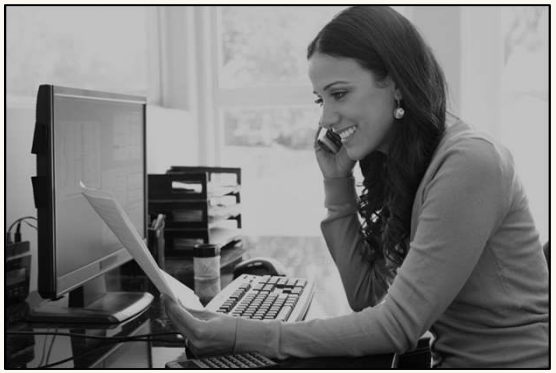


COASTAL FINANCIAL CORPORATION

INVESTOR PRESENTATION







Dated February 18, 2020

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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.

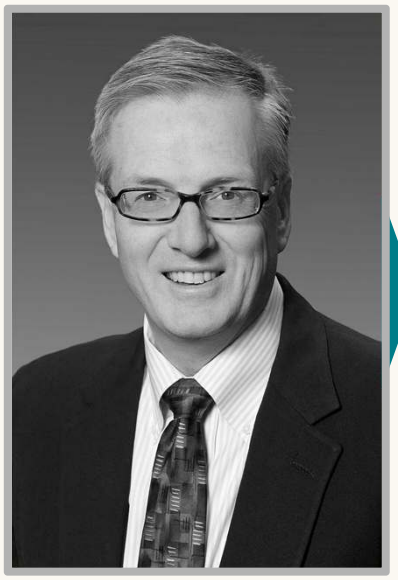
Key Management



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

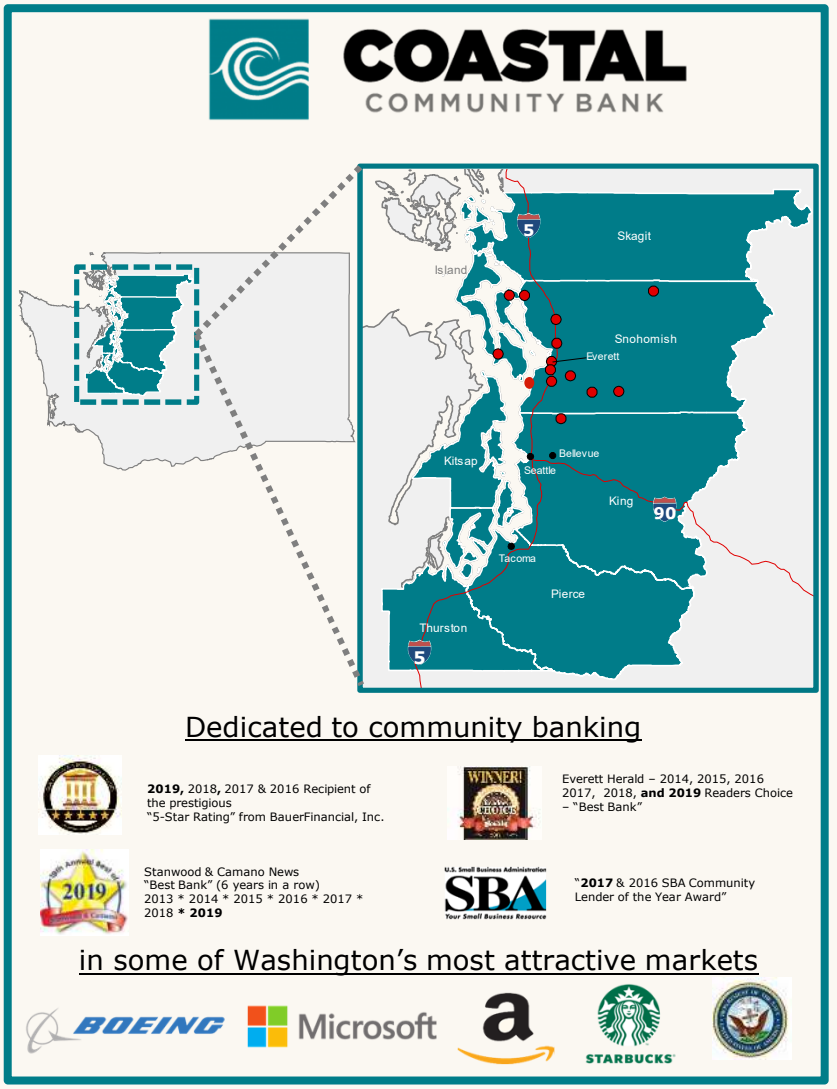
- 14 full-service banking locations[1]
  - 11 in Snohomish County (Everett)
    - Opened Edmonds branch in October 2018
  - 2 in Island County
  - 1 in King County (Seattle)

Size and Scale

- $1.1 billion in total assets
- $939.1 million in total loans
- $968.0 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
- Support the communities the Bank serves



(1) Coastal will open our 15th branch in Arlington in 2020
Note: Data as of December 31, 2019 unless otherwise indicated

