



COASTAL
FINANCIAL CORPORATION

COMPENSATION COMMITTEE CHARTER

June 2018

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Purpose:

The purpose of the Committee (on behalf of the Board of Directors) is to assist the Board in discharging its duties related to compensation functions.

Compensation functions are focused on overseeing the overall compensation structure, policies and programs, and assessing whether the compensation structure establishes appropriate incentives for directors, management, and employees and does not create or expose the organization to material amounts of risk.

Membership:

The Committee shall be comprised of not less than three directors, each of whom shall be “independent” under applicable Securities and Exchange Commission regulations and NASDAQ listing standards, free from any relationship that would interfere with the exercise of his or her independent judgment. The Committee meets as often as may be deemed necessary or appropriate in its judgment. Committee members are appointed by the Board on the recommendation of the Governance and Nominating Committee and may be replaced by the Board.

A majority of members shall constitute a quorum to transact business. Any action required or permitted to be taken at a meeting of the Committee may be taken without a meeting via email, or electronic ballot. An electronic (email) vote can be initiated by an email from one of the members of the Committee. The results of such action without meeting shall be filed with the minutes of proceedings of the Committee.

Committee Chair:

The Board will appoint one of the members of the Committee to serve as Committee Chair on the recommendation of the Governance and Nominating Committee. The Committee may appoint a Vice Chair to carry out the duties of the Chair in his or her absence. The Committee may also appoint a Secretary, who need not be a Director. A majority of members shall constitute a quorum to transact business.

Authority and Responsibilities:

To fulfill its responsibilities and duties, the Committee shall:

1. Oversee the Company’s overall compensation structure, policies and programs, and assess whether the Company’s compensation structure establishes appropriate incentives for management and employees;
2. Review the Company’s incentive compensation arrangements to determine whether they encourage any excessive risk-taking, review at least annually the relationship between risk management policies and practices and compensation and evaluate the Company’s compensation policies and practices that could mitigate any such risk;

3. Approve, amend or modify the terms of any compensation or benefit plan that does not require shareholder approval;
4. Review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer (“CEO”), evaluate at least annually the CEO’s performance in light of those goals and objectives, and recommend to the independent directors the CEO’s compensation level based on this evaluation;
5. Review and approve on an annual basis the base salary, equity awards, and incentive compensation arrangements of the CEO; provided that the CEO shall not be present during any Committee deliberations or voting with respect to his or her compensation;
6. In collaboration with the CEO, review and evaluate the performance of the Company’s executive officers toward established goals and approve such executive officers’ cash and other compensation and benefits on the basis of such evaluation;
7. Review, administer and make recommendations to the Board with respect to the Company’s incentive compensation and equity-based plans;
8. Review and approve the design of other benefit plans subject to Board approval pertaining to executive officers and employees including Employee Stock Ownership Plans (“ESOP”), Supplemental Executive Retirement Plans (“SERP”), Bank Owned Life Insurance (“BOLI”) Plans, pensions; and other benefit plans;
9. Review, approve and recommend to Board, employment agreements and severance arrangements for executive officers, including change-in-control provisions, plans or agreements;
10. Review and recommend to the full board for approval, the Company’s and Banks’ director compensation and fees, benefits, equity compensation grants and any other compensation-related items;
11. Monitor compliance by executive officers and directors with the Company’s stock ownership guidelines requirements, if any;
12. Prepare a report on executive compensation for inclusion in the Company’s annual meeting proxy statement, in accordance with applicable rules and regulations.
13. Review and recommend to the Board for approval the frequency with which the Company will conduct say on pay votes and review and approve the proposals regarding the say on pay vote and the frequency of the say on pay vote to be included in the Company’s annual meeting proxy statement;
14. Develop and annually review succession plans relating to positions held by

executive officers, including the CEO, and make recommendations to the Board regarding the selection of individuals to fill these positions;

15. Assist in the identification and selection of CEO and senior officers by reviewing candidates and performing interviews;
16. Annually review its own performance; and
17. Discharge any other duties and responsibilities delegated to the Committee from time to time.

Subcommittees:

The Committee may, in its discretion, form and delegate all or a portion of its authority to subcommittees which shall consist of not less than two members.

Advisors and Resources:

The Committee may, in its sole discretion, retain or obtain the advice of compensation consultants, legal counsel or other advisors as it deems necessary to carry out its duties; provided, however, that the Committee may select, or receive advice from, a compensation consultant, legal counsel or other advisor only after taking into consideration the factors set forth in Nasdaq Listing Rule 5605(d)(3)(D). The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other advisor retained by the Committee. The Committee shall be provided appropriate funding, as determined by the Committee, for payment of reasonable compensation to a compensation consultant, legal counsel or any other advisor retained by the Committee.

Charter Review:

Review and reassess the adequacy of this charter annually and recommend to the board any proposed changes to this charter.

Reporting:

The Committee shall make reports to the Board of Directors at the next regularly scheduled meeting summarizing the matters reviewed and actions taken at each Committee meeting.

Previous Review/Revision Dates

Original Approval - June 15, 2018 by Board of Directors, CFC