



## Board Committee Charters & Membership

### **Audit**

James C. Key, Chairman

Christina H. Bryan

Marshall E. Wood

### **Executive Compensation & Management**

Edward E. Wilson, Chairman

Christina H. Bryan

Mark B. Heles

### **Corporate Governance & Nominating Committee**

James W. Holden, Chairman

James C. Key

Ladson F. Howell

### **Director Loan Committee**

Robert Pinkerton, Chairman

Lad Howell

Mark Heles

Ed Wilson

Marshall Wood



**Audit Committee**



**CHARTER**

	<p style="text-align: center;"><b>CBCO/CBCNB AUDIT COMMITTEE CHARTER</b></p>	<p><b>Board Approved:</b> November 2014  <b>Last Revision:</b> November 2014  <b>Department Accountability:</b> Board of Directors  <b>Individual Accountability:</b> Audit Liaison</p>
---	--	---

**Purpose**

The Audit Committee (or “the Committee”) is a dual-purpose committee appointed by the Boards of Directors of Coastal Banking Company and CBC National Bank (“the Board”) to assist the Board in monitoring:

- (1) The integrity of the financial statements of Coastal Banking Company (the “Holding Company”) and CBC National Bank (the “Bank”);
- (2) The independent auditor's qualifications and independence;
- (3) The performance of the Holding Company’s and the Bank's internal audit function and independent auditors;
- (4) The compliance by the Holding Company and the Bank with legal and regulatory requirements;
- (5) The Holding Company’s and the Bank’s system of internal controls.

The Audit Committee shall prepare a report of such activities to the Board.

**Authority**

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all audit and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees — all of whom are directed to cooperate with the committee’s requests — or external parties.
- Meet with the organization’s officers, external auditors, or outside counsel as necessary.

**Composition**

The Audit Committee shall consist of at least three, and no more than five, of the board of directors. The Nominating Committee of the Board of Directors shall appoint committee members and the committee chair.

Each audit committee member shall be both independent and financially literate. At least one member shall be designated as the “financial expert” as defined by applicable legislation and regulation.

Audit committee members shall not simultaneously serve on the audit committees of more than two other companies. The members of the Audit Committee shall be appointed by the Board. Audit Committee members may be replaced by the Board at its discretion.

### **Meetings**

The Audit Committee shall meet at least four times a year, with authority to convene additional meetings as circumstance require. All audit committee members are expected to attend each meeting in person or via teleconference or videoconference. The audit committee will invite members of management, auditors, or others to attend meetings and provide pertinent information as necessary. It shall hold private meetings with internal auditors, external auditors, and management in executive sessions. Meeting agendas shall be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

### **Responsibilities**

The committee shall carry out the following responsibilities:

#### **Financial Statements**

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the audit committee under generally accepted auditing standards.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors

before filing with regulators, and consider whether they are complete and consistent with the information known to audit committee members.

### **Internal Control**

- Consider the effectiveness of the organization's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

### **Internal Audit**

- Review with management and the chief audit executive (CAE) the charter, activities, staffing, and organizational structure of the internal audit function.
- Have final authority to review and approve the annual audit plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the CAE.
- At least once per year, review the performance of the CAE and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.
- On a regular basis, meet separately with the CAE to discuss any matters that the committee or internal auditing believes should be discussed privately.

### **External Audit**

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal auditing.
- Review the performance of the external auditors and exercise final approval on their appointment or discharge.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the organization, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

### **Compliance**

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies and any auditor observations.

- Meet with regulators as appropriate to discuss regulatory matters.
- Review the process for communicating the code of conduct to the organization's personnel and for monitoring compliance therewith.
- Obtain regular updates from management and the organization's legal counsel regarding compliance matters.

## **Reporting**

- Regularly report to the board of directors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication among internal auditing, the external auditors, and the board of directors.
- Report annually to the shareholders, describing the audit committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports the organization issues that relate to the audit committee responsibilities.

## **Other Responsibilities**

- Perform other activities related to this charter as requested by the board of directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the audit committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the audit committee's and individual members' performance on a regular basis.

## **Limitation of Audit Committee's Role**

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



**Corporate Governance & Nominating Committee**



**CHARTER**

**Coastal Banking Company, Inc.**  
**Governance and Nominating Committee Charter**

**Purpose:**

The Coastal Banking Company, Inc. (the Company) Governance and Nominating Committee (GNC) is appointed by the Board of Directors of the Company to assist the Board in (1) reviewing the qualifications and independence of the members of the Board of Directors and its various committees on a periodic basis as well as the composition of the Board as a whole; (2) evaluating periodically the performance of the Directors, committees, and Board as a whole; (3) recommending nominees to the Board for election as Directors; (4) recommending to the Board nominees for each committee; (5) reviewing periodically Director compensation and recommending any changes for approval of the Board; and (6) providing guidance on corporate governance issues applicable to the Company.