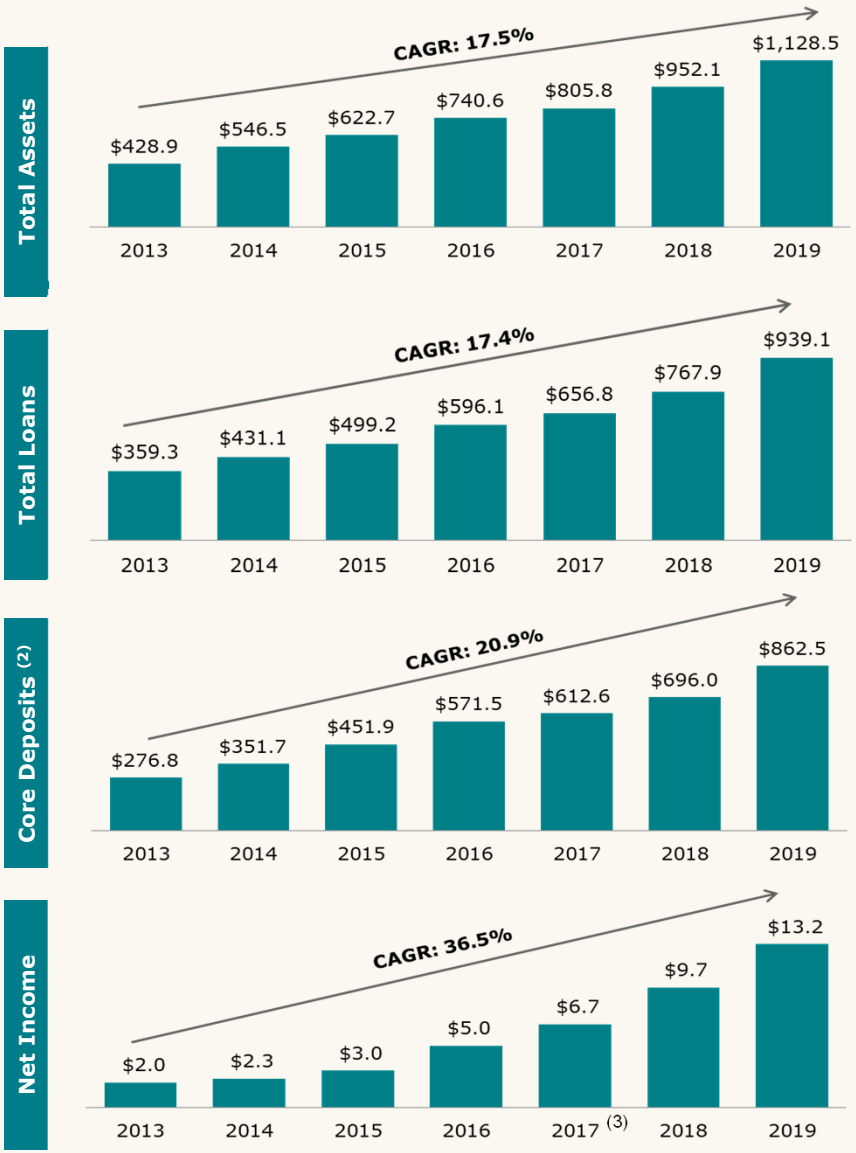
Key Investment Highlights

Premier Local Bank in the Puget Sound Region	• Largest locally headquartered bank, by deposit market share, in rapidly growing Snohomish County[1] • Attractive alternative to larger, more impersonal financial services companies
Attractive Core Deposit Driven Franchise	• Fund 91.8% of total loans with core deposits[2] • 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 • 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 Various Rate Environments	• Solid, lower cost core deposit-funded balance sheet • Focus on growing lower cost core deposits instead of high rate CDs
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) 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 and brokered deposits as of December 31,2019

Financial Highlights

As of or for the Twelve Months Ended December 31, 2019	
Balance Sheet ($mm)	
Total Assets	$1,128.5
Total Loans	$939.1
Total Deposits	$968.0
Total Shareholders' Equity	$124.2
Earnings and Profitability	
Net Income ($mm)	$13.2
Return on Average Assets	1.28%
Return on Average Shareholders' Equity	11.29%
Net Interest Margin	4.23%
Efficiency Ratio	61.8%
Loans to Deposits	97.0%
Capital Ratios (Consolidated)	
Tangible Equity to Tangible Assets (1)	11.21%
Tier 1 Leverage Ratio	11.64%
Tier 1 Risk-Based Capital Ratio	13.14%
Total Risk-Based Capital Ratio	15.40%
Asset Quality	
Total Nonperforming Assets to Total Assets	0.09%
Total Nonperforming Loans to Total Loans	0.11%
Allowance for Loan Losses to Total Loans	1.22%
Net Charge-Offs to Average Loans	0.06%



(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

- 2.4% as of December 2019 vs. 3.5% 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
  - ➢ Alaska Airlines and United Airlines have routes to ten different cities along the West Coast
  - ➢ Amazon plans for 15,000 employees in Bellevue(4)

Notable Employers

BOEING · PROVIDENCE Health & Services · Microsoft · TULALIP TRIBES · NAVAL STATION EVERETT · a · 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%
(3)	Coastal Financial Corp. (WA) at 12/31/2019	4	1	842	11	6.7%
	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 $841.6 million at December 31, 2019
(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.

