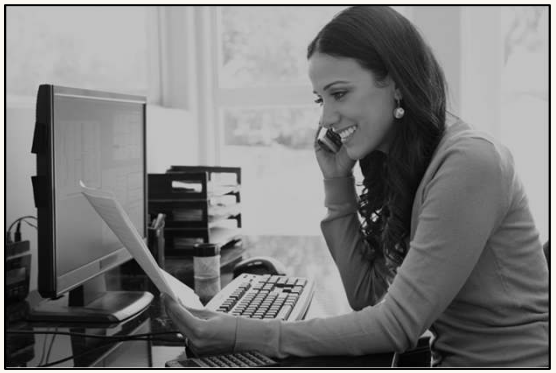


COASTAL
FINANCIAL CORPORATION

INVESTOR PRESENTATION







Dated July 30, 2019

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Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures, 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 nearest 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.

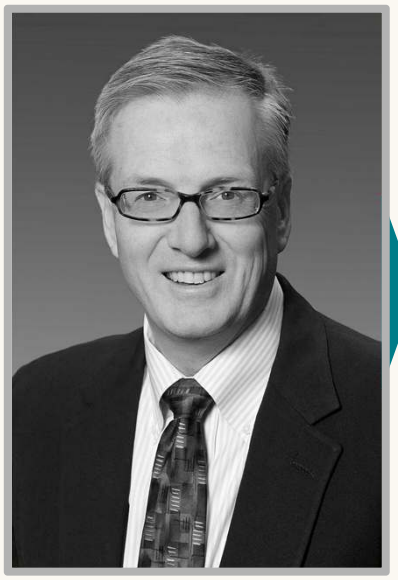
Key Management



Eric Sprink

President
Chief Executive Officer

27 Years of Financial Services Experience
12 Years in the Puget Sound Region
12 Years at Coastal



Joel Edwards

Executive Vice President
Chief Financial Officer

32 Years of Financial Services Experience
23 Years in the Puget Sound Region
6 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

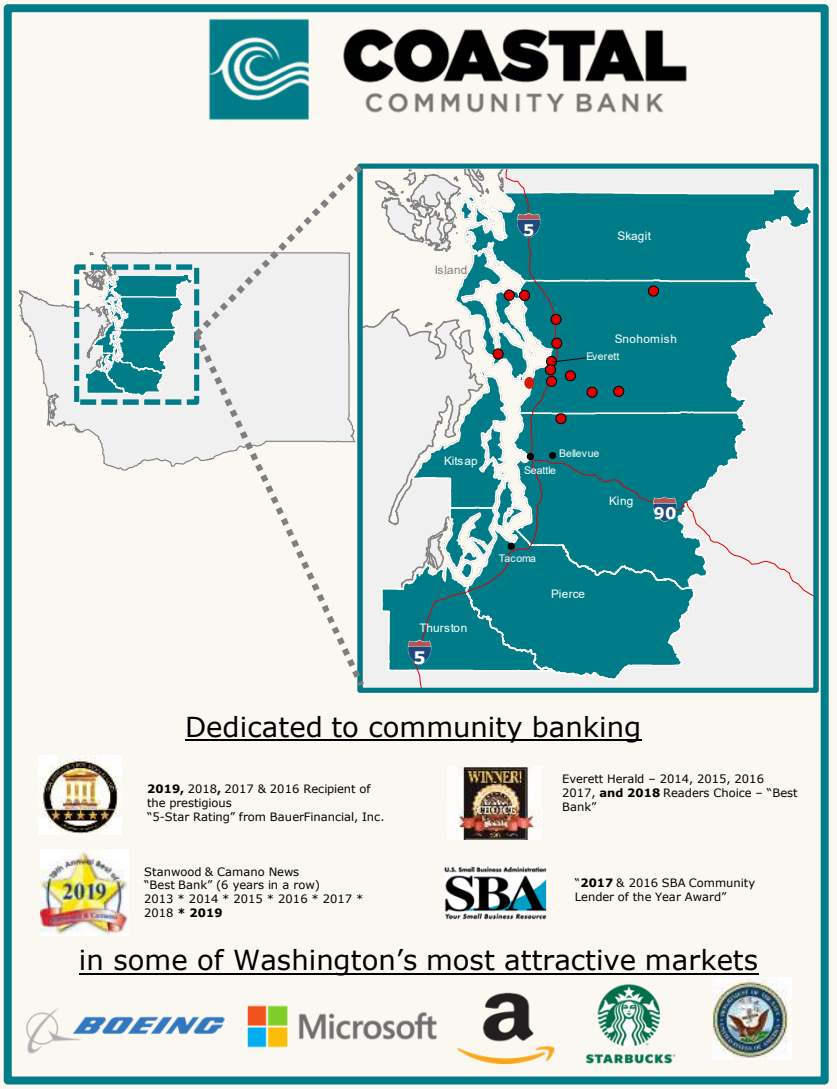
- 14 full-service banking locations
  - 11 in Snohomish County (Everett)
    - Opened Edmonds branch in October 2018
  - 2 in Island County
  - 1 in King County (Seattle)

Size and Scale

- $1.0 billion in total assets
- $845.4 million in total loans
- $868.1 million in total deposits
- Largest community bank by deposit market share in Snohomish County

Focus

- Meet the financial needs of the community, make decisions locally and support the communities the bank serves