**Committee Membership:**

The GNC committee members are appointed annually by the Board, and may be replaced by the Board. All GNC members shall be an independent director as may be prescribed by any applicable laws and regulations relating to the committee's duties and responsibilities. The committee meets regularly at least two times per year, and special meetings may be called.

**Committee Authority and Responsibilities:**

The GNC shall identify individuals believed to be qualified as candidates to serve on the Board of Directors for all directorships to be filled by the Board or by the stockholders at an annual meeting or a special meeting.

The GNC shall review and make recommendations to the Board, as the GNC deems appropriate, regarding the size of the Board, committee structure and membership, and matters relating to the retirement of Board members.

The GNC shall have the authority to retain and terminate any search firm, legal counsel, or other advisors, as it deems appropriate, to assist in performing its duties; and the committee shall have the authority to approve any related fees.

The GNC shall annually review and assess the adequacy of the corporate governance policies of the Company and recommend any proposed changes to the Board for approval.

The GNC shall oversee and report to the Board an annual evaluation of the performance of this and every committee and of the Board as a whole.

The GNC shall periodically review Director compensation and recommend any changes to the Board for approval.

The GNC shall periodically oversee and report to the Board a review of succession plans for senior management.

The GNC shall annually review and approve the adequacy of this Charter and shall annually oversee and report to the Board a review of all other committee Charters.

The GNC shall make regular reports to the Board summarizing the actions taken at each GNC meeting.

Approved by the Coastal Banking Company Board of Directors November 19, 2014



**Director Loan Committee**



**CHARTER**

## **Directors Loan Committee**

### **Purpose and Organization**

The purpose of the Directors Loan Committee (the “Committee”) is to discharge the responsibilities of the Board of Directors relating to the review and approval of credit requests of CBC National Bank. The Committee is responsible for the review and approval for recommendation to the Board of Directors of all material changes in the Bank’s Loan Policy. The Committee may, from time to time or at regularly scheduled meetings, review the Bank’s adequacy of the Loan Loss Reserve, various concentration reports and the Bank’s schedule of criticized and classified assets, including Other Real Estate Owned. In this context, CBC National Bank is construed to be Lowcountry National Bank, The Georgia Bank and First National Bank of Nassau County, trade names operating under the umbrella of CBC National Bank.

The Committee shall consist of six or more voting members that are appointed by the Board, of which at least four must be outside directors. The Committee may appoint inside directors or executive officers as voting members of the Committee, providing that outside directors constitute a majority of those deliberating and voting at called meetings. The members of the Committee serve until their successors are duly elected and qualified, and they may be removed by the Board at its discretion. The Committee will elect a Chairman to preside at all meetings and a Vice-Chairman that will preside in the absence of the Chairman.

### **Roles and Responsibilities**

- (1) The Committee is charged with approval of all credit requests over \$1,000,000 in the aggregate, and approval of other criticized and classified debt in the amount of \$500,000 and over. For purposes of loan approval authorities, CBC National Bank loan policy includes all indirect debt of one borrower, including common guarantors.
- (2) As general practice and procedure, the Committee acts upon loan requests that have been previously approved and recommended by an Officers Loan Committee.
- (3) The Committee monitors new loan approvals, renewals and modifications (“approvals”) for all criticized and classified borrowers with aggregate total related debt in the amount of \$500,000 and over to the extent the approvals are consistent with management’s written plan for resolving the basis for criticism.
- (4) The Committee is responsible for approving Borrower credit requests to come before CBC National Bank, including, but not limited to, new loan requests, renewals of existing loan requests and modifications, including rate, structure and terms.

- (5) The Committee may, in its sole discretion, modify credit requests to incorporate additional terms and conditions.
- (6) The Committee will be the senior policy body for the review and recommendation to the Board of all material changes in the Bank's Loan Policy. The Committee will review, at least annually, the Bank's Loan Policy prior to the Board's annual re-approval process.
- (7) The Committee may request, in their sole discretion, the Credit Officer to provide written analysis of the adequacy of the Bank's Loan Loss Reserve. Additionally, the Credit Officer will provide, at the Committee's request, analysis and reports regarding the Bank's loan concentrations, criticized and classified borrowers and Other Real Estate Owned.
- (8) The Committee may regularly, or from time to time, request the Credit Officer to provide specialized reports for their review.
- (9) The Committee has the responsibility to review CBC National Bank's management resources in the areas of credit administration, loan origination and support staff.
- (10) The Committee has the authority to delegate appropriate matters to subcommittees as the Committee may determine.
- (11) The Committee has the sole authority to retain consultants and advisors as it may deem appropriate at its discretion.
- (12) The Committee conducts an annual evaluation of its performance.
- (13) The Committee reviews the adequacy of this charter annually, recommending any proposed changes to the Board for approval.

