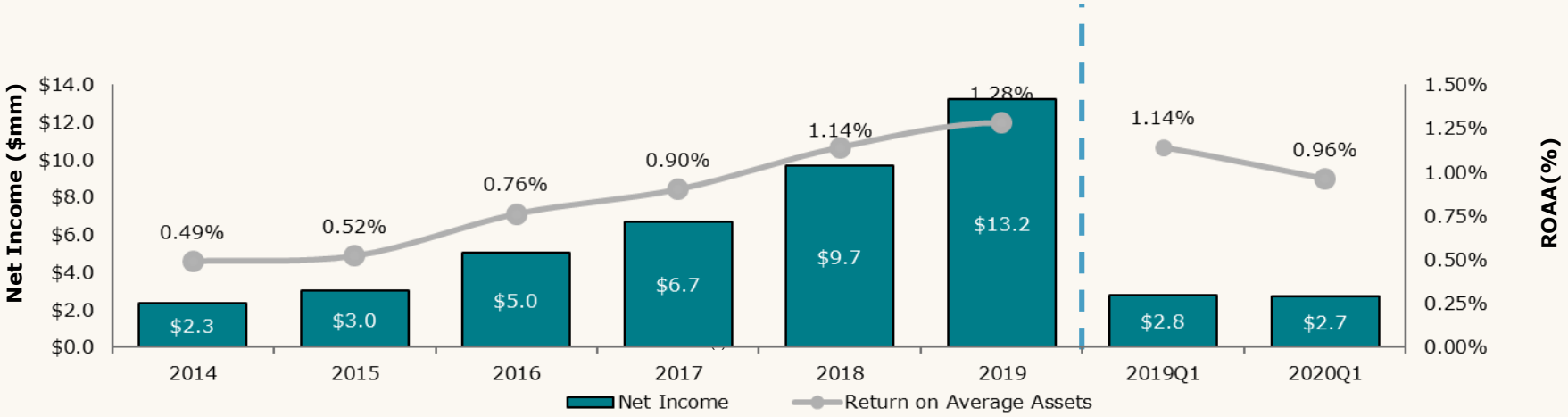
## Asset Quality Trends



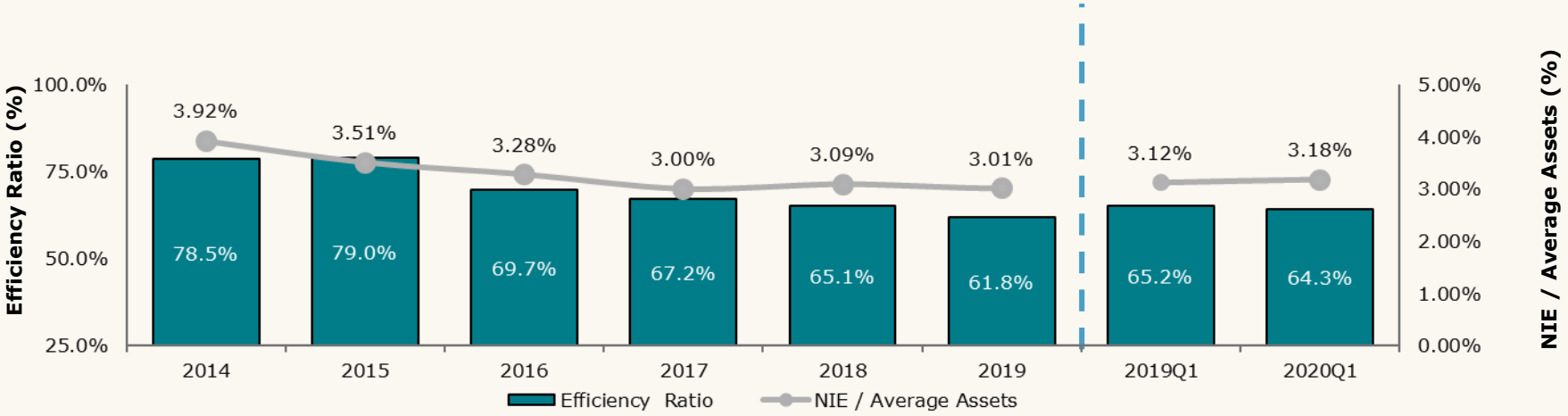

Note: Data as of or for the year ended December 31 of each respective year unless noted otherwise

