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Issue: October 26, 2020



COASTAL
FINANCIAL CORPORATION

Core Values Lead Company into the Future



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CEOCFO: *Mr. Sprink, every bank has their own philosophy and approach. What is the vision behind Coastal Financial Community Bank?*

Mr. Sprink: Coastal Community Bank is geared to serve our customers. There are certain things that we excel in that we are leveraging. Meeting the customers' known and unknown needs, whether that is in-person in our local geography, via our CCBX division in helping some of our partners, or whether that is in operations or compliance, or just helping them direct how they are going to do business and helping them achieve that.

Our core vision revolves around our employees. We lead with our employees first and we support them, and if we take care of them, they will take care of our customers. We are very focused on customers and very focused on our employees taking care of those customers. I do not think that is going to change for the foreseeable future regardless of how we deliver it, electronically or geographically, but that is the core nucleus of who Coastal is and how we are going to operate going forward.

CEOCFO: *How have you made that into a reality during the Covid era?*

Mr. Sprink: I think all financial institutions and mainly all companies in the country have adapted appropriately for COVID, and with social distancing, remote workforce, maintaining the safety for our employees and our customers. I do not think it affected our delivery in any way. I think it was a three-week mad dash scramble for us in February and March.

Our area was one of the first hard hit areas in the country. We reacted, we have fantastic employees, we made the change, and we just kept our eye on the ball of making sure our employees are safe, happy, and that they can do their job wherever they are located. We continue to talk to our customers and make sure we support them through all times, good times, bad times, and COVID is an uncharted time so we even talk to them more. We are involved with them more. We found ways to meet their needs that we have not thought of before.

CEOCFO: *How do you keep in contact with your employees and keep them up-to-date on any changes at the bank?*

Mr. Sprink: That is where this COVID has allowed us to develop. We have two distinct constituencies, our customers but also our employees. You need to communicate differently; you need to communicate more often through all of the unique challenges that this time has presented. As an example, our lobbies are still appointment only but we broadcast that and

we have been emailing customers to that and any changes to that we get, we do broadband broadcasts of those changes; update our webpages as well as signs on the door.

Our high-volume business customers that historically have had to come into the branch. We have worked with them on an appointment basis, but we know our busy heavy branch customers that have heavy cash needs, so we have been working with them one-on-one.

On the employee side, I think we are all learning new skills and humbly trying to still maintain our effectiveness, but at the end of the day it comes back to the employees. We have fantastic teammates that go above and beyond for our customers, who are working as hard or harder from home. We have not seen any noticeable drop in engagement with our customers via our employees. I am going to give that love and that credit to the employees because they are just fantastic and they keep continually doing what they do best which is take care of the customers.

CEO/CFO: *How do you instill that into the employees? What is in your company culture that brings out the best in your employees?*

Mr. Sprink: One thing is to compliment the employees and the leadership at that bank for challenging the employees and maintaining that true belief in why we exist as a company. If you were to look at our core values and what we have hired for, and what we train to, and what we believe in, our core values are stay flexible, take care of each other, embrace gray thinking, be relentless, be the best, and be un-bankey. The way that we do business has been at this company for fifteen years before COVID ever hit us. We have updated these core values and we continue to tweak them over time. Taking care of each other in a pandemic is probably one of the most important things you can do and taking care of our customers. You have to be flexible; you have to pivot; you have to embrace gray thinking and ask ourselves how we could solve this problem knowing that things are changing.

“Our core vision revolves around our employees. We lead with our employees first and we support them, and if we take care of them, they will take care of our customers.” Eric Sprink

The PPP program that the SBA offered in April, we were one of the top producing PPP lenders in the country based on our asset size. I think we might have actually funded the first PPP loan in the country even though we are on the west coast but that was all credit to the team because they asked how they could help this community and get these dollars funded, and how they could find a way around this. We were approving loans two weeks before SBA knew which docs to use, what the authorization agreement needs to look like, what the final program rules are. That was an example of working around the system to meet the needs of the community. Long story short, we were in the top two or three percentile in the country for production as a percent of our assets so we definitely outperformed our weight class per se. That is all because I believe our employees are fantastic and they focus on solving problems and finding solutions. It is COVID this year but it has been something every single year.

Why do we exist as a company? I think you have to focus on why people pay us money. We are not in business to make money; we are in business to help people. You have to keep reminding yourself of why we do this job and why we exist. I believe our employees are the champions of that why. We want our customers to succeed and we love our small businesses and we love our entrepreneurs and finding a way to help them is really energizing. I humbly say that, it is just who we are.

CEO/CFO: *How do you breakdown between business and commercial?*

Mr. Sprink: Our generic balance sheet is composed of 75% small business customers and 25% consumer. The vast majority of our banking customers that we work with are small businesses themselves, so are our Fintech partners that we work with. In society we have great consumer platform, but compared to the mega banks and credit unions we tend to find that our value add and our why is to help the small business owners and entrepreneurs of society succeed and fight against the big guys.

