Department of the Treasury Internal Revenue Service

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

OMB No. 1545-0123

Part I Reportir	ng Issuer				
1 Issuer's name PB Financial Corpo		2 Issuer's employer id 61-1866966	2 Issuer's employer identification number (EIN) 61-1866966 5 Email address of contact		
3 Name of contact for a	additional information	5 Fmail address of cont			
Ted. E. Whitehurs		4 Telephone No. of contact (252) 443-9477	twhitehurst@pbkn		
Number and street (c 450 N. Winstead /	or P.O. box if mail is not Avenue		7 City, town, or post office, state, and Zip code of contact Rocky Mount, NC 27804		
3 Date of action April 9, 2024	•	보다 보다 그렇게 되었다. 그는 사람 그들이 되었다. 얼마나 아들은 사람들이 얼마나 되었다. 그렇게 되었다.	9 Classification and description Common stock issued in a tax-free reorganization		
0 CUSIP number I/A	11 Serial number(s	s) 12 Ticker symbol N/A	13 Account number(s) N/A		
		anizational action on the basis of the	security in the hands of a U.S. taxpay	rer as an adjustment per	
share or as a perc	entage of old basis ▶ _	See Attachment			
S Describe the calconstant valuation dates ▶	ulation of the change in See Attachment	basis and the data that supports the o	calculation, such as the market value	s of securities and the	
For Paperwork Reduc	tion Act Notice, see th	e separate Instructions.	Cat. No. 37752P	Form 8937 (12-2	

Part II Organizational Action (continued) 17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See Attachment 18 Can any resulting loss be recognized? ▶ See Attachment See Attachment See Attachment	Earm 903	7 (Pov	49 2047)			Page 2
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Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054	use C	nly	Later to the second sec			
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PB FINANCIAL CORPORATION EIN: 61-1866966

Attachment to Form 8937 Report of Organizational Actions Affecting Basis of Securities

THE INFORMATION CONTAIN HEREIN IS BEING PROVIDED PURSUANT TO THE REQUIREMENTS OF SECTION 6045B OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"). THE INFORMATION CONTAINED IN FORM 8937 AND THIS ATTACHMENT THERETO IS OF A GENERAL NATURE ONLY AND DOES NOT CONSTITUTE TAX ADVICE NOR DOES IT PURPORT TO TAKE INTO ACCOUNT ANY SHAREHOLDER'S SPECIFIC CIRCUMSTANCES. SHAREHOLDERS OF PROVIDENCE BANK ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING U.S. TAX CONSEQUENCES OF THE TRANSACTION DESCRIBED HEREIN AND THE IMPACT TO TAX BASIS RESULTING FROM THE TRANSACTION.

Form 8937, Part II, No. 14 - Describe the organizational action and, if applicable, the date of the action or the date against which stockholders' ownership is measured for the action.

On April 9, 2024, pursuant to the terms and conditions of the Agreement and Plan of Merger dated August 29, 2023, by and among PB Financial Corporation, a North Carolina corporation ("PBNC"), Providence Bank, a North Carolina state-chartered bank and wholly owned subsidiary of PBNC ("Providence Bank") and Coastal Bank & Trust, a North Carolina state-chartered bank ("Coastal Bank"), Coastal Bank merged with and into Providence Bank, with Providence Bank as the surviving entity (the "Merger"). As a result of the Merger, each outstanding share of Coastal Bank common stock, other than any shares of Coastal Bank common stock held by a shareholder that perfected appraisal rights, were exchanged for (i) \$10.00 in cash or (ii) 0.2222 shares of PBNC common stock. Fractional shares were not issued in the Merger and a cash payment was made in exchange for any such fractional share interest in PBNC common stock that otherwise would have been issued in the Merger. The Merger is intended to be treated as a "reorganization" for U.S. federal income tax purposes within the meaning of Code Section 368(a).

Form 8937, Part II, No. 15 - Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.

The Merger is intended to be treated as a "reorganization" for U.S. federal income tax purposes. Assuming the Merger does qualify as a "reorganization" within the meaning of Section 368(a) of the Code, the material federal income tax consequences of the Merger to a Coastal Bank shareholder will be as described below:

Exchange Solely for Cash. Subject to the subsection entitled "Dividend Treatment" below, if pursuant to the Merger a Coastal Bank shareholder exchanges such shareholder's Coastal Bank common stock solely for cash, that shareholder generally will recognize gain or loss equal to the difference between the amount of cash received and the shareholder's adjusted tax basis in the shares of Coastal Bank common stock surrendered. Such gain or loss generally will be long-term capital gain or loss for any shares of Coastal Bank common stock surrendered for which the shareholder's holding period is more than one year.