# 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 or for the year ended December 31 of each respective year. Quarterly data is as of or for the three months ended March 31 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

## 2019 Q4 Financial Results:

| Earnings | For the three months ended March 31, 2020 | For the three months ended March 31, 2019 | For the twelve months ended December 31, 2019 | For the twelve months ended December 31, 2018 |
|---|---|---|---|---|
| **Net Income (Dollars in millions)** | $2.7 | $2.8 | $13.2 | $9.7 |
| **Basic Earnings Per Share** | $0.23 | $0.24 | $1.11 | $0.93 |
| **Return on Average Assets** | 0.96% | 1.14% | 1.28% | 1.14% |
| **Pre-Tax, Pre-Provision Return on Average Assets (1)** | 1.77% | 1.66% | 1.86% | 1.66% |

| Balance Sheet | As of the quarter ended (Dollars in millions, except per share amounts) March 31, 2020 | December 31, 2019 | March 31, 2019 |
|---|---|---|---|
| **Total Assets** | $1,184.1 | $1,128.5 | $1,116.1 |
| **Total Loans** | $1,005.2 | $939.1 | $791.1 |
| **Total Deposits** | $1,005.1 | $968.0 | $976.5 |
| **Total Shareholders' Equity** | $127.2 | $124.2 | $112.4 |
| **Book Value Per Share** | $10.66 | $10.42 | $9.44 |

*(1) 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*

- **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 –** We have two active partners, two in friends and family trials, two in onboarding/implementation, three signed LOI's, and a pipeline that may lead us to onboarding up to two new partners per quarter.

- **Infrastructure –** We hired support staff to build infrastructure and expect 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 in partnership 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."

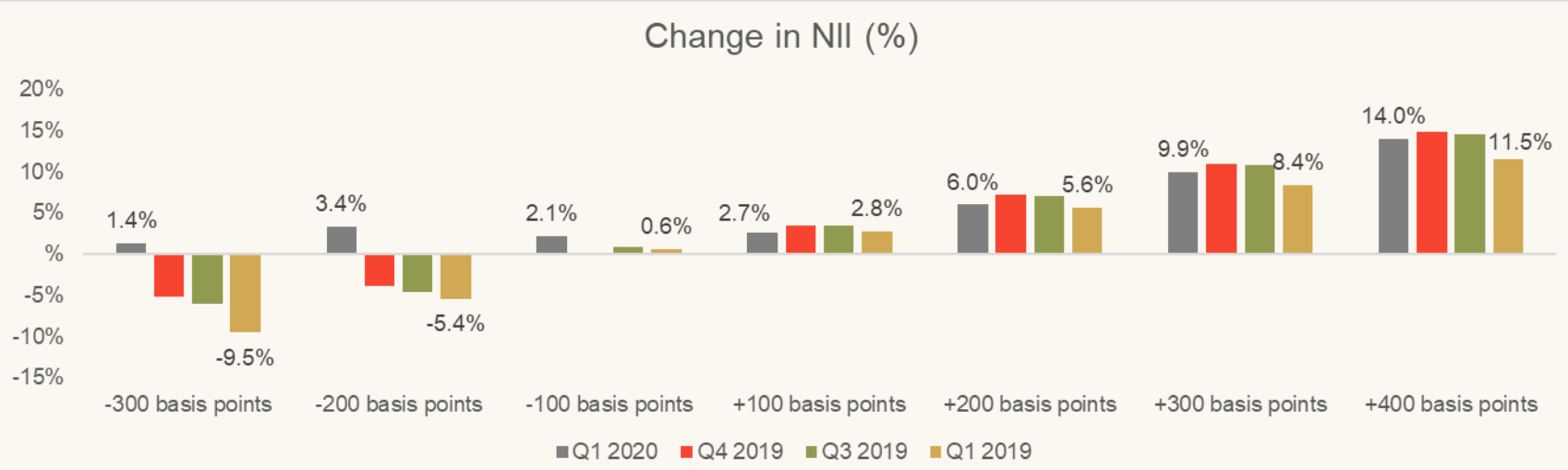
- **Asset Growth –** Some of our fintech contracts include lending products which, if successful, may potentially lead to additional loan growth beyond the community bank's organic growth, use of funding from partners, increased utilization of capital, and additional growth in assets.