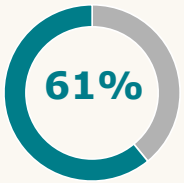
We believe there is significant organic growth opportunities given the:

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

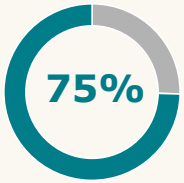
13% **Population growth** from 2010 to 2018 compared to national population growth of 6%



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

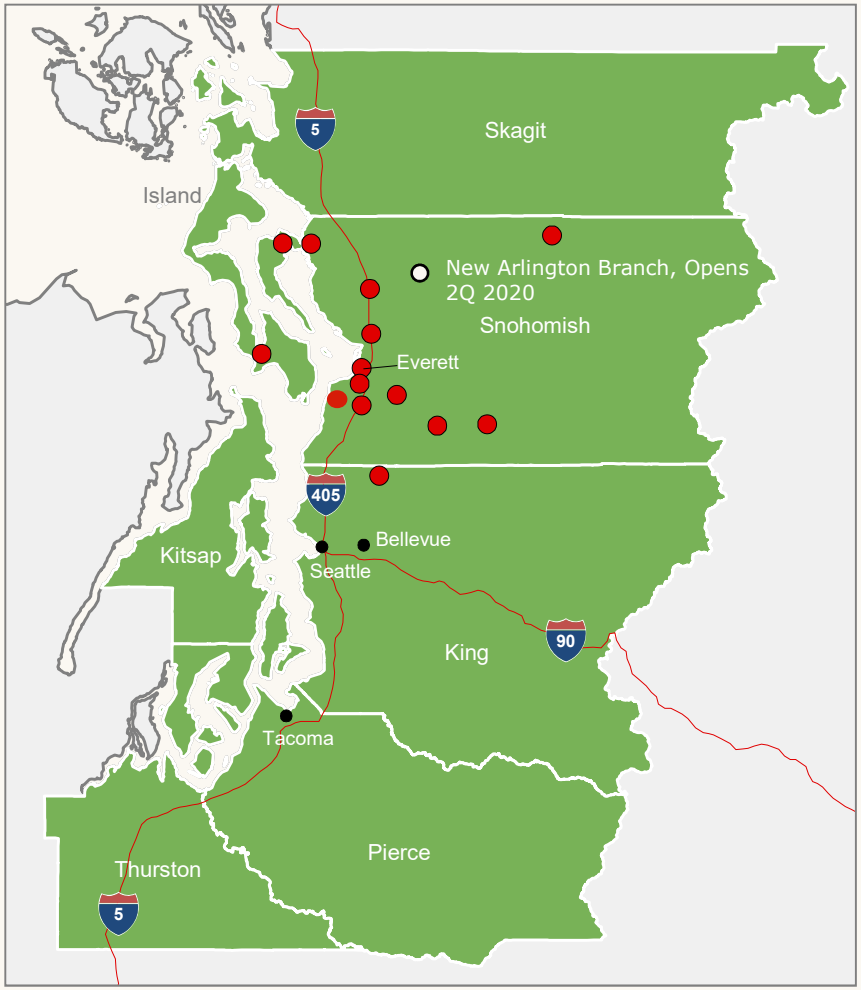


(%) of Washington **businesses** represented by Puget Sound



(%) 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 $841.6 million at December 31, 2019

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

"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

89% 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

$26.9 million legal lending limit as of December 31, 2019

Overall Loan Portfolio

- 3.15 years weighted average reprice
- 7.39 years weighted average maturity

Commercial & Industrial (C&I) Portfolio

- $111.4 million total C&I loans
- $8.2 million of SBA loans in C&I portfolio

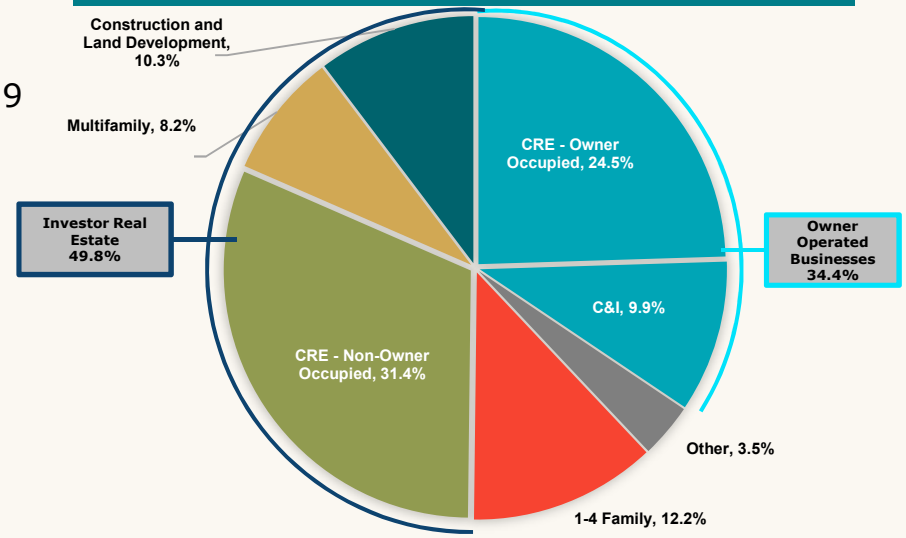
Commercial Real Estate (CRE) Portfolio

- $710.4 million total CRE loans
- 348% regulatory aggregate CRE to total risk-based capital (1)
- $6.3 million of SBA 504 loans in portfolio

