



COASTAL
FINANCIAL CORPORATION

AUDIT COMMITTEE CHARTER

May 2023

Table of Contents

PURPOSE3

MEMBERSHIP3

COMMITTEE CHAIR.....4

AUTHORITY AND RESPONSIBILITIES4

LIMITATION OF COMMITTEE’S ROLE.....6

SUBCOMMITTEES.....6

ADVISORS AND RESOURCES.....6

CHARTER REVIEW.....7

REPORTING.....7

Purpose:

The purpose of the Board's Audit Committee (the "Committee") is to assist the Board in discharging its duties related to the integrity of the financial statements and internal controls; accounting and financial reporting process; financial statement audits, compliance with legal and regulatory requirements; the qualification, independence and performance of the public accounting firm; and the performance of the internal audit department.

Membership:

The Committee shall be comprised of not less than three directors, each of whom shall be "independent" under applicable Securities and Exchange Commission ("SEC") regulations, Nasdaq Stock Market listing standards specifically applicable to members of audit committees and Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), free from any relationship that would interfere with the exercise of his or her independent judgment.

All members of the Committee must be financially literate at time of appointment, meaning they must have the ability to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement. At least one member of the Committee shall be an "audit committee financial expert" as defined by the regulations of the SEC and shall be designated and identified as such in the Company's annual Proxy Statement. The Company may designate and disclose more than one "audit committee financial expert" in its Proxy Statement. A person so designated and identified as an audit committee financial expert shall not be deemed as an "expert" for purposes of Section 11 of the Securities Act of 1933, as amended, nor shall such designation and identification impose on such person any duty, obligation or liability greater than those imposed as a member of the Committee or the Board in absence of such designation and identification.

All members of the Committee must not have participated in the preparation of the financial statements of the Company or any of its current subsidiary in the last three years and may not accept any consulting, advisory or other compensatory fee, either directly or indirectly, from the Company, other than in the member's capacity generally as a director, including as a member of any Board committee.

The Committee meets as often as may be deemed necessary but at least four times a year. Special meetings may be called. Committee members are appointed by the Board on the recommendation of the Board's 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 Board's Governance and Nominating Committee. The Committee may appoint a Vice Chair to carry out the duties of the Chair in his or her absence.

Authority and Responsibilities:

To fulfill its responsibilities and duties, the Committee shall:

Financial Reporting – External Audit/Internal controls:

1. Have the sole authority to appoint or replace the Company's registered independent public accounting firm ("independent auditor"), which shall report directly to the Committee;
2. Have [sole] authority with respect to the appointment, compensation, retention, and oversight of the work of the independent auditor (including the resolution of any disagreements between management and the independent auditor regarding financial reporting);
3. Pre-approve of all auditing services and permissible non-audit services to be provided by the independent auditor and establish and review pre-approval policies for such services;
4. Review the lead partner of the independent auditor and obtain and review a report from the independent auditor at least annually regarding their internal quality control procedures and issues raised in their recent internal quality-control or peer review;
5. Obtain a written statement from the independent auditor describing all relationships between the independent auditor and the Company, and actively engaging in dialogue with the independent auditor and management with respect to any disclosed relationships or services that may impact the objectivity or independence of the independent auditor and taking, or recommending that the Board take, appropriate action for overseeing the independence of the independent auditor;
6. Review the institution's annual and quarterly financial statements prior to their public release, including any report on the institution's internal control over financial reporting and any report or opinion by the independent auditors, and consider whether such statements, reports and opinions are complete, consistent with information known to the Committee and reflective of appropriate accounting principles;
7. Review and recommend for the approval of the Board the audited financial statements for inclusion in the Company's Annual Report on Form 10-K;
8. Review and approve the institution's quarterly earnings release and the financial statements in the Company's Quarterly Report on Form 10-Q;

9. Discuss with management and the independent auditor any significant financial reporting issues and judgments made in connection with the preparation of the financial statements including any significant changes in the selection or application of accounting principles, implementation of new accounting standards under Generally Accepted Accounting Principles (“GAAP”), usage of any non-GAAP measures, any major issues as to the adequacy of internal controls, including internal control over financial reporting, and any special steps adopted in light of material control deficiencies;
10. Ensure the rotation of lead and concurring audit partner every five and seven years, respectively; and
11. Authorize, review and approve the report of the Committee required by SEC regulations to be included in the Company’s annual proxy statement.