# Appendix

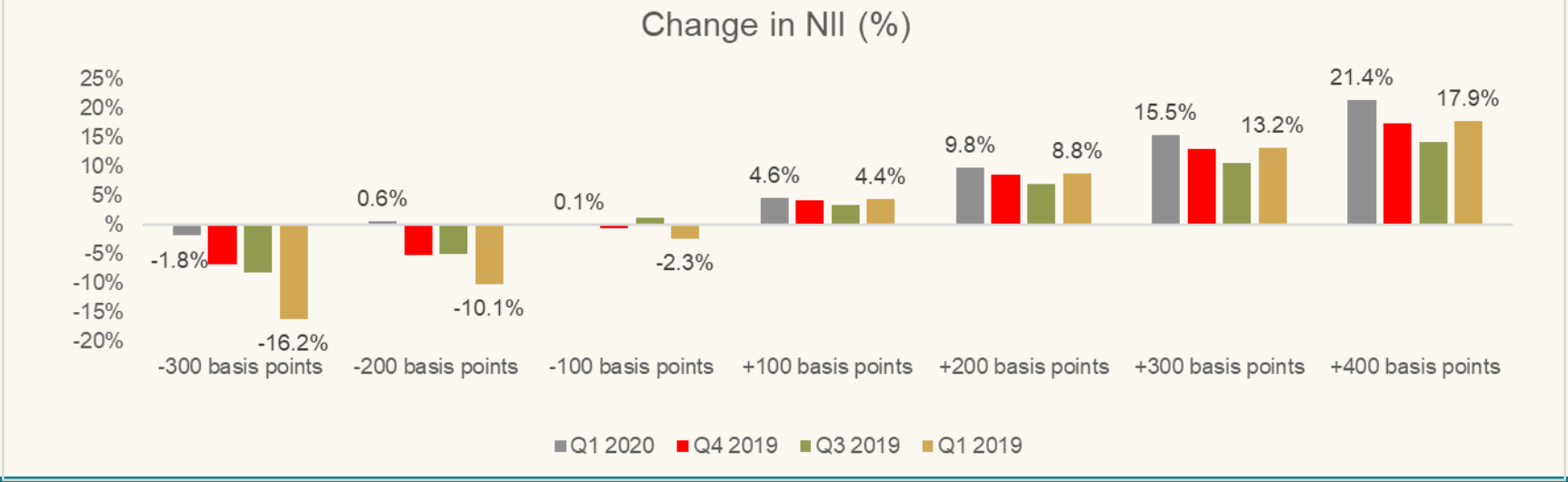
COASTAL
COMMUNITY BANK

# Interest Rate Shock Analysis

## Impact on Net Interest Income (NII) – Parallel Shifts – Static Balance Sheet




## Impact on NII Parallel Shifts – Dynamic Balance Sheet




Note: Data for the twelve months ended March 31, 2020.