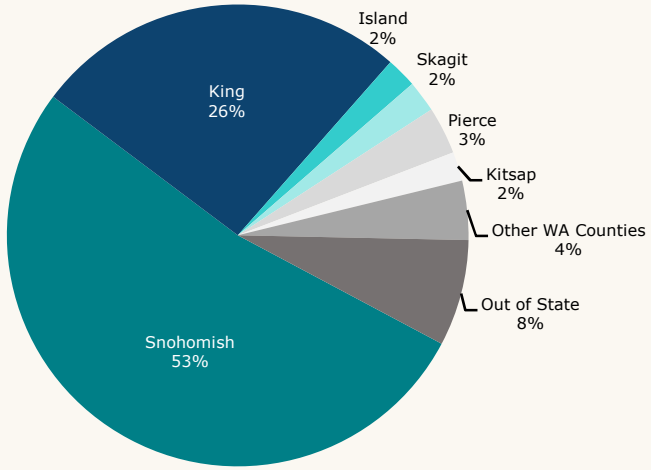
1-4 Family Real Estate Portfolio

- $115.0 million total 1-4 family loans
  - ➢ $28.6 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 December 31, 2019

Note: Data as of or for the quarter ended December 31, 2019 unless otherwise indicated.

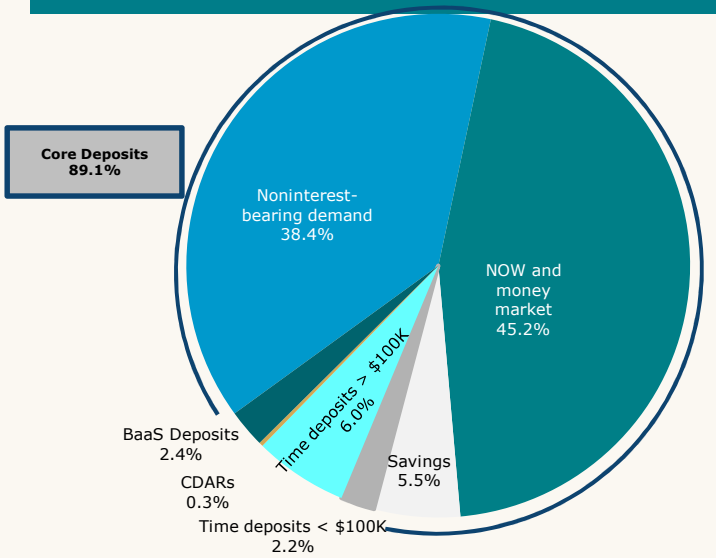
Deposit Composition

Emphasis on core deposits has helped generate an attractive funding mix

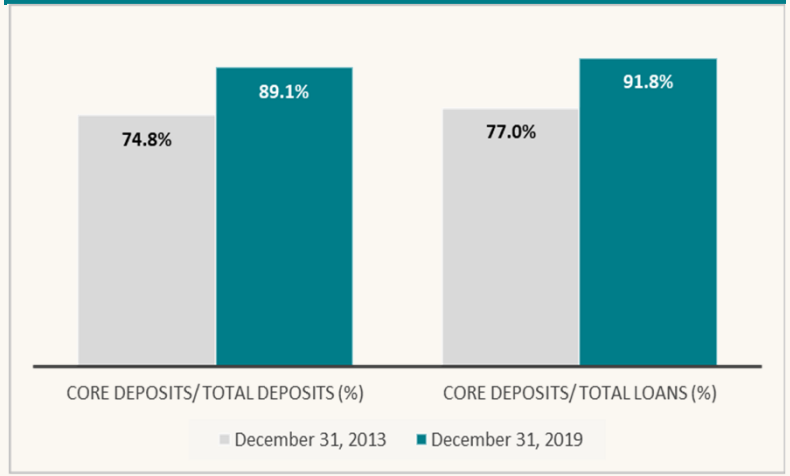
Core Deposit Franchise

- We define core deposits as total deposits less time deposits and all BaaS deposits
- 91.8% of total loans were funded with core deposits as of December 31, 2019
- Core deposits were 89.1% of total deposits as of December 31, 2019
- Cost of total deposits was 0.63% for the quarter ended December 31, 2019 versus 0.47% for the quarter ended December 31, 2018, and 0.64% for the quarter ended September 30, 2019
- No internet-sourced deposits
- Ability to use funding from BaaS program