**Limitation of the Directors Loan Committees' Role**

While the Directors Loan Committee has the responsibility and authority set forth in this Charter, it is the duty of the Bank's individual loan officers to originate, underwrite and recommend approval of loan requests. The Bank's loan officers are responsible for determining that borrowers are credit-worthy and that financial information and supporting documentation are accurate.

## Definitions

**Approval:** A credit request, as defined below, that is accepted or endorsed for funding, renewal or modification.

**Credit Request:** A solicitation for approval for a new loan to be funded; a renewal of an existing loan; or a modification of an existing loan.

**Criticized and Classified Loans:** Those loans that have been found to have some material adverse weakness(es) and are rated Special Mention, Substandard, Doubtful or Loss by an independent third party loan review, the Office of the Comptroller of the Currency or management.

**Extensions of Credit:** Included in extensions of credit are loans, commitments, letters of credit, overdrafts, cash items and uncollected items, acceptances and leases. Not included are daylight overdrafts and operational credit exposure.

**Indirect Debt:** All loans which the borrower is a co-maker, co-signer or guarantor, either limited or joint and several. Exposure is calculated according to the amount of the guaranty.

**Loan Authority:** Individual officers and various loan committees are invested with the power to approve credit requests within the Bank's Loan Policy.

**Loan Policy:** A written and Board approved document describing prescribed underwriting terms and conditions, including desirable and undesirable loans.

**Modification:** An alteration or variation of original loan terms, including, but not limited to, the length of amortization, structure, repayment schedule, possible addition of guarantors or collateral and rate.

**Officers Loan Committee:** A Committee of Bank loan officers that have the loan authority to bind the Bank for the approval of customer credit requests.



**Executive Compensation & Management  
Resources Committee**



**CHARTER**

## **Executive Compensation and Management Resources Committee Charter**

### Purpose and Organization

The purpose of the Executive Compensation and Management Resources Committee is to discharge the responsibilities of the Board of Directors relating to compensation of executives of Coastal Banking Company (CBCO) and its subsidiaries. Additionally, the Committee produces an annual report on executive compensation for inclusion in CBCO's proxy statement, in accordance with applicable rules and regulations. The Committee shall consist of three or more directors that are appointed by the Board, upon the recommendation of the Corporate Governance and Nominating Committee. The members of the Committee serve until their successors are duly elected and qualified, and they may be removed by the Board at its discretion. Members of the Committee are independent directors who are not officers or employees of CBCO or its subsidiaries, and are not eligible to participate in any of the plans or programs that the Committee administers. In the opinion of the Board, these directors are independent of management and free of any relationship that would interfere with their exercise of independent judgment as members of this committee.

Members of the Committee shall also satisfy the independence standards of the Securities and Exchange Commission and applicable exchanges, as promulgated from time to time. The Committee meets periodically in executive sessions without members of management directors present.

### Roles and Responsibilities

1. The Committee is responsible for administering and approving all elements of compensation and perquisites for elected officers. The Committee has the responsibility to ensure that these elements do not encourage the elected officer to take unnecessary risks that threaten the value of the company. It also approves participation in all awards, grants, and related actions under CBCO's equity plans and reviews changes in CBCO's pension plans affecting officers.
2. The Committee has the direct responsibility to review and approve goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and together with other independent directors determine and approve the CEO's compensation level based on this evaluation. The Committee reviews its evaluations and recommendations with respect to the CEO's compensation with all independent members of the Board. The

Committee also recommends to the Board on all items of compensation for the two highest-paid executives of each operating unit.

3. The Committee reports to the Board which in turn reports to stockholders on executive compensation items as required by the Securities and Exchange Commission.
4. The Committee has responsibility for reviewing CBCO's management resources programs and for recommending qualified candidates for election as officers.
5. The Committee has responsibility for periodically reviewing succession plans for officer of CBCO and officers of any subordinate entity. At least annually, the Committee reviews and assesses the CEO's succession plan for all key management positions that are deemed critical to CBCO's success.
6. The Committee has the responsibility to discuss, evaluate, and review, at least every six (6) months, employee compensation plans in order to eliminate any features of these plans that would encourage the manipulation of reported earnings that enhance the compensation of any employee and to make all reasonable efforts to limit any unnecessary risks these plans pose.
7. The Committee has the authority to delegate appropriate matters to subcommittees as the Committee may determine at its discretion.
8. The Committee has the sole authority to retain consultants and advisors as it may deem appropriate at its discretion. The Committee has the sole authority to approve related fees and other retention terms.
9. The Committee conducts an annual evaluation of its performance.
10. Following each Committee, the Chair reports the Committee's actions and recommendations to the Board.
11. The Committee reviews the adequacy of this Charter annually, recommending any proposed changes to the Board for approval.

Approved by the Board of Directors: November 19, 2014