# Selected Year-End Financials

| (Dollars in thousands, except per share data) | As of or 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 for deferred tax asset valuation | 1,295 |
| **Adjusted net income** | $ 6,731 |
| Adjusted earnings per share—diluted | |
| Net income | $ 5,436 |
| Plus: additional income tax expense for deferred tax asset valuation | 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 for deferred tax asset valuation | 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 for deferred tax asset valuation | 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 or for the Quarter Ended | | | | |
|---|---|---|---|---|---|
| | 2020 Q1 | 2019 Q4 | 2019 Q3 | 2019 Q2 | 2019 Q1 |
| **Statement of Income Data:** | | | | | |
| Total interest income | $ 13,120 | $ 13,034 | $ 12,355 | $ 11,804 | $ 11,394 |
| Total interest expense | 1,756 | 1,703 | 1,628 | 1,618 | 1,627 |
| Provision for loan losses | 1,578 | 820 | 637 | 547 | 540 |
| Net interest income after provision for loan losses | 9,786 | 10,511 | 10,090 | 9,639 | 9,227 |
| Total noninterest income | 2,671 | 2,059 | 2,088 | 2,132 | 1,984 |
| Total noninterest expense | 9,019 | 8,015 | 7,748 | 7,643 | 7,662 |
| Provision for income taxes | 714 | 947 | 919 | 854 | 741 |
| Net Income | 2,724 | 3,608 | 3,511 | 3,274 | 2,808 |
| **Balance Sheet Data:** | | | | | |
| Cash and cash equivalents | $ 129,236 | $ 127,814 | $ 153,347 | $ 113,470 | $ 257,659 |
| Investment securities | 19,759 | 32,710 | 32,696 | 42,381 | 38,217 |
| Loans | 1,005,180 | 939,103 | 874,112 | 845,443 | 791,072 |
| Allowance for loan losses | 12,925 | 11,470 | 10,888 | 10,443 | 9,915 |
| Total assets | 1,184,071 | 1,128,526 | 1,090,060 | 1,031,024 | 1,116,090 |
| Interest-bearing deposits | 659,559 | 596,716 | 573,162 | 552,254 | 680,249 |
| Noninterest-bearing deposits | 345,503 | 371,243 | 349,087 | 315,890 | 296,247 |
| Total deposits | 1,005,062 | 967,959 | 922,249 | 868,144 | 976,496 |
| Core Deposits | 892,408 | 862,516 | 817,593 | 754,768 | 716,623 |
| Total borrowings | 38,564 | 23,562 | 33,557 | 33,554 | 13,549 |
| Total shareholders' equity | 127,166 | 124,173 | 120,422 | 116,591 | 112,365 |
| **Share and Per Share Data: (2)** | | | | | |
| Shares outstanding at end of period | 11,929,413 | 11,913,885 | 11,912,115 | 11,908,185 | 11,902,715 |
| Weighted average common shares outstanding–diluted | 12,208,175 | 12,213,512 | 12,188,507 | 12,202,197 | 12,183,234 |
| Book value per share | $ 10.66 | $ 10.42 | $ 10.11 | $ 9.79 | $ 9.44 |
| Tangible book value per share (3) | 10.66 | 10.42 | 10.11 | 9.79 | 9.44 |
| Earnings per share – basic | 0.23 | 0.30 | 0.30 | 0.28 | 0.24 |
| Earnings per share – diluted | 0.22 | 0.30 | 0.29 | 0.27 | 0.23 |
| **Performance Ratios:** | | | | | |
| Return on average assets | 0.96% | 1.31% | 1.35% | 1.31% | 1.14% |
| Adjusted return on average assets (1) | N/A | N/A | N/A | 1.34% | 1.20% |
| Return on average shareholders' equity | 8.66% | 11.66% | 11.72% | 11.45% | 10.25% |
| **Credit Quality Ratios:** | | | | | |
| Nonperforming assets to total assets | 0.06% | 0.09% | 0.12% | 0.16% | 0.12% |
| Nonperforming assets to total loans and OREO | 0.08% | 0.11% | 0.15% | 0.19% | 0.17% |
| Nonperforming loans to total loans | 0.08% | 0.11% | 0.15% | 0.19% | 0.17% |
| Allowance for loan losses to total loans | 1.29% | 1.22% | 1.25% | 1.24% | 1.25% |
| Net charge-offs to average loans | 0.05% | 0.10% | 0.09% | 0.01% | 0.02% |
| **Other Key Ratios:** | | | | | |
| Yield on Loans Receivable | 5.25% | 5.36% | 5.36% | 5.39% | 5.40% |
| Cost of Deposits | 0.64% | 0.63% | 0.64% | 0.66% | 0.68% |
| Adjusted Cost of Deposits (1) | N/A | N/A | N/A | 0.63% | 0.52% |
| Net Interest Margin | 4.15% | 4.26% | 4.29% | 4.24% | 4.13% |
| Adjusted Net Interest Margin (1) | N/A | N/A | N/A | 4.38% | 4.48% |
| Efficiency Ratio | 64.26% | 59.86% | 60.46% | 62.05% | 65.20% |
| Loans Receivable to Deposits | 100.01% | 97.02% | 94.78% | 97.39% | 81.01% |
| Adjusted Loans Receivable to Deposits (1) | N/A | N/A | N/A | N/A | 97.44% |
| Cost of Funds | 0.70% | 0.70% | 0.72% | 0.74% | 0.76% |
| Adjusted Cost of Funds (1) | N/A | N/A | N/A | 0.71% | 0.61% |