Deposit Composition

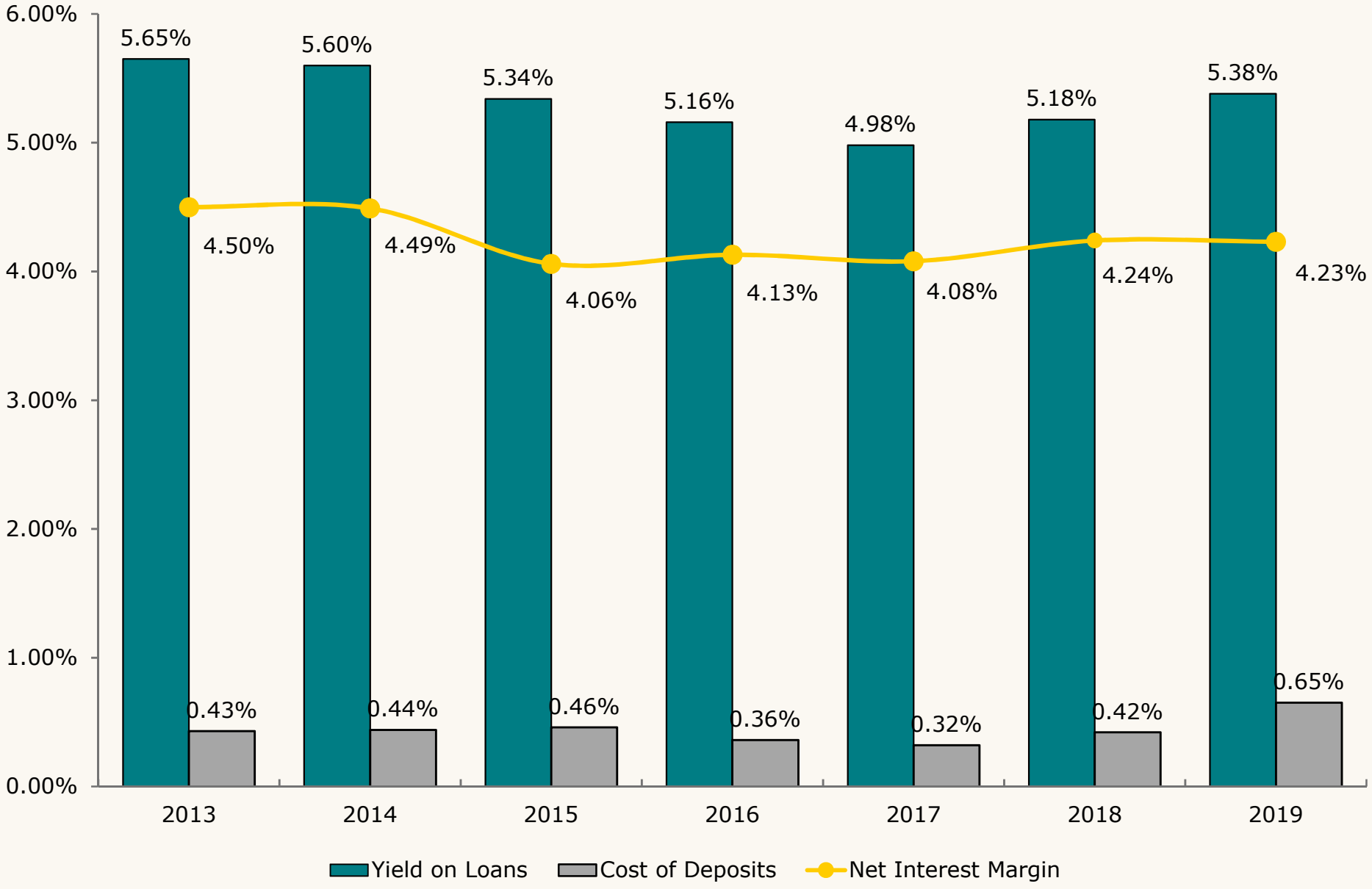


Core Deposit Driven Funding



Note: Data as of or for the quarter ended December 31, 2019 unless otherwise indicated.