Note: Data as of June 30, 2019 unless otherwise indicated

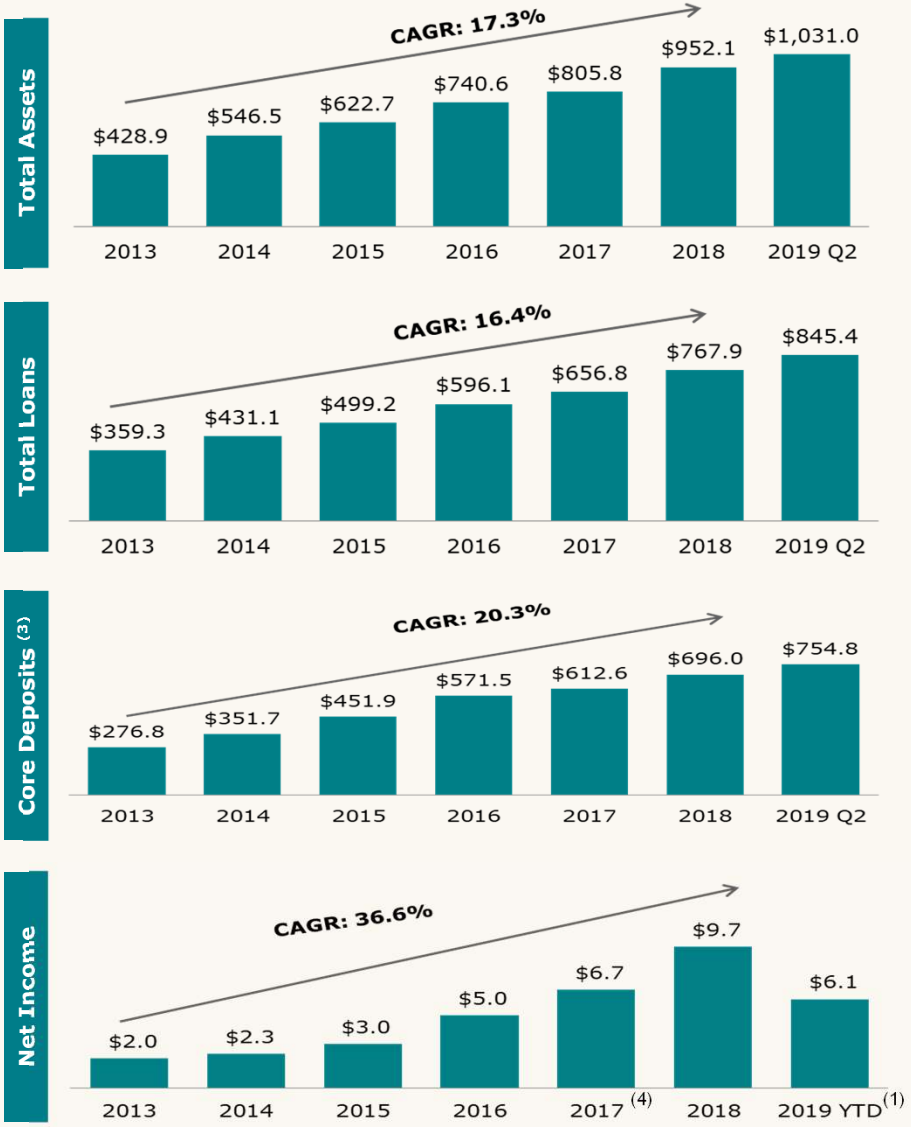
Key Investment Highlights

Premier Local Bank in the Puget Sound Region	• Largest locally headquartered bank, by deposit market share, in rapidly growing Snohomish County • Attractive alternative to larger, more impersonal financial services companies
Attractive Core Deposit Driven Franchise	• Fund 89.3% of total loans with core deposits(1) • Ability to mitigate funding costs in a rising rate environment
Scalable Operating Model with Consistent Growth	• 6 consecutive years of organic deposit, loan, and net income growth • Efficiencies to be obtained with additional scale • 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 a Rising Rate Environment	• Majority (60%) of total loans are floating or adjustable rate as of June 30, 2019 • Solid, lower cost core deposit-funded balance sheet
Disciplined Underwriting and Credit Administration	• Reflected in historical asset quality metrics • Focus on using customer service, not credit terms, to win business • Quality underwriting and track record of strong asset quality

(1) Consists of total deposits less all time deposits and brokered deposits.

Financial Highlights

As of or for the Six Months Ended June 30, 2019	
Balance Sheet ($mm)	
Total Assets	$1,031.0
Total Loans	$845.4
Total Deposits	$868.1
Total Shareholders' Equity	$116.6
Earnings and Profitability	
Net Income ($mm)	$6.1
Return on Average Assets	1.26%(1)
Return on Average Shareholders' Equity	10.86%
Net Interest Margin	4.40%(1)
Efficiency Ratio	63.6%
Loans to Deposits	97.4%
Capital Ratios (Consolidated)	
Tangible Equity to Tangible Assets(2)	11.31%
Tier 1 Leverage Ratio	11.99%
Tier 1 Risk-Based Capital Ratio	12.99%
Total Risk-Based Capital Ratio	15.70%
Asset Quality	
Total Nonperforming Assets to Total Assets	0.16%
Total Nonperforming Loans to Total Loans	0.19%
Allowance for Loan Losses to Total Loans	1.24%
Net Charge-Offs to Average Loans	0.01%



(1) See Appendix for non-GAAP reconciliation
(2) 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
(3) Consists of total deposits less all time deposits and wholesale brokered deposits
(4) 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

- $82,595 per household in 2017, the second highest in Washington vs. $60,336 for the United States

Unemployment Rate

- 3.1% as of June 2019 vs. 3.7% for the United States

Market Deposits

- $12.3 billion in Snohomish County deposits, the second largest county by deposits in Washington (the largest is King County with $85.4 billion in deposits)
- 39.3% growth in deposits from 2010 to 2018

Positioning

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

Recent Economic Developments

- Paine Field in Everett opened commercial air traffic in March 2019
  - ➢ Alaska Airlines and United Airlines have routes to ten different cities along the West Coast

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 6/30/2018
Bank of America Corp. (NC)	1		2,673	21	21.7%
JPMorgan Chase & Co. (NY)	2		1,856	25	15.1%
Wells Fargo & Co. (CA)	3		1,468	20	11.9%
U.S. Bancorp (MN)	4		719	12	5.8%
Coastal Financial Corp. (WA)	5	1	659	10(1)	5.6%
KeyCorp (OH)	6		626	17	5.3%
Mitsubishi UFJ Financial	7		488	7	5.1%
Washington Federal Inc. (WA)	8		447	9	4.0%
Heritage Financial Corp. (WA)	9		433	8	3.6%
FS Bancorp Inc. (WA)	10	2	432	4	3.5%
Total for Instiutions In Market	25	6	12,321	178	

Total Deposits in Market for Coastal Financial Corporation are $736 million at June 30, 2019

(1) Opened 11th branch in Snohomish County (Edmonds) in October 2018

Source: S&P Global Market Intelligence; FDIC's Summary of Deposits as of June 30, 2018; U.S. Bureau of Labor Statistics.

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.

