

## **Coastal Banking Company Regulatory Oversight**

The Bank entered into a formal agreement (the "Agreement") with the Office of the Comptroller of the Currency ("OCC") on August 26, 2009 that imposed certain operational and financial directives on the Bank. The specific directives of the Agreement addressed the credit risk in the Bank's loan portfolio, action required to protect the Bank's interest in criticized assets, adherence to the Bank's written profit plan to improve and sustain earnings, limitations on the maximum allowable level of brokered deposits, excluding reciprocal CDARS deposits, and the establishment of a board level Compliance Committee to monitor the Bank's adherence to the Agreement.

On August 8, 2013 the OCC issued an order lifting the Agreement and relieving the Bank of all directives under the Agreement. Effective with the lifting of the Agreement the Bank is no longer considered to be in troubled condition by the OCC of the Federal Deposit Insurance Corporation ("FDIC"), and the OCC action of August 26, 2009 is considered closed.

On November 17, 2010 the Company entered into a Memorandum of Understanding ("MOU"), an informal enforcement action, with the Federal Reserve Bank of Richmond ("FRB"). The terms of the MOU requires the Company to obtain prior approval of the Federal Reserve Bank before incurring additional debt, purchasing or redeeming its capital stock, or declaring or paying cash dividends on its securities, including dividends on its common stock and TARP preferred stock, and interest on its trust preferred securities. Additionally, the MOU requires the Company to comply with banking regulations that prohibit certain indemnification and severance payments and that require prior approval of any appointment of any new directors or the hiring or change in position of any senior executive officers of the Company. The MOU also requires the submission of quarterly progress reports.

On December 4, 2013 the FRB issued a letter notification lifting the MOU and relieving the Company of all requirements and directives under the MOU. Effective with this action, the Company is no longer considered to be in troubled condition by the FRB and the action of November 17, 2013 is considered closed.