CEO/CFO: *Would you give us an example of how you went above and beyond?*

Mr. Sprink: I referenced the PPP program as an example. That was a community-wide example that not only did we handle about nine hundred or closer to a thousand of our own customers' PPP loans, and another 1,900 PPP loans to

non-customers. We were able to handle the vast majority of our community in making sure they had access to a program that their banks were unable to. Specifically, what I think is fantastic is, as a small community bank in geographies where you know your borrowers, you are able to tailor all of your programs.

Specifics will be along the lines of working with customers through this pandemic and working with customers that are addressing their cash flow issues. With how we administered our referral programs, we came out broadly in March and just said everybody that is even remotely raising their hand gets a deferral, no questions asked, no moral judgement. That is very similar to what the SBA program did nationwide where they gave blanket payments to SBA loans for six months. We did have a higher percentage of deferrals than most banks because we just wanted to get that assistance out to our community and say ok by the end of the year we will regroup; we will know where we are.

We are pleased today that we only had one customer out of our entire portfolio that requested a second deferral. We would give them if they asked and we have offered them but that shows that we were able to address the needs early, fast, and understand the situation, work with the regulatory bodies, work with the accounting bodies, and come up with specific solutions for our borrowers.

CEOCFO: *What is Coastal Financial doing in addition to your community bank?*

Mr. Sprink: We have three distinctive divisions at the bank. We have our community bank, CCB, that works with our fifteen branches in the Puget Sound market and that is the majority of what we have been talking about. We have another division which is CCBX, the X is indicative of our Fintech partners that we work with. We have nine Fintech partners that we have agreements with today and a robust pipeline beyond that. We provide the operations, compliance, money movement, and supervisory assistance to Fintech companies all throughout the country. We help them meet different communities' needs digitally while performing the banking functions behind the scenes.

Our third division at Coastal Community Bank is our digital bank. We announced in August a collaboration with Google and Google humbly chose Coastal to be one of the banks to launch the Google Cache platform next year, so we are super excited with all three of our divisions. They are each different but distinctly the same. Behind all of those divisions we are just trying to meet our customers' needs, focusing on operations and compliance, and the integrity of the system, two disparate digital communities, disparate geographic communities, but our delivery is the same. The front end is a little bit different on how we talk to customers.

CEOCFO: *Do you find challenges working with Google, such a large and forceful organization?*

Mr. Sprink: Google is Google so you have to acknowledge that. My personal experience and Coastal experience has been fantastic. We have been in talks with them for fourteen months before we signed the agreement and it is a collaborative effort, they are very conscience of the bank and our safety and soundness, they are conscience of the laws of the country, and they are conscience of delivering a front-end to consumers that is going to be unrivaled. At the end of the day, you are just looking at people at Google and you have relationships there with individuals. We can feel and see that earnest mentality of how they are trying to methodically walk through all of the topics. It is exciting and fun and that is because we are close to it.

We feel comfortable because there is constant communication going back and forth. Communication with our co-operating system that has to support us in supporting Google in rolling out Coastal's new digital bank. I think with the amount of comfort we have built over time and that we are in lockstep with them and we just see the sincerity of how they are going through this process, that it gives us great comfort and it does not feel intimidating at all, it just feels that this is how we normally roll out our digital community projects with our CCBX partners, so this is something that we are comfortable with, working with a digital provider to talk to digital communities and deliver needs through superior service. We are excited about it and embracing it. Maybe when we first talked to them it was a little awe inspiring because it is Google, and you have to pinch yourself every once in a while, and say I cannot believe we are working with Google, but we are. I can't wait until we are able to talk more about it and show customers what we are offering. I think it will be just focused on the customer experience, and it has nothing to do with Google, it has to do with how we are going to be treating Coastal's customers in the future, and everything I can see is that it is fantastic.

CEOCFO: *Is the investment community paying attention to Coastal Financial?*

Mr. Sprink: You would have to ask the investment community. We have a basic mentality here, what Coastal controls is the customer experience, and that is both our local customers in our geography, our Fintech partners, and our relationship with Google. We control that experience and we control the employee experience. As long as we focus on

those two things, at the end of the day we believe we are on the right path creating value for our shareholders. I think in due time the investment community will recognize based upon experience that the system will work and is working. We feel comfortable with the communications we have with everybody and our long-term plans. I can only control what we can control.

CEOCFO: *Why should Coastal Financial be the bank of choice and the partner of choice?*

Mr. Sprink: How we do business and when we do business and when we work with a partner or customer, we really are trying to solve the customer's needs for the next three to ten years. Our experience level and the way we are approaching both our own investments in Fintech and Regtech, we are building some of our own machine learning AI-based solutions in addition to working with some of the best technology companies in the country, as well as collaborating with somebody like Google to deliver an experience.

We are always trying to solve for the customer's needs, whatever that may be. It could be a local restaurant that is obviously under distress today or that could be an unknown business customer or an unknown Fintech partner that we have not even talked to yet, the same mentality is going to be expressed to them. We generally care about their well-being and we are going to drive and be un-bankey, relentless, flexible and we are going to be the best at taking care of their needs.

At the end of the day, I am going to do that via our employees so when they deal with any employee in this company, they should have a great experience because that employee is being taken care of, because as management, we are un-bankey and we are going to find great ways and great thinking to solve problems. I think they are going to experience that and if you were to talk to some of our customers, they would say they are getting that from Coastal.



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