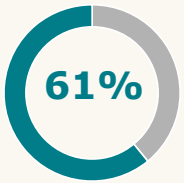
We believe there is significant organic growth opportunities given the:

16% **Employment growth** from 2010 to 2017 compared to national employment growth of 11%

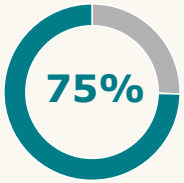
10% **Population growth** from 2010 to 2017 compared to national population growth of 5%



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

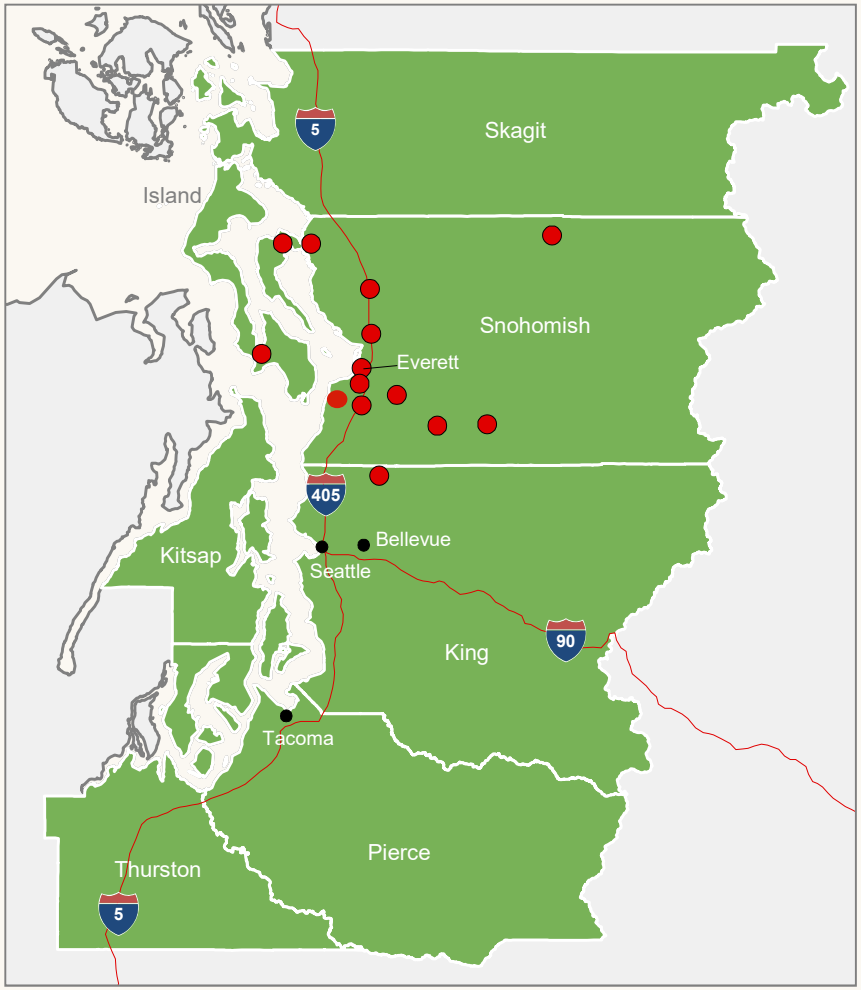


(%) of Washington **businesses** represented by Puget Sound



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

Puget Sound Region



Branches

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

	Number of Branches						Branch Deposits (000s)	
	Pre - Crisis			Post - Crisis			2018	Avg. Deposits/
Company Name	2004	2005	2006	2016	2017	2018	Deposits	Branch
Bank of America Corp.	22	23	23	21	21	21	$2,672,019	$127,239
JPMorgan Chase & Co.	23	23	23	25	25	25	1,856,280	$74,251
Wells Fargo & Co.	17	17	17	20	19	20	1,467,637	$73,382
U.S. Bancorp	12	12	12	12	12	12	719,186	$59,932
Coastal Financial Corp.	**3**	**4**	**5**	**10**	**10**	**10** [1]	**658,863**	**65,886**

Number of Client Households by Location



Total Deposits in Market for Coastal Financial Corporation are $736 million at June 30, 2019

(1) Opened 11th branch in Snohomish County (Edmonds) in October 2018

Source: S&P Global Market Intelligence; FDIC's Summary of Deposits and number of branches as of June 30, of each respective year.

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*

Employee Leadership in Non-Profit Organizations

- Coastal employees volunteer or serve on the Boards of 56 local non-profit organizations within the community

"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 376 grants exceeding $501,000

Awards and Achievements



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



"2015, 2016, 2017, **2018** Corporate Citizenship Award"
- Puget Sound Business Journal



"Best Bank" (7 years in a row) 2013 – **2019**
- Stanwood & Camano News

Loan Composition

87% of loans (measured by dollar amount outstanding) were secured by real estate, or made to borrowers who live or conduct business, in the Puget Sound region

$24.1 million legal lending limit as of June 30, 2019

Overall Loan Portfolio

- 3.16 years weighted average reprice
- 7.45 years weighted average maturity

Commercial & Industrial (C&I) Portfolio

- $101.1 million total C&I loans
- $11.0 million of SBA loans in C&I portfolio

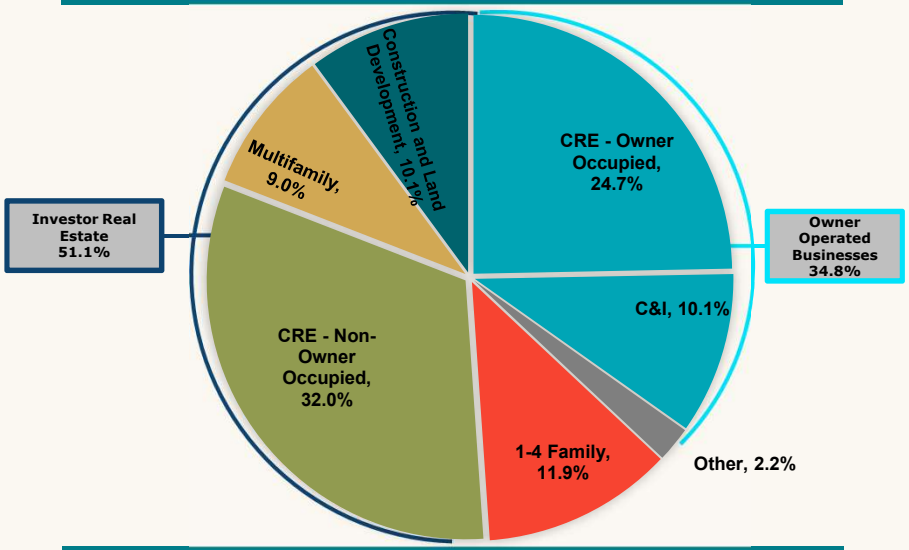
Commercial Real Estate (CRE) Portfolio

- $641.8 million total CRE loans
- 355% regulatory aggregate CRE to total risk-based capital (1)
- $7.4 million of SBA 504 loans in portfolio

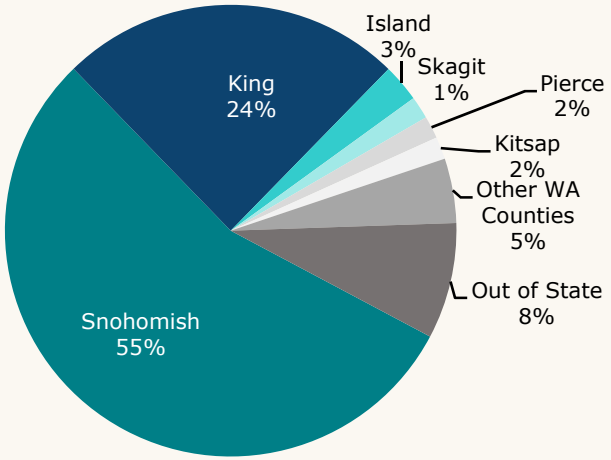
1-4 Family Real Estate Portfolio

- $101.0 million total 1-4 family loans
  - ➢ $34.7 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 June 30, 2019