(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 – 2019 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 first and second quarter of 2019 to illustrate the impact of temporary high rate BaaS deposits on the balance sheet. By removing these temporary deposits to 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 temporary deposits.**

- "Adjusted return on average assets" is a non-GAAP measure that excludes the temporary impact of holding high rate BaaS-brokered deposits on the balance sheet. The most directly comparable GAAP measure is return on average assets.
- "Adjusted cost of funds" is a non-GAAP measure that excludes the temporary impact of holding high rate BaaS-brokered deposits on the balance sheet. The most directly comparable GAAP measure is cost of funds.
- "Adjusted cost of deposits" is a non-GAAP measure that excludes the temporary impact of holding high rate BaaS-brokered deposits on the balance sheet. The most directly comparable GAAP measure is cost of deposits.
- "Adjusted net interest margin" is a non-GAAP measure that excludes the temporary impact of holding high rate BaaS-brokered deposits on the balance sheet. The most directly comparable GAAP measure is net interest margin.
- "Adjusted noninterest expense to average assets" is a non-GAAP measure that excludes the temporary impact of holding high rate BaaS-brokered deposits on the balance sheet. The most directly comparable GAAP measure is noninterest expense to average assets.
- "Adjusted loans receivable to deposits" is a non-GAAP measure that excludes BaaS-brokered deposits on the balance sheet. The most directly comparable GAAP measure is loans receivable to deposits.

| | As of and for the Three Months Ended | |
|---|---|---|
| (Dollars in thousands) | June 30, 2019 | March 31, 2019 |
| **Adjusted loans receivable to deposits (1):** | | |
| Total loans receivable | n/a | $ 791,072 |
| Total deposits | n/a | 976,496 |
| Less: BaaS-brokered deposits | n/a | 164,604 |
| Total deposits, less BaaS-brokered deposits | n/a | $ 811,892 |
| Adjusted loans receivable to deposits: | n/a | 97.44% |

(1) Adjusted loans receivable to deposits is only presented for periods that include atypically large BaaS-brokered deposits as of the end of the period presented.

