

CODE OF BUSINESS CONDUCT

For Directors, Leaders and Associates of COASTAL FINANCIAL CORPORATION

Coastal Financial Corporation (hereinafter "the Company") expects that all representatives of the Company will carry out their daily activities with the highest of ethical standards and integrity. Anyone that fails to practice and maintain these standards places the reputation, and the success of our business at risk. We strive to attract, develop, and retain a level of business success that Maximizes the Value of our Shareholder's Investment, however, to do so through unethical means will not be tolerated. This Code of Business Conduct represents the Company's commitment to the highest level of legal and ethical standards.

This Code of Business Conduct represents an overview of the corporate policies that should govern the actions of all Associates, Leadership and Directors of Coastal Financial Corporation and its subsidiaries (hereinafter the "Company"). It is not a replacement for policies and procedures that address the specifics of our business or which may impose stricter or more detailed requirements. No code of conduct can cover every potential situation. It is, therefore, your responsibility to apply the principles set forth in this Code in a responsible fashion and with the exercise of good business judgment. Effective March 15, 2005, this Code of Business Conduct replaces and supersedes all previous documents pertaining to our Code of Business Conduct.

Certain parts of this Code may apply specifically to "Leadership." Leadership means a member of the Company's or its subsidiaries' Leadership so designated by resolution of the Board of Directors.

THIS CODE OF BUSINESS CONDUCT AND THE POLICIES CONTAINED IN THE BOOKLET ARE NOT INTENDED TO CREATE, AND DO NOT CREATE, A CONTRACT OF EMPLOYMENT, EITHER EXPRESSED OR IMPLIED, BETWEEN COASTAL FINANCIAL CORPORATION AND ITS SUBSIDIARIES (THE "COMPANY") AND ANY OR ALL OF ITS ASSOCIATES. ALL ASSOCIATES OF COASTAL FINANCIAL CORPORATION ARE EMPLOYEES AT WILL. ALTHOUGH IT IS OUR HOPE THAT YOUR EMPLOYMENT WITH COASTAL FINANCIAL CORPORATION WILL BE A LONG AND ENJOYABLE ONE, EITHER YOU OR THE COMPANY MAY TERMINATE THE EMPLOYMENT AT ANY TIME, WITH OR WITHOUT REASON OR CAUSE, OR NOTICE BY YOU OR THE COMPANY.

The Company is an equal opportunity employer. It is the Company's policy to grant equal employment opportunities (EEO) to all persons employed by or seeking employment without regard to race, color, gender, religion, age, national origin, physical or mental disability, or status as a disabled Vietnam-era veteran. The Company provides equal opportunities in employment, promotion, wages, benefits, training and all other privileges, terms and conditions of employment. This policy has the support of the highest levels of Leadership in the Company.

Jim Clemmons	Mike Gerald
Chairman of the Board of	President and CEO
Directors	Coastal Financial
Coastal Financial Corporation	Corporation

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Failure to adhere to these policies and procedures may result in disciplinary action up to and including dismissal, as well as potential legal action following termination of employment.

CONFIDENTIAL INFORMATION

Confidential Information

Many Associates learn confidential Company information in the course of their jobs and use it to perform important functions. It is vitally important that all Associates handle confidential information properly.

There are two major concerns:

- Preventing the release of unauthorized or inappropriate information that might adversely affect the Company's business; and
- Avoiding violations of the law, particularly the securities laws relating to disclosure of material financial information before the information is made public.

What is Confidential Information?

What follows is not a complete list of what is considered to be confidential information, but it illustrates what is typically confidential unless it has been disclosed by the Company in a securities filing, press release, or other authorized formal or official public communication:

- Financial results, budgets or forecasts;
- Business plans, operating plans, strategy statements, memos, operating manuals, organization charts and other internal communications;
- Company investments, acquisitions or divestitures;
- New products, processes or designs;
- Whether a product or business is meeting financial or other expectations;
- Business relationships or the terms of any business arrangement, including prices paid or received by the Company;
- Customer data such as Customer names and addresses, account and financial information, or any non-public personal or business information of the Customer;
- Advertising and marketing plans and campaigns;
- Wages and salaries, bonus or compensation plans, notices to Associates or unannounced personnel changes; and
- Personal information about any Associate.

In general, if information about the Company has not been made public by the Company, it should be treated as confidential.

Non-Disclosure and Non-Use

You may not disclose to unauthorized persons or use for your own personal advantage or profit, or the advantage or profit of another, any confidential information that you obtain as a result of your position with the Company. This includes not only financial analysts and the press, but also business associates, family members and personal friends. It is a serious mistake to disclose such information to anyone simply because you are confident that that person will neither try to benefit from it nor disclose it to others.