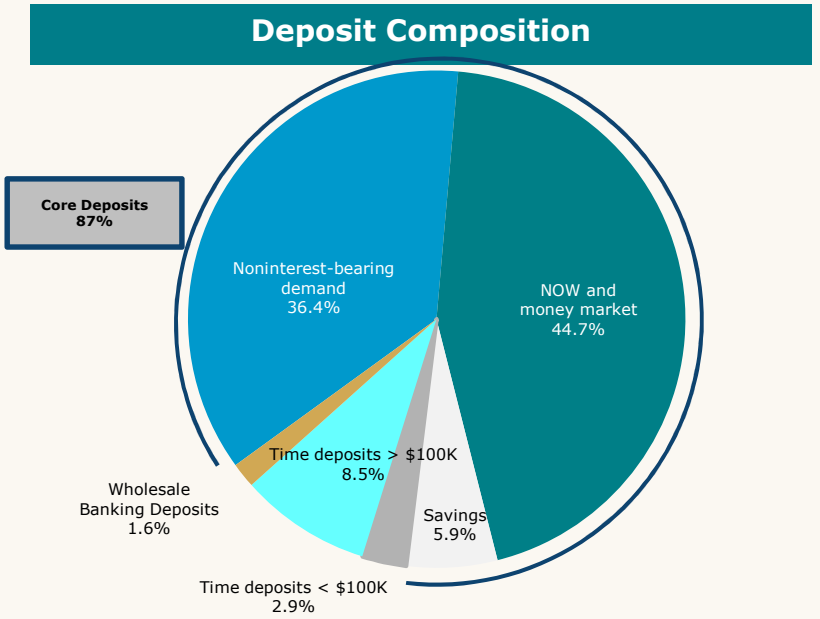
Note: Data as of or for the quarter ended June 30, 2019 unless otherwise indicated.

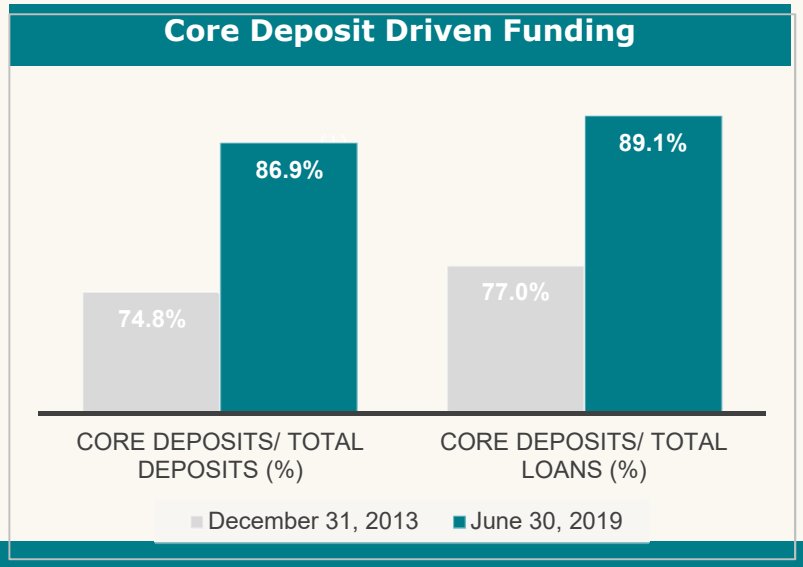
Deposit Composition

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 wholesale brokered deposits
- 89.1% of total loans were funded with core deposits as of June 30, 2019
- Core deposits were 86.9% of total deposits as of June 30, 2019
- Mitigates funding costs in a rising rate environment and enhances asset sensitivity
- Cost of total deposits was 0.63%(1) for the quarter ended June 30, 2019 versus 0.38% for the quarter ended June 30, 2018, and 0.52%(1) for the quarter ended March 31, 2019
- No internet-sourced deposits
- Ability to use funding from wholesale banking services program.