# Non-GAAP Reconciliation - 2019 Adjusted Measures Continued

| (Dollars in thousands) | As of and for the Three Months Ended June 30, 2019 | March 31, 2019 |
|---|---|---|
| **Adjusted return on average assets:** | | |
| Total average assets | $ 1,002,436 | $ 997,069 |
| Less: average BaaS-brokered deposits | 20,252 | 74,116 |
| Adjusted total average deposits and borrowings | $ 982,184 | $ 922,953 |
| Total net income | $ 3,274 | $ 2,808 |
| Less: fees earned on servicing BaaS-brokered deposits | 36 | 78 |
| Adjusted net income | $ 3,238 | $ 2,730 |
| Adjusted return on average assets: | 1.34% | 1.20% |
| **Adjusted cost of funds:** | | |
| Total average deposits and borrowings | $ 874,610 | $ 872,979 |
| Less: average BaaS-brokered deposits | 20,252 | 74,116 |
| Adjusted total average deposits and borrowings | $ 854,358 | $ 798,863 |
| Total interest expense | $ 1,618 | $ 1,627 |
| Less: interest expense on BaaS-brokered deposits | 116 | 435 |
| Adjusted interest expense | $ 1,502 | $ 1,192 |
| Adjusted cost of funds: | 0.71% | 0.61% |
| **Adjusted cost of deposits:** | | |
| Total average deposits | $ 859,516 | $ 859,135 |
| Less: average BaaS-brokered deposits | 20,252 | 74,116 |
| Adjusted total average deposits | $ 839,264 | $ 785,019 |
| Interest expense on deposits | $ 1,420 | $ 1,436 |
| Less: interest expense on BaaS-brokered deposits | 116 | 435 |
| Adjusted interest expense on interest bearing deposits | $ 1,304 | $ 1,001 |
| Adjusted cost of deposits: | 0.63% | 0.52% |
| **Adjusted net interest margin:** | | |
| Total average interest earning assets | $ 962,867 | $ 958,547 |
| Less: average BaaS-brokered deposits | 20,252 | 74,116 |
| Adjusted total average interest earning assets | $ 942,615 | $ 884,431 |
| Total net interest income | $ 10,186 | $ 9,767 |
| Less: interest income earned on BaaS-brokered deposits | 116 | 435 |
| Plus: interest expense on BaaS-brokered deposits | 116 | 435 |
| Adjusted net interest income | 10,186 | 9,767 |
| Adjusted net interest margin: | 4.38% | 4.48% |
| **Adjusted noninterest expense to average assets:** | | |
| Total average assets | $ 1,002,436 | $ 997,069 |
| Less: average BaaS-brokered deposits | 20,252 | 74,116 |
| Adjusted total average assets | $ 982,184 | $ 922,953 |
| Total noninterest expense | $ 7,643 | $ 7,662 |
| Adjusted noninterest expense to average assets: | 3.12% | 3.37% |

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

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-provision, pre-tax return 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.

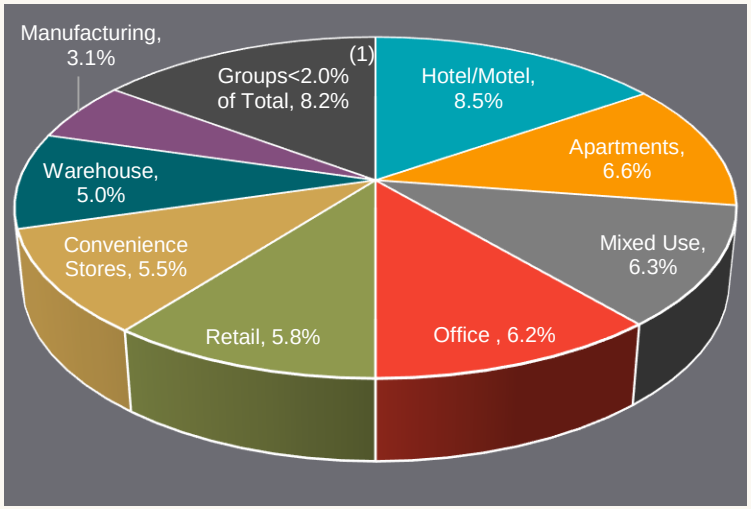
"Pre-provision, pre-tax return on average assets" is a non-GAAP measure that excludes the impact of provision for loan losses and provision for income taxes from return on average assets. The most directly comparable GAAP measure is return on average assets.