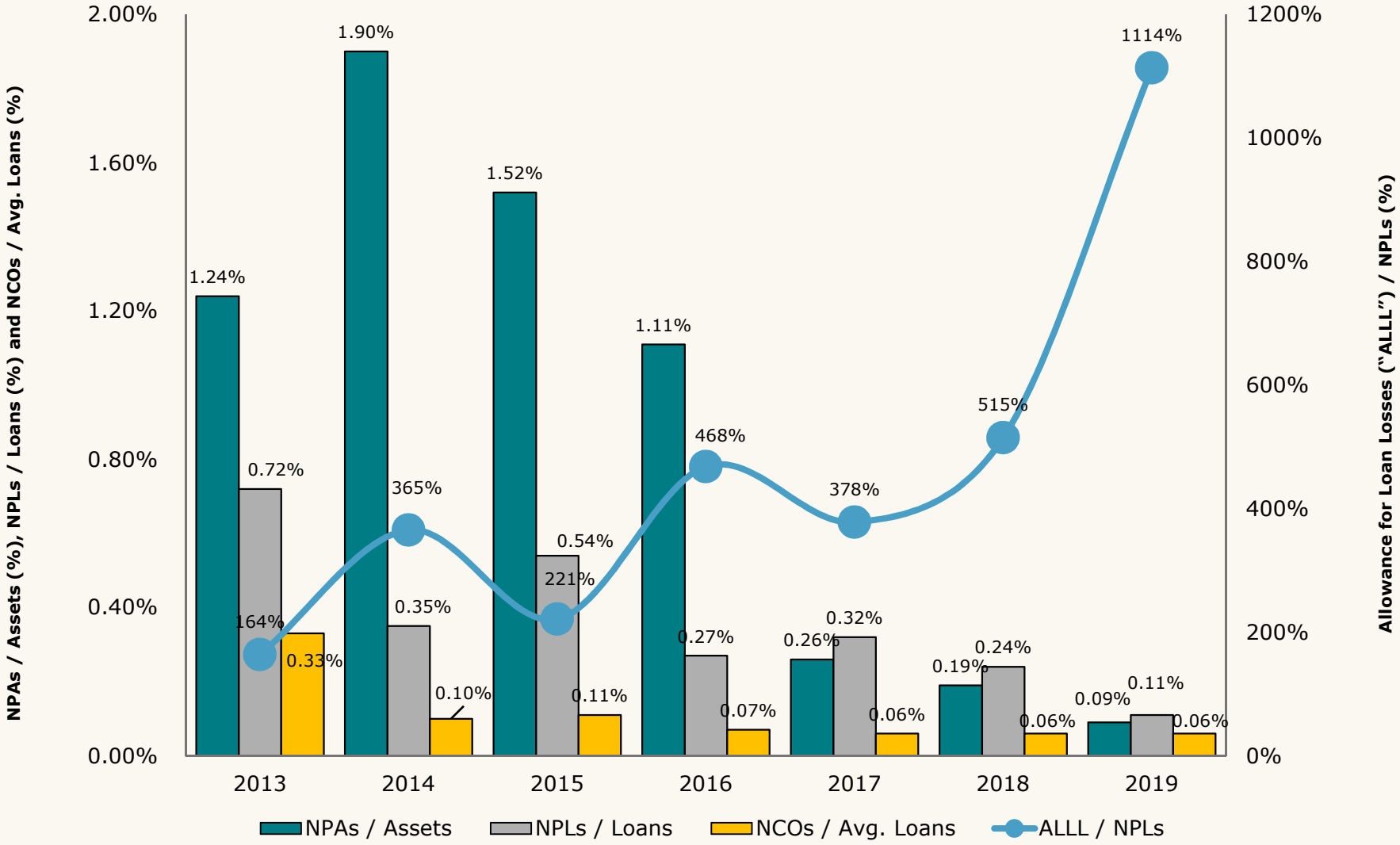
Yield and Cost Margin Analysis



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

Strong Asset Quality

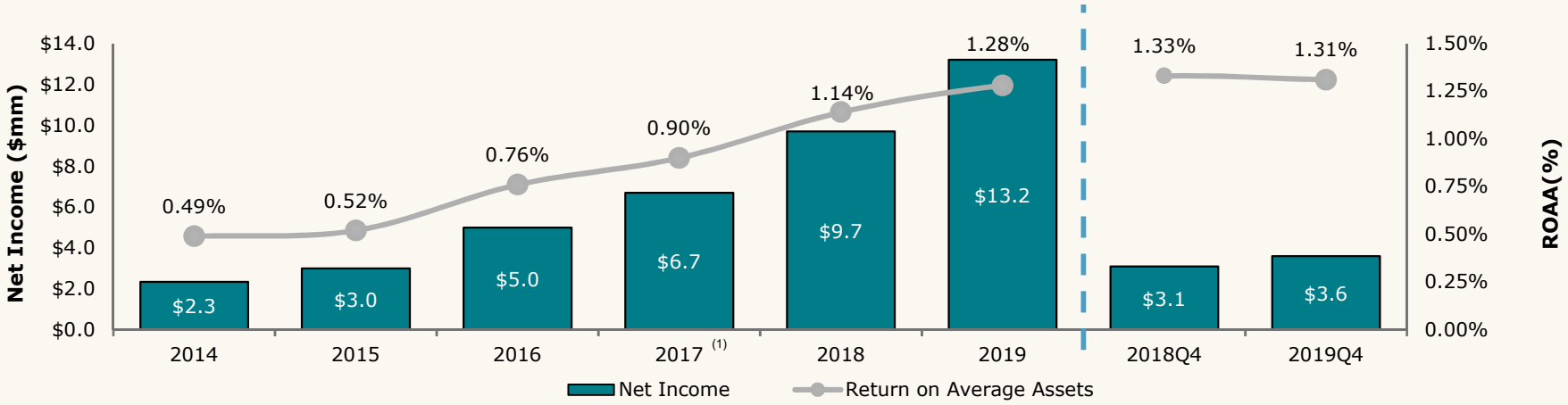
Asset Quality Trends



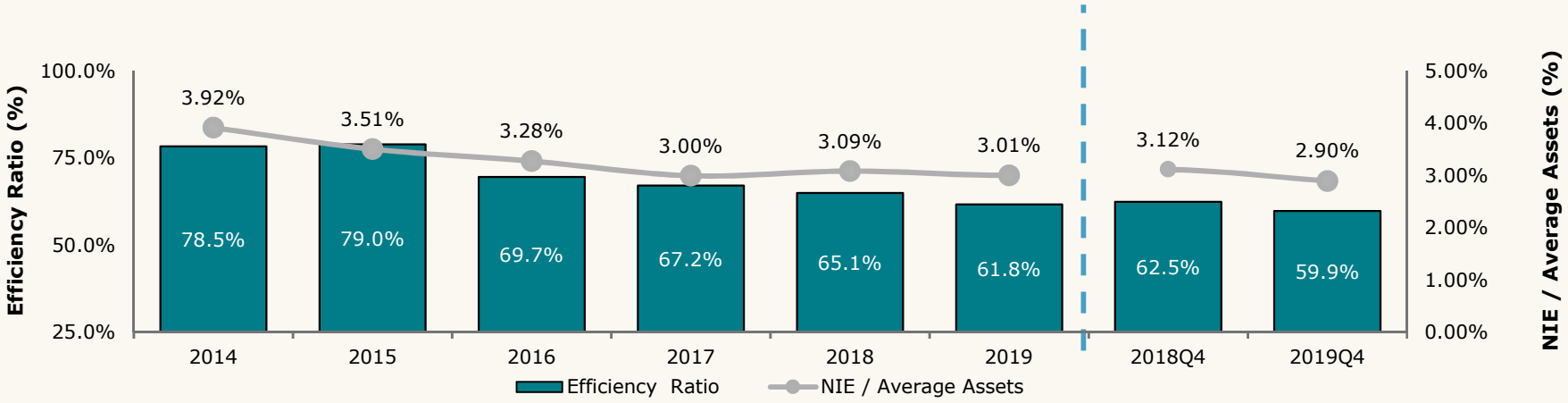
Note: Data as of or for the year ended December 31 of each respective year unless noted otherwise