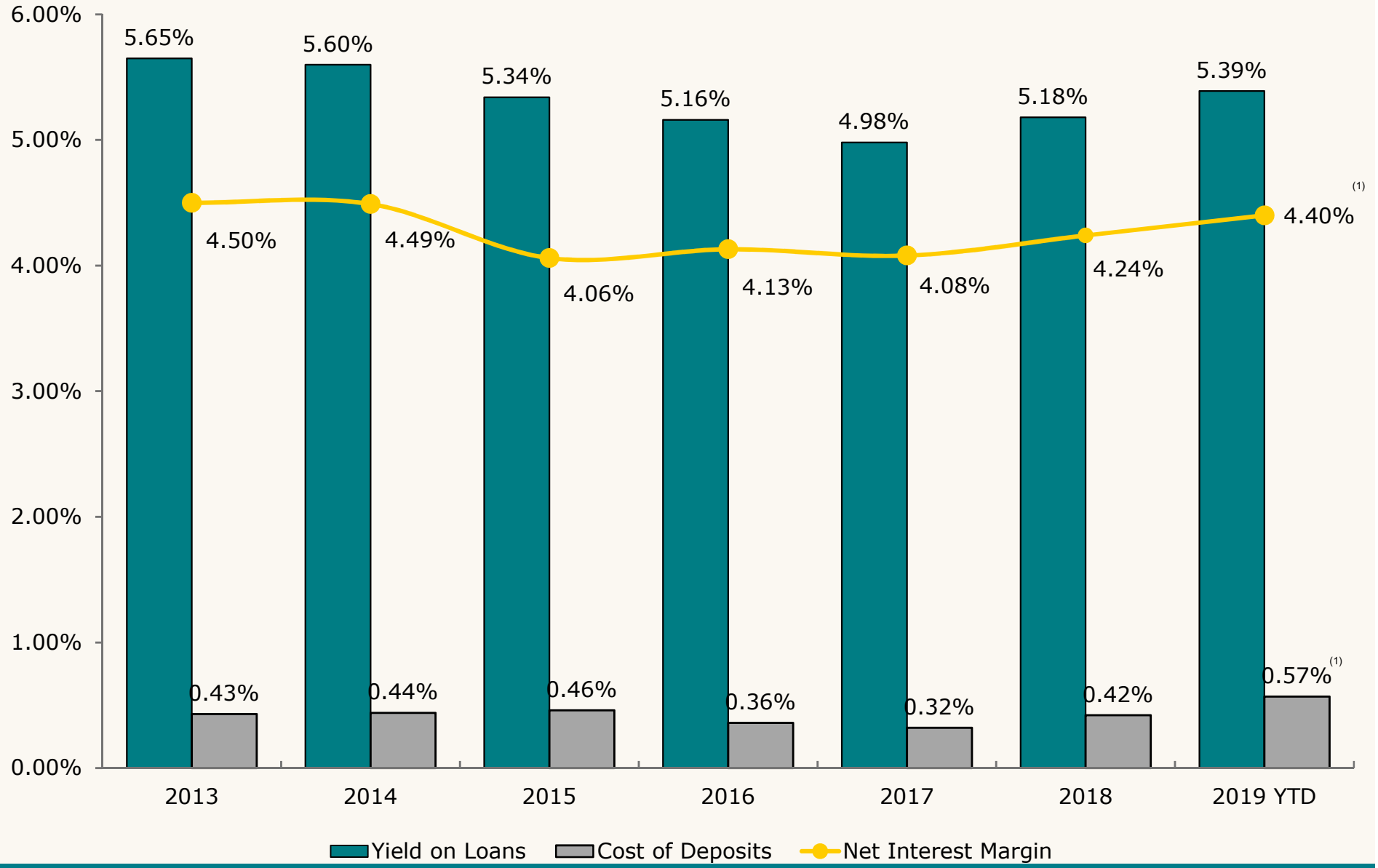




(1) See Appendix for non-GAAP reconciliations.

Note: Data as of or for the quarter ended June 30, 2019 unless otherwise indicated.

Yield and Cost Margin Analysis

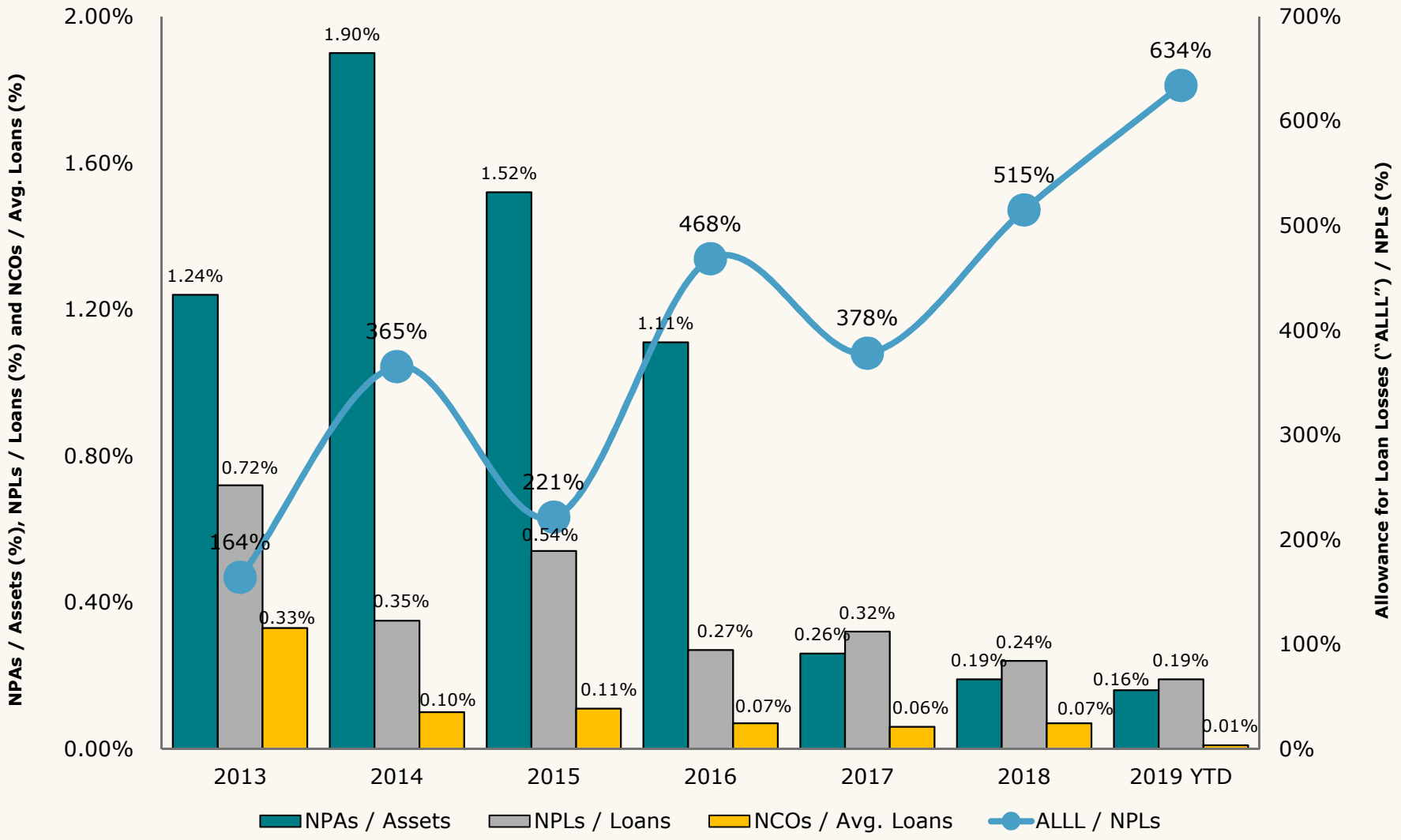


(1) See Appendix for non-GAAP reconciliations.