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

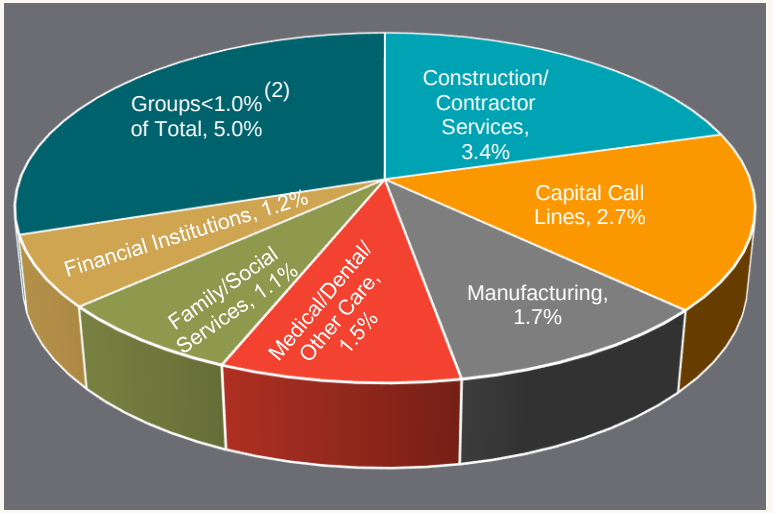
| | As of and for the Three Months Ended | | As of and for the Twelve Months Ended | |
|---|---|---|---|---|
| (Dollars in thousands) | March 31, 2020 | March 31, 2019 | December 31, 2019 | December 31, 2018 |
| **Pre-tax, pre-provision return on average assets:** | | | | |
| Total average assets | $ 1,141,453 | $ 997,069 | $ 1,031,973 | $ 849,258 |
| Total net income | 2,724 | 2,808 | 13,201 | 9,701 |
| Plus: provision for loan losses | 1,578 | 540 | 2,544 | 1,826 |
| Plus: provision for income taxes | 714 | 741 | 3,461 | 2,541 |
| Total pre-tax, pre-provision net income | $ 5,016 | $ 4,089 | $ 19,206 | $ 14,068 |
| Pre-tax, pre-provision return on average assets | 1.77% | 1.66% | 1.86% | 1.66% |

# Diverse Loan Portfolio

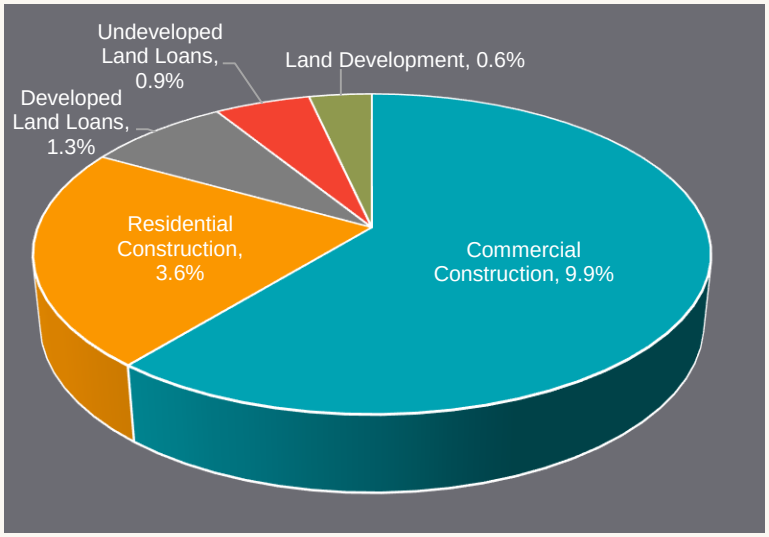
## CRE Loan Breakdown as % of Total Outstanding Balances and Available Commitments




## C&I Loan Breakdown as % of Total Outstanding Balances and Available Commitments




## Construction/Land Loan Breakdown as % of Total Outstanding Balances and Available Commitments




*(1) Restaurants make-up 0.71% and $7.4 million of Groups <2.0% of Total, 8.2% category in CRE loan breakdown*
*(2) Restaurants make-up 0.11% and $1.1 million of Groups <1.0% of Total, 5.0% category in C&I loan breakdown*