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Exchange Solely for PBNC Common Stock. If pursuant to the Merger, a Coastal Bank shareholder exchanges such shareholder's Coastal Bank common stock solely for shares of PBNC common stock, that shareholder will not recognize any gain or loss except in respect of cash received in lieu of any fractional share of Coastal Bank common stock (as discussed below). The aggregate adjusted tax basis of the shares of PBNC common stock received in the Merger by such shareholder will be equal to the aggregate adjusted tax basis of the shares of Coastal Bank common stock surrendered for the PBNC common stock (reduced by the tax basis allocable to any fractional share of PBNC common stock for which cash is received), and the holding period of the PBNC common stock will include the period during which the shares of Coastal Bank common stock were held. If a Coastal Bank shareholder has differing bases or holding periods in respect of its shares of Coastal Bank common stock, it must allocate such bases and holding periods with respect to each block of Company common stock surrendered and it should consult its tax advisor with regard to identifying the bases or holding periods of the particular shares of PBNC common stock received in the exchange.

Exchange for PBNC Common Stock and Cash. Subject to the subsection entitled "Dividend Treatment" below, if pursuant to the Merger a Coastal Bank shareholder exchanges such shareholder's Coastal Bank common stock for a combination of PBNC common stock and cash, that shareholder will generally recognize gain, but not loss, in an amount equal to the lesser of: (i) the amount of cash the shareholder receives in exchange for its Coastal Bank common stock in the Merger (excluding any cash received in lieu of fractional shares of PBNC common stock) and (ii) the excess, if any, of (a) the sum of the amount of cash treated as received in exchange for Coastal Bank common stock in the Merger (excluding any cash received in lieu of fractional shares of PBC common stock) plus the fair market value of PBNC common stock (including the fair market value of any fractional share) received in the Merger, over (b) the shareholder's tax basis in its Coastal Bank common stock exchanged. If a Coastal Bank shareholder acquired different blocks of Coastal Bank common stock at different times or at different prices, it should consult its own tax advisor regarding the manner in which gain or loss should be determined. Any recognized gain will generally be long-term capital gain for any shares of surrendered Coastal Bank common stock for which, as of the effective date of the Merger, the holding period exceeds one year. The aggregate tax basis of the PBNC common stock a Coastal Bank shareholder receives as a result of the Merger will be the same as its aggregate tax basis in the Coastal Bank common stock surrendered in the Merger, decreased by the amount of cash received in exchange for such Coastal Bank common stock (excluding any cash received in lieu of a fractional share of PBNC common stock) and increased by the amount of gain, if any, recognized in the Merger (excluding any gain recognized with respect to a fractional share of PBNC common stock deemed sold in the Merger). The holding period of the shares of PBNC common stock received by a Coastal Bank shareholder as a result of the Merger will include the holding period of Coastal Bank common stock surrendered in exchange therefor in the Merger.

Cash Instead of Fractional Shares. If a Coastal Bank shareholder receives cash in the Merger instead of a fractional share interest in PBNC common stock, the shareholder will be treated (i) as having received such fractional share in the Merger and then (ii) as having received cash from PBNC in exchange for and redemption of such fractional share. Gain or loss would be recognized in an amount equal to the difference between the amount of cash received and the shareholder's adjusted tax basis allocable to such fractional share. Except as described in the subsection entitled "Dividend Treatment" below, this gain or loss will generally be a capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the Merger, the Coastal Bank shareholder has held the shares of Coastal Bank common stock for more than one year.