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

Strong Asset Quality

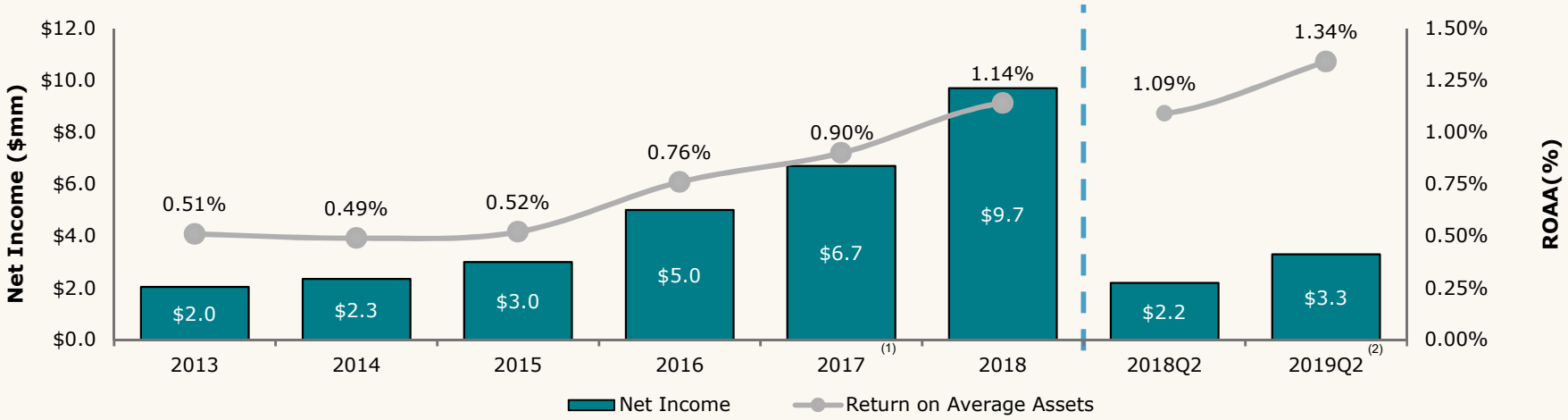
Asset Quality Trends



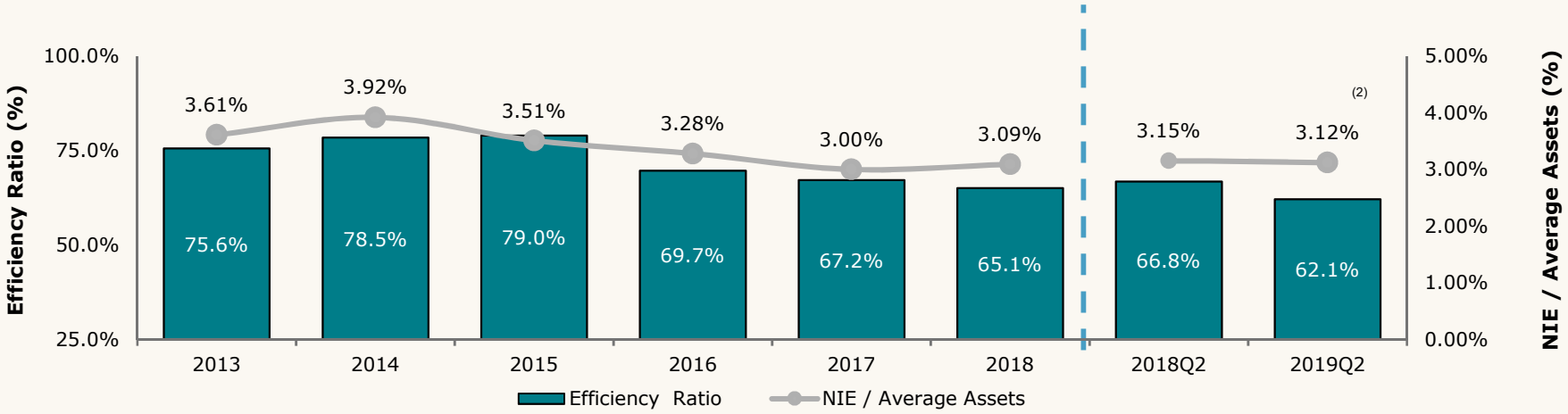
Note: Data as of or for the year ended December 31 of each respective year unless noted otherwise

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 June 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.
(2) See Appendix for non-GAAP reconciliations.

Recent Developments

2019 Q2 Financial Results:

Earnings	For the three months ended June 30, 2019	For the three months ended June 30, 2018	For the twelve months ended December 31, 2018	For the twelve months ended December 31, 2017 (1)
Net Income (in millions)	$3.3 mm	$2.2 mm	$9.7 mm	$6.7 mm
Basic Earnings Per Share	$0.28	$0.24	$0.93	$0.73
Return on Average Assets	1.34% (3)	1.09%	1.14%	0.90%

Balance Sheet	As of the quarter ended (Dollars in millions, except per share amounts) June 30, 2019	March 31, 2019	June 30, 2018
Total Assets	$1,031.0	$959.0 (3)	$850.9
Total Loans	$845.4	$791.1	$700.7
Total Deposits	$868.1	$811.9 (3)	$744.5
Total Shareholders' Equity	$116.6	$112.4 (2)	$69.5
Book Value Per Share	$9.79	$9.44	$7.47

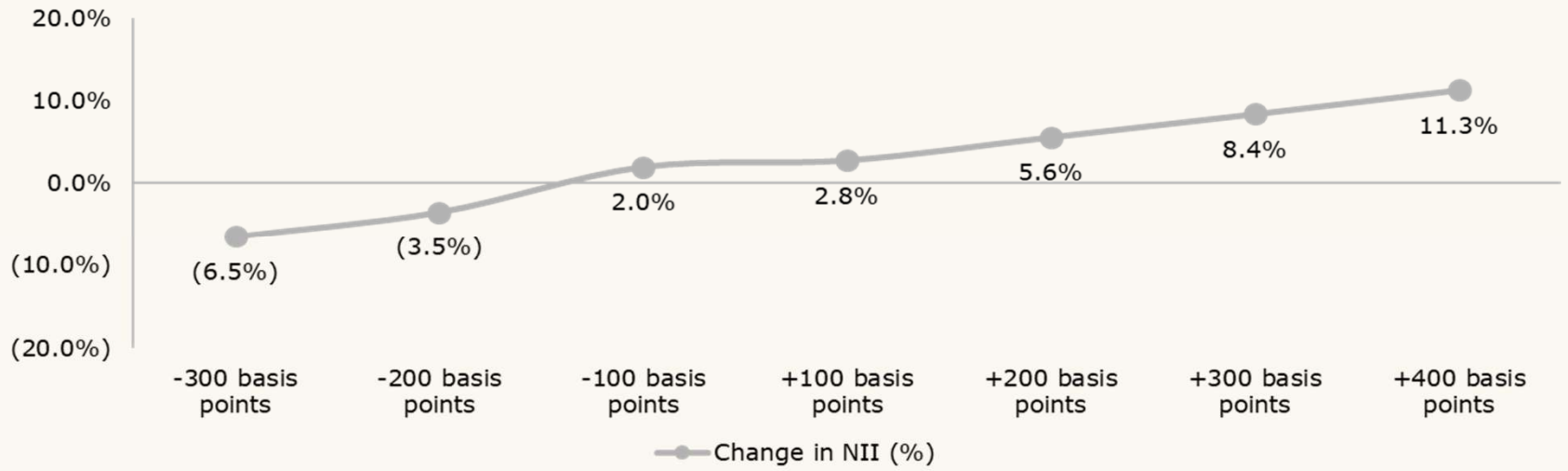
(1) Adjusted to exclude the impact of deferred tax asset revaluation due to the enactment of the Tax Cuts and Jobs Act. Refer to "Non-GAAP Reconciliation" in the Appendix for additional details.
(2) IPO on July 19, 2018 increased capital $32.5 million
(3) See Appendix for non-GAAP reconciliations.