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 December 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 December 31, 2019	For the three months ended December 31, 2018	For the twelve months ended December 31, 2019	For the twelve months ended December 31, 2018
Net Income (Dollars in millions)	$3.6	$3.1	$13.2	$9.7
Basic Earnings Per Share	$0.30	$0.26	$1.11	$0.93
Return on Average Assets	1.31%	1.33%	1.28%	1.14%

Balance Sheet	As of the quarter ended (Dollars in millions, except per share amounts) December 31, 2019	September 30, 2019	December 31, 2018
Total Assets	$1,128.5	$1,090.1	$952.1
Total Loans	$939.1	$874.1	$767.9
Total Deposits	$968.0	$922.2	$803.6
Total Shareholders' Equity	$124.2	$120.4	$109.2
Book Value Per Share	$10.42	$10.11	$9.18

- **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 one active, four in process of onboarding, along with 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.

- **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."

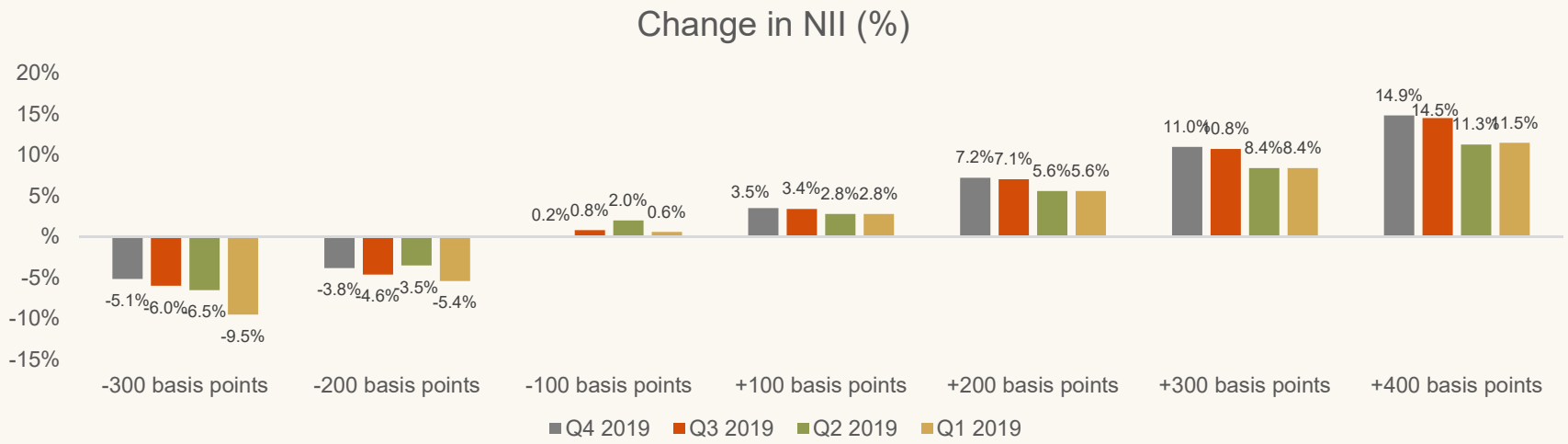
- **Asset Growth –** Some of our fintech contracts include lending products which, if successful, may potentially lead to additional loan growth beyond the community bank's organic growth, use of funding from partners, increased utilization of capital, and additional growth in assets.