Dividend Treatment. All or part of the gain that a particular Coastal Bank shareholder recognizes could be treated as dividend income rather than capital gain if (i) such shareholder is a significant shareholder of PBNC or (ii) its percentage ownership, taking into account constructive ownership rules, in PBNC after the Merger is not meaningfully reduced from what its percentage ownership would have been if it had received solely shares of PBNC common stock rather than a combination of cash and shares of

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PBNC common stock in the Merger. This could happen, for example, because of ownership of additional shares of PBNC common stock by such Coastal Bank shareholder, ownership of shares of PBNC common stock by a person related to such shareholder, or a share repurchase by PBNC from other holders of PBNC common stock. If the receipt of a cash payment in exchange for a share or fractional share is not treated as resulting in a sale of a capital asset, such cash payment generally will constitute a distribution that will be treated first as dividend income to the extent paid out of the current or accumulated earnings and profits of PBNC, and then as a tax-free return of capital to the extent of the shareholder's adjusted tax basis in its common stock, with any remaining amount being treated as capital gain. Because the possibility of dividend treatment depends primarily upon the particular circumstances of a Coastal Bank shareholder, including the application of certain constructive ownership rules, shareholders should consult their own tax advisors regarding the potential tax consequences of the Merger to them.

Shareholders Appraisal Rights. If a Coastal Bank shareholder properly exercises such holder's appraisal rights with respect to such holder's shares of Coastal Bank common stock, such shareholder will generally recognize capital gain or loss equal to the difference between its tax basis in those shares and the amount of cash received in exchange for those shares, subject to the discussion above under "Dividend Treatment." The tax consequences of cash received may vary depending upon the shareholder's individual circumstances. Each Coastal Bank shareholder who contemplates exercising statutory appraisal rights should consult the shareholder's own tax advisor as to the possibility that all or a portion of the payment received pursuant to the exercise of such rights will be treated as dividend income.

Company shareholders should consult their own tax advisors regarding the appropriate method for determining their specific tax treatment of the Merger (including, but not limited to, the computation of gain or loss and tax basis).

<u>Form 8937, Part II, No. 16</u> - Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.

See response to No. 15 above.

As noted above (and subject to the discussion surrounding the receipt of cash as set forth above), the aggregate adjusted tax basis of the shares of PBNC common stock received in the Merger by a Coastal Bank shareholder will be equal to the aggregate adjusted tax basis of the shares of Coastal Bank common stock surrendered for the PBNC common stock, decreased by the amount of cash received in exchange for such Coastal Bank common stock (reduced by the tax basis allocable to any fractional share of PBNC common stock for which cash is received) and increased by the amount of gain, if any, recognized in the Merger (excluding any gain recognized with respect to a fractional share of PBNC common stock deemed sold in the Merger). If a Coastal Bank shareholder has differing bases in respect of its shares of Coastal Bank common stock, it must allocate such bases and holding periods with respect to each block of Company common stock surrendered and it should consult its tax advisor with regard to identifying the bases or holding periods of the particular shares of PBNC common stock received in the exchange.

Company shareholders should consult their own tax advisors regarding the appropriate method for determining their specific tax treatment of the Merger (including, but not limited to, the computation of gain or loss and tax basis).

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Form 8937, Part II, No. 17 - List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.

Code sections 301, 302, 354, 356, 358(a), 361, 368(a), 1001, and 1221.

Form 8937, Part II, No. 18 - Can any resulting loss be recognized?

A shareholder who did not receive a cash payment as a result of the Merger generally cannot recognize any loss for U.S. federal income tax purposes.

A shareholder who received only a cash payment as a result of the Merger and who is treated as having disposed of common stock in exchange for a cash payment as described above will, generally, recognize any loss (on the difference between the amount of cash received and the shareholder's adjusted basis in the shares of common stock surrendered for such cash payment). Such treatment would apply to shareholders who received cash from the Merger and for whom the payment was not treated as a dividend pursuant to the discussion of "Dividend Treatment" set forth above.

For a shareholder who is treated as having received a distribution and not payment in exchange for stock for U.S. federal income tax purposes, as noted above in "Dividend Treatment", no loss would be allowed with respect to the Merger in respect of such amount treated as a distribution.

Company shareholders should consult their own tax advisors regarding the appropriate method for determining their specific tax treatment of the Merger (including, but not limited to, the computation of gain or loss and tax basis).

Form 8937, Part II, No. 19 - Provide any other information necessary to implement the adjustment, such as the reportable tax year.

The transaction occurred on April 9, 2024 and the reportable tax year is the taxable year that includes such date. The adjustment to basis would be taken into account in the tax year of the shareholder during which the exchange occurred (e.g., 2024 for calendar year taxpayers). It is the shareholder's responsibility to properly track the basis in the shareholder's shares of Coastal Bank and Providence Bank stock.

Company shareholders should consult their own tax advisors regarding the appropriate method for determining their specific tax treatment of the Merger (including, but not limited to, the computation of gain or loss and tax basis).