Appendix

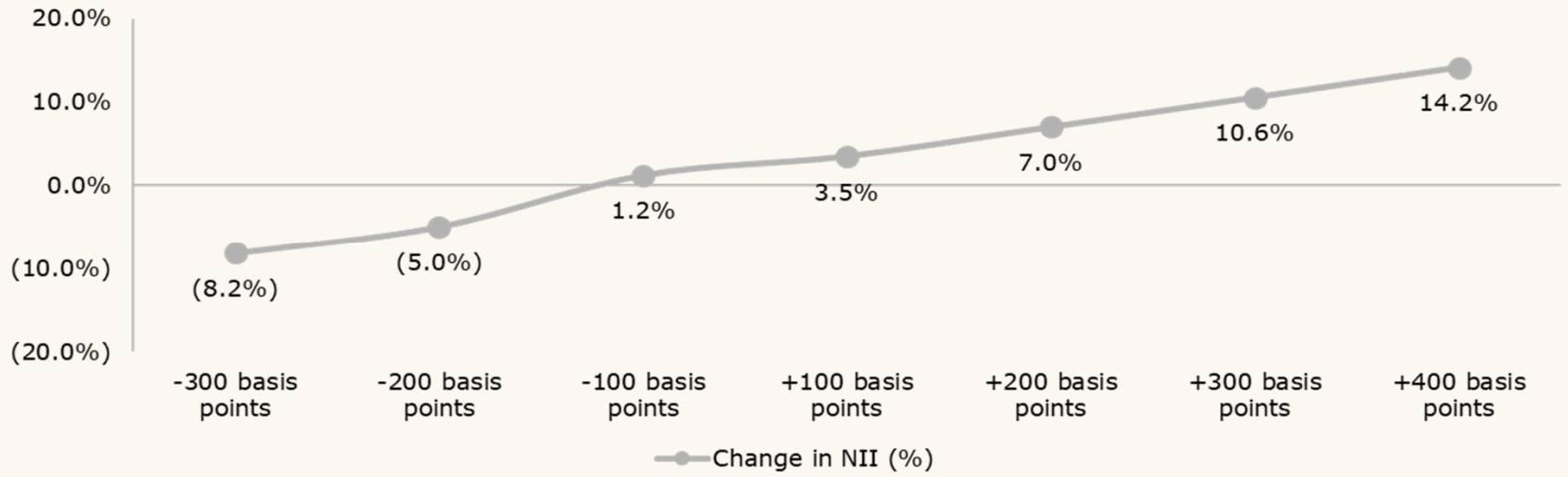
COASTAL
COMMUNITY BANK

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 June 30, 2019.

Selected Year-End Financials

(Dollars in thousands, except per share data)	As of or for the Year Ended December 31, 2018	2017	2016	2015	2014	2013
Statement of Income Data:						
Total interest income	$ 38,592	$ 32,113	$ 28,460	$ 24,829	$ 22,451	$ 18,794
Total interest expense	3,927	2,875	2,523	2,501	2,032	1,699
Provision for loan losses	1,826	870	1,919	941	1,690	1,493
Net interest income after provision for loan losses	32,839	28,368	24,018	21,387	18,729	15,602
Total noninterest income	5,619	4,154	4,977	3,506	3,574	2,018
Total noninterest expense	26,216	22,433	21,538	20,406	18,829	14,447
Provision for income taxes	2,541	4,653	2,454	1,483	1,127	1,130
Net income	9,701	5,436	5,003	3,004	2,347	2,043
Adjusted net income [1]	9,701	6,731	5,003	3,004	2,347	2,043
Balance Sheet Data:						
Cash and cash equivalents	$ 125,782	$ 89,751	$ 86,975	$ 84,674	$ 80,167	$ 38,625
Investment securities	37,922	38,336	34,994	16,150	13,757	14,439
Loans	767,899	656,788	596,128	499,186	431,119	359,317
Allowance for loan losses	9,407	8,017	7,544	5,989	5,557	4,268
Total assets	952,110	805,753	740,611	622,678	546,475	428,860
Interest-bearing deposits	510,089	460,937	424,707	370,028	333,230	256,747
Noninterest-bearing deposits	293,525	242,358	223,955	173,554	138,931	113,337
Total deposits	803,614	703,295	648,662	543,582	472,161	370,084
Total borrowings	33,546	33,529	28,513	20,376	19,374	18,372
Total shareholders' equity	109,156	65,711	59,897	55,753	52,521	38,487
Share and Per Share Data: [2]						
Shares outstanding at end of period	11,893,203	9,248,901	9,238,788	9,232,538	9,213,204	7,289,274
Weighted average common shares outstanding–diluted	10,440,740	9,237,629	9,227,216	9,220,836	7,859,830	7,148,165
Book value per share	$ 9.18	$ 7.11	$ 6.48	$ 6.04	$ 5.70	$ 5.28
Tangible book value per share [3]	9.18	7.11	6.48	6.04	5.70	5.28
Earnings per share – basic	0.93	0.59	0.54	0.33	0.30	0.29
Earnings per share – diluted	0.91	0.59	0.54	0.33	0.30	0.29
Adjusted earnings per share – diluted [1]	0.91	0.73	0.54	0.33	0.30	0.29
Performance Ratios:						
Return on average assets	1.14%	0.73%	0.76%	0.52%	0.49%	0.51%
Adjusted return on average assets [1]	1.14	0.90	0.76	0.52	0.49	0.51
Return on average shareholders' equity	11.40	8.27	8.56	5.52	5.33	5.56
Adjusted return on average shareholders' equity [1]	11.40	10.24	8.56	5.52	5.33	5.56
Credit Quality Ratios:						
Nonperforming assets to total assets	0.19%	0.26%	1.11%	1.52%	1.90%	1.24%
Nonperforming assets to total loans and OREO	0.24	0.32	1.38	1.89	2.39	1.46
Nonperforming loans to total loans	0.24	0.32	0.27	0.54	0.35	0.72
Allowance for loan losses to total loans	1.23	1.22	1.27	1.20	1.29	1.19
Net charge-offs to average loans	0.07	0.06	0.07	0.11	0.10	0.33

(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.