Internal Audit/ Internal Controls:

1. Oversee internal audit activities, including discussing with management and the internal auditors the internal audit function within the organization and its independence, objectivity, responsibilities, plans, results, budget, and staffing;
2. Be responsible for identifying and approving specific responsibilities of the Company’s internal auditor, who shall functionally report to the Committee and shall administratively report to the Company’s Chief Risk Officer;
3. Review, with the Company’s Chief Risk Officer, the appointment, performance, and replacement of the Company’s internal auditor and take actions it deems appropriate in the event of unsatisfactory performance;
4. Review the annual risk assessment, audit plan, execution of audit plan, achievement of audit plan, operational audit report, compliance audit report, and other significant reports prepared by the Company’s internal audit department and management’s responses to those reports;
5. Require that independent internal audit monitoring is performed with respect to regulatory compliance; and
6. Discuss with the independent auditor and management the Company’s internal audit department responsibilities, budget, and staffing and any recommended changes in the planned scope of the internal audit.

Examination:

1. Review and report to the Board on all of the Company’s state and federal regulatory examination reports and management’s responses to those reports.

Compliance:

1. Oversee the Company’s compliance program and its record of compliance with applicable laws and regulations;
2. Annually review and approve the Company’s compliance program to ensure that it has effective controls over internal and external regulatory risks;

3. Review reports from the Company's compliance personnel with respect to the status and effectiveness of the Company's compliance program and monitor remediation of open issues; and
4. Discuss with management the Company's compliance department's responsibilities, staffing plans to ensure that the Company's compliance program has adequate resources.

Other:

1. Discuss with management, the internal auditors, and the independent auditor the quality and adequacy of compliance with internal controls;
2. Discuss with management or legal counsel any legal matters or pending litigation that may have material impact on the Company's financial statements or result in inquiries from regulatory or government agencies;
3. Review alleged fraudulent actions or violations of law reported by internal staff or by the independent auditor;
4. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
5. Review and approve any employees who were previously employed with the independent auditors for the prior three years;
6. Annually review its own performance;
7. Discharge any other duties and responsibilities delegated to the Committee from time to time; and
8. Meet periodically or at least annually with the Company's Chief Financial Officer, any other executive officer desired by the Committee, in separate (closed) session.

Limitation of Committee's Role:

While the Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

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:

In performing its responsibilities, the Committee is authorized to obtain advice and assistance from independent counsel and other advisors, as it determines necessary to carry out its duties, at the Company's expense without prior permission of the Board or management. The Committee may request any officer or employee of the Company or external advisor to attend a meeting of the Committee or hold an executive session with that individual.

The Company will provide for appropriate funding, as determined by the Committee, for payment of the compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. In addition, the Committee shall be provided funding by the Company for the payment of the ordinary administrative expenses of the Committee that are necessary or appropriate to carry out the Committee's duties.

Charter Review:

The Committee shall annually review and assess the adequacy of this Charter. The Committee may recommend amendments to this Charter at any time and submit amendments for approval to the Board.

Reporting:

The Committee shall make regular reports to the Board at the regularly scheduled meeting immediately following each Committee meeting summarizing the matters reviewed and actions taken at each such Committee meeting.

Previous Review/Revision Dates

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

Revision Approval – July,22, 2019 by Board of Directors, CCB

Revision Approval – July 27, 2020 by Board of Directors, CCB

Revision Approval – July 26, 2021 by Board of Directors, CCB