# Loan Portfolio Statistics

| Loan Category | Commitments | Weighted Average Seasoning (Months) | Weighted Average FICO Score[1] | Weighted Average LTV[2] | Weighted Average DSCR[3] |
|---|---|---|---|---|---|
| Commercial Real Estate | $558,107,639 | 35.5 | 758 | 55% | 2.74 |
| C&I | $178,533,331 | 30.9 | 762 | 58% | 2.48 |
| Construction | $192,545,735 | 14.2 | 776 | 47% | 3.07 |

| Loan Sub-Categories | Commitments | Weighted Average Seasoning (Months) | Weighted Average FICO Score[1] | Weighted Average LTV[2] | Weighted Average DSCR[3] |
|---|---|---|---|---|---|
| Convenience Store | $65,378,114 | 27.2 | 781 | 61% | 2.67 |
| Hotels | $100,259,526 | 20.6 | 761 | 54% | 2.24 |
| Manufacturing | $36,936,043 | 46.0 | 766 | 53% | 3.04 |
| Mini Storage | $22,679,002 | 24.9 | 800 | 56% | 3.67 |
| Mixed Use | $75,064,286 | 43.0 | 748 | 56% | 2.34 |
| Multifamily | $85,519,177 | 34.5 | 763 | 55% | 3.42 |
| Office - General | $43,940,521 | 42.3 | 766 | 56% | 4.33 |
| Office - Professional | $29,783,717 | 27.3 | 773 | 61% | 3.07 |
| Retail | $74,336,197 | 34.9 | 772 | 55% | 2.36 |
| Warehouse | $58,816,892 | 40.3 | 740 | 52% | 3.08 |

(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 a 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 a annual term loan review or other credit action.

# COVID-19 Update

**Bank Update:**

- 3/12/2020 – Board declares and activates COVID-19 pandemic plan
- 3/16/2020 – Portion of the workforce begins working at home and is dispersed throughout facilities
- 3/17/2020 – Branches closed except for drive-ups and appointments
- 4/17/2020 – Coastal begins working on recovery plan to gradually reopen branches
- 4/24/2020 – Restructuring payments on existing loans to alleviate financial hardship per regulatory guidance
    - 180 loans with payment modifications and deferrals totaling $159.3 million as of 4/24/2020
- 4/27/2020 – Paycheck Protection Program (following table as of 4/29/2020)

| Metric | Round 1 (through 4/23/2020) | Round 2 (4/24/2020 - 4/29/2020) | Total (through 4/29/2020) |
|---|---|---|---|
| Applications approved | 1,291 | 796 | 2,087 |
| Amount approved | $289.8 million | $123.6 million | $413.4 million |
| Applications funded | 1,104 | 252 | 1,356 |
| Funds provided to businesses in our communities | $271.7 million | $46.6 million | $318.3 million |
| People employed at these businesses (funded loans only) | 24,001 | 4,539 | 28,540 |

**Washington State Update Headlines from Governor's Website:**

- 1/21/2020 – First reported case in U.S. of COVID-19
- 2/29/2020 – First known Washington State and U.S. death due to COVID-19. Governor announces state of emergency
- 3/02/2020 – Companies begin urging employees to work from home and schools start to close
- 3/06/2020 – COVID-19 cases surpass 100
- 3/11/2020 – Governor bans gatherings greater than 250 people
- 3/16/2020 – COVID-19 cases surpass 1,000
- 3/23/2020 – Governor issues stay at home order
- 3/23/2020 – Boeing shuts down Puget Sound plants due to COVID-19 outbreak
- 4/02/2020 – Governor extends stay at home order until May 4, 2020
- 4/05/2020 – Governor donates 400 ventilators back to stockpile for use by other states
- 4/06/2020 – Schools closed for rest of this school year
- 4/07/2020 – Governor announced he sent field hospital back
- 4/13/2020 – Washington, Oregon, and California announce Western State Pact
- 4/16/2020 – Governor expands eviction moratorium until June 4, 2020
- 4/20/2020 – Boeing begins reopening their Puget Sound plants
- 4/21/2020 – Governor approves COVID-19 Recovery Plan
- 4/24/2020 – Implementation of Phase I construction restart
- 4/27/2020 – Governor announces easing of outdoor restrictions

*Source of Washington State Timeline: www.governor.wa.gov/news-media/news-release-archive*