Appendix

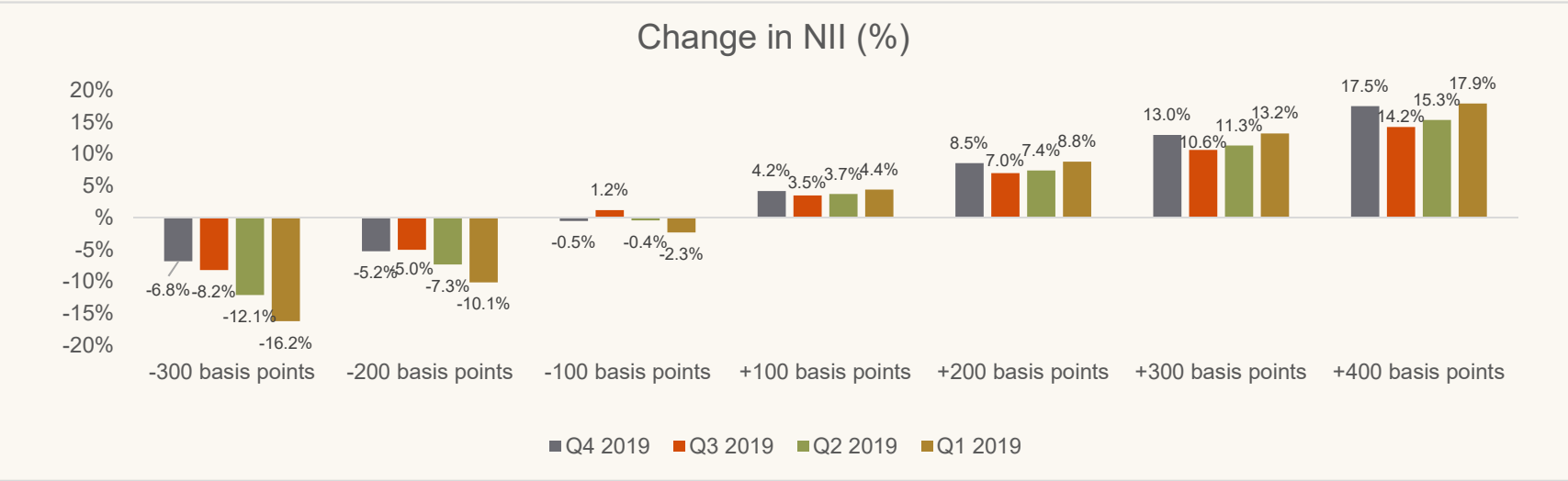
COASTAL
COMMUNITY BANK

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 December 31, 2019.

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				
	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4
Statement of Income Data:					
Total interest income	$ 13,034	$ 12,355	$ 11,804	$ 11,394	$ 11,011
Total interest expense	1,703	1,628	1,618	1,627	1,123
Provision for loan losses	820	637	547	540	425
Net interest income after provision for loan losses	10,511	10,090	9,639	9,227	9,463
Total noninterest income	2,059	2,088	2,132	1,984	1,601
Total noninterest expense	8,015	7,748	7,643	7,662	7,185
Provision for income taxes	947	919	854	741	824
Net Income	3,608	3,511	3,274	2,808	3,055
Balance Sheet Data:					
Cash and cash equivalents	$ 127,814	$ 153,347	$ 113,470	$ 257,659	$ 125,782
Investment securities	32,710	32,696	42,381	38,217	37,922
Loans	939,103	874,112	845,443	791,072	767,899
Allowance for loan losses	11,470	10,888	10,443	9,915	9,407
Total assets	1,128,526	1,090,060	1,031,024	1,116,090	952,110
Interest-bearing deposits	596,716	573,162	552,254	680,249	510,089
Noninterest-bearing deposits	371,243	349,087	315,890	296,247	293,525
Total deposits	967,959	922,249	868,144	976,496	803,614
Core Deposits	862,516	817,593	754,768	716,623	696,049
Total borrowings	23,562	33,557	33,554	13,549	33,546
Total shareholders' equity	124,173	120,422	116,591	112,365	109,156
Share and Per Share Data: (2)					
Shares outstanding at end of period	11,913,885	11,912,115	11,908,185	11,902,715	11,893,203
Weighted average common shares outstanding–diluted	12,213,512	12,188,507	12,202,197	12,183,234	12,166,250
Book value per share	$ 10.42	$ 10.11	$ 9.79	$ 9.44	$ 9.18
Tangible book value per share (3)	10.42	10.11	9.79	9.44	9.18
Earnings per share – basic	0.30	0.30	0.28	0.24	0.26
Earnings per share – diluted	0.30	0.29	0.27	0.23	0.25
Performance Ratios:					
Return on average assets	1.31%	1.35%	1.31%	1.14%	1.33%
Adjusted return on average assets (1)	N/A	N/A	1.34%	1.20%	N/A
Return on average shareholders' equity	11.66%	11.72%	11.45%	10.25%	11.31%
Credit Quality Ratios:					
Nonperforming assets to total assets	0.09%	0.12%	0.16%	0.12%	0.19%
Nonperforming assets to total loans and OREO	0.11%	0.15%	0.19%	0.17%	0.24%
Nonperforming loans to total loans	0.11%	0.15%	0.19%	0.17%	0.24%
Allowance for loan losses to total loans	1.22%	1.25%	1.24%	1.25%	1.23%
Net charge-offs to average loans	0.10%	0.09%	0.01%	0.02%	0.07%
Other Key Ratios:					
Yield on Loans Receivable	5.36%	5.36%	5.39%	5.40%	5.39%
Cost of Deposits	0.63%	0.64%	0.66%	0.68%	0.47%
Adjusted Cost of Deposits (1)	N/A	N/A	0.63%	0.52%	N/A
Net Interest Margin	4.26%	4.29%	4.24%	4.13%	4.43%
Adjusted Net Interest Margin (1)	N/A	N/A	4.38%	4.48%	N/A
Efficiency Ratio	59.86%	60.46%	62.05%	65.20%	62.54%
Loans Receivable to Deposits	97.02%	94.78%	97.39%	81.01%	95.56%
Adjusted Loans Receivable to Deposits (1)	N/A	N/A	N/A	97.44%	N/A
Cost of Funds	0.70%	0.72%	0.74%	0.76%	0.56%
Adjusted Cost of Funds (1)	N/A	N/A	0.71%	0.61%	N/A

(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%