Selected Quarterly Financials

(Dollars in thousands, except per share data)	As of or for the Quarter Ended				
	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2
Statement of Income Data:					
Total interest income	$ 11,804	$ 11,394	$ 11,011	$ 9,894	$ 9,231
Total interest expense	1,618	1,627	1,123	1,046	928
Provision for loan losses	547	540	425	508	392
Net interest income after provision for loan losses	9,639	9,227	9,463	8,340	7,911
Total noninterest income	2,132	1,984	1,601	1,546	1,213
Total noninterest expense	7,643	7,662	7,185	6,610	6,354
Provision for income taxes	854	741	824	674	569
Net Income	3,274	2,808	3,055	2,602	2,201
Balance Sheet Data:					
Cash and cash equivalents	$ 113,470	$ 257,659	$ 125,782	$ 115,508	$ 91,449
Investment securities	42,381	38,217	37,922	37,039	37,317
Loans	845,443	791,072	767,899	744,320	700,692
Allowance for loan losses	10,443	9,915	9,407	9,111	8,540
Total assets	1,031,024	1,116,090	952,110	917,029	850,922
Interest-bearing deposits	552,254	680,249	510,089	488,743	485,019
Noninterest-bearing deposits	315,890	296,247	293,525	285,979	259,449
Total deposits	868,144	976,496	803,614	774,722	744,468
Core Deposits	754,768	716,623	696,049	676,339	644,624
Total borrowings	33,554	13,549	33,546	33,542	33,537
Total shareholders' equity	116,592	112,365	109,156	105,276	69,490
Share and Per Share Data: (2)					
Shares outstanding at end of period	11,908,185	11,902,715	11,893,203	11,886,473	9,298,553
Weighted average common shares outstanding–diluted	12,200,316	12,183,234	12,166,250	11,609,978	9,284,947
Book value per share	$ 9.79	$ 9.44	$ 9.18	$ 8.86	$ 7.47
Tangible book value per share (3)	9.79	9.44	9.18	8.86	7.47
Earnings per share – basic	0.28	0.24	0.26	0.23	0.24
Earnings per share – diluted	0.27	0.23	0.25	0.22	0.24
Performance Ratios:					
Return on average assets	1.31%	1.14%	1.33%	1.18%	1.09%
Adjusted return on average assets (1)	1.34	1.20	1.33	1.18	1.09
Return on average shareholders' equity	11.45	10.25	11.31	10.59	12.90
Credit Quality Ratios:					
Nonperforming assets to total assets	0.16%	0.12%	0.19%	0.27%	0.24%
Nonperforming assets to total loans and OREO	0.19	0.17	0.24	0.34	0.30
Nonperforming loans to total loans	0.19	0.17	0.24	0.34	0.30
Allowance for loan losses to total loans	1.24	1.25	1.23	1.22	1.22
Net charge-offs to average loans	0.01	0.02	0.07	-0.03	0.16
Other Key Ratios:					
Yield on Loans Receivable	5.39%	5.40%	5.39%	5.12%	5.11%
Adjusted Cost of Deposits (1)	0.63	0.52	0.47	0.44	0.40
Adjusted Net Interest Margin (1)	4.38	4.48	4.43	4.13	4.26
Efficiency Ratio	62.05	65.20	62.54	63.29	66.77
Adjusted Loans Receivable to Deposits (1)	97.39	97.44	95.56	96.08	94.12

(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

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.

- "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 or for the Year Ended, December 31, 2017	
Adjusted net income:		
Net income	$	5,436
Plus: additional income tax expense		1,295
Adjusted net income		6,731
Adjusted earnings per share – diluted		
Net income	$	5,436
Plus: additional income tax expense for deferred tax asset revaluation		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 revaluation		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 revaluation		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.

Non-GAAP Reconciliation

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.

- "Adjusted return on average assets" is a non-GAAP measure that excludes the temporary impact of holding high rate wholesale deposits on 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 wholesale deposits on 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 wholesale deposits on 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 wholesale deposits on 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 wholesale deposits on 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 high rate Wholesale-Brokered Deposits on balance sheet. The most directly comparable GAAP measure is loans receivable to deposits.

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

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

Non-GAAP Reconciliation

(Dollars in thousands)	As of and for the Three Months Ended June 30, 2019	March 31, 2019	As of and for the Six Months Ended June 30, 2019
Adjusted return on average assets:			
Total average assets	$ 1,002,436	$ 997,069	$ 999,766
Less: average wholesale-brokered deposits	20,252	74,116	47,035
Adjusted total average deposits and borrowings	$ 982,184	$ 922,953	$ 952,731
Total net income	$ 3,274	$ 2,808	$ 6,082
Less: fees earned on servicing wholesale-brokered deposits	36	78	114
Adjusted net income	$ 3,238	$ 2,730	$ 5,968
Adjusted return on average assets:	1.34%	1.20%	1.26%
Adjusted cost of funds:			
Total average deposits and borrowings	$ 874,610	$ 872,979	$ 873,798
Less: average wholesale-brokered deposits	20,252	74,116	47,035
Adjusted total average deposits and borrowings	$ 854,358	$ 798,863	$ 826,763
Total interest expense	$ 1,618	$ 1,627	$ 3,245
Less: interest expense on wholesale-brokered deposits	116	435	551
Adjusted interest expense	$ 1,502	$ 1,192	$ 2,694
Adjusted cost of funds:	0.71%	0.61%	0.66%
Adjusted cost on deposits:			
Total average deposits	$ 859,516	$ 859,135	$ 859,326
Less: average wholesale-brokered deposits	20,252	74,116	47,035
Adjusted total average deposits	$ 839,264	$ 785,019	$ 812,291
Interest expense on deposits	$ 1,420	$ 1,436	$ 2,856
Less: interest expense on wholesale-brokered deposits	116	435	551
Adjusted interest expense on interest bearing deposits	$ 1,304	$ 1,001	$ 2,305
Adjusted cost of deposits:	0.63%	0.52%	0.57%
Adjusted net interest margin:			
Total average interest earning assets	$ 962,867	$ 958,547	$ 960,718
Less: average wholesale-brokered deposits held in cash	20,252	74,116	47,035
Adjusted total average interest earning assets	$ 942,615	$ 884,431	$ 913,683
Total net interest income	$ 10,186	$ 9,767	$ 19,953
Less: interest income earned wholesale-brokered deposits held in cash	116	435	551
Plus: interest expense on wholesale-brokered deposits	116	435	551
Adjusted net interest income	10,186	9,767	19,953
Adjusted net interest margin:	4.38%	4.48%	4.40%
Adjusted noninterest expense to average assets:			
Total average assets	$ 1,002,436	$ 997,069	$ 999,766
Less: average wholesale-brokered deposits	20,252	74,116	47,035
Adjusted total average assets	$ 982,184	$ 922,953	$ 952,731
Total noninterest expense	$ 7,643	$ 7,662	$ 15,305
Adjusted noninterest expense to average assets:	3.12%	3.37%	3.24%