Your obligations not to disclose the Company's confidential information and not to use it for unauthorized purposes continue after your affiliation with the Company ends.

Privacy of Customer Information

The Company is entrusted with important information about individuals and businesses. It is essential that you respect the confidential nature of this information. The Company is legally obliged to protect the privacy of a Customer's or potential Customer's non-public information. The Company's privacy practices are set out in a privacy policy that is circulated to our Customers and made available to the public. You are responsible for completely reading and understanding this policy and complying with the policies and provisions contained herein.

Public Disclosures

You may be asked for information about the Company by the media, trade groups, consultants and others collecting information for various purposes. You should not make public statements on behalf of the Company or provide confidential information in response to external inquiries unless you have been authorized to do so.

Proper Disclosures

Some Associates must disclose confidential Company information as a part of their job responsibilities. This policy on confidential information is not intended to prohibit such authorized disclosures.

A few examples of situations in which confidential information might properly be disclosed are:

- Disclosure of operational data to vendors or consultants in connection with providing services to the Company;

- Participation in legitimate and authorized industry surveys;
- Providing data to governmental agencies as part of required filings; or
- An authorized Associate responding to media or financial analyst inquiries.

You should be certain that you understand what you have been authorized to disclose, and to whom, prior to disclosing any confidential information.

“Inside” Information and Insider Trading

You must not trade in the Company’s stock when you have material information about the Company that is not yet public. Material information is information that would reasonably be expected to either (1) affect the price of securities issued by the Company or (2) be important to an investor in deciding whether to buy, sell or hold securities issued by the Company. Furthermore, you must not communicate material non-public information to persons outside the Company so that they may profit from transactions in the Company’s securities.

Engaging in insider trading, or providing confidential information that is used in insider trading, is illegal and can result in substantial fines and criminal penalties to you.

The Company maintains a policy on insider trading that provides more complete guidance on this subject, including rules on trading in Company securities by Leadership, Directors and Associates who have access to certain financial information.

You should call the Corporate Secretary with any questions about buying or selling of Company stock.

FINANCIAL POLICIES

Use of Company Assets

The Company’s assets are to be used exclusively in the pursuit of the Company’s business except for minimal personal use in accordance with other Company policies. The Company’s assets include equipment, facilities, supplies, services such as telephones and computer networks, and the time and efforts of its Associates. You should not use Company assets for personal gain or convenience, or make Company assets available for the gain or convenience of anyone else, or for any purpose other than conducting the Company’s business unless you have Leadership authorization to do so.

Authority to Make Commitments

Only specific Associates are authorized to make financial or other commitments on behalf of the Company. Commitments might be such things as approving a loan or other extension of credit, ordering equipment or materials, authorizing business travel, approving payment of an invoice or expense report, authorizing budgets or budget overruns, signing leases or other contracts, selling Company assets, settling litigation or other claims, borrowing money, setting compensation or Associate benefits, making charitable contributions and other transactions. These authorizations are in writing and are governed by corporate policies. You should not make a Company commitment unless you have the authority to do so.

Bribes and Other Illegal Corporate Payments

The use of Company funds for payments to any individual, company or organization for the purpose of obtaining favorable treatment in securing business or other special considerations is prohibited. This policy does not prohibit normal and customary business expenses such as reasonable entertainment, trade organization dues or similar expenses that are allowed by applicable Company policies, which must be properly reported on an appropriate expense report form.

Relations with Government Employees

The U.S. government has various regulations prohibiting government personnel from accepting entertainment, gifts, gratuities or other business courtesies that may be acceptable in the private commercial sector. All Associates who may have to make these sorts of judgments must understand and comply with the letter and intent of such regulations.

Integrity of Records and Reports

The Company’s accounting records are relied upon to produce reports to the Company’s Leadership, Shareholders, governmental entities and others. All Company accounting records and reports produced from those records shall be kept and presented in accordance with the laws of each applicable jurisdiction and must accurately and fairly reflect in reasonable detail the Company’s assets, liabilities, revenues and expenses, in all material respects.

Responsibility for accurate and complete financial records does not rest solely with the Company’s accounting Associates. All Associates involved in recording transactions, approving transactions, supplying supporting information for transactions and determining account classifications have responsibility for complying with the Company’s policies.

Reports to Leadership

The same high standards required in the Company’s external reporting apply to financial reports to Leadership. Accruals and estimates included in internal reports (such as business plans, budgets and forecasts) shall be supported by appropriate documentation and based on good-faith judgment, in all material respects.

Payments and Disbursements

All payments made by or on behalf of the Company must be documented in the accounting records with appropriate approval(s) and an adequate description of the business purpose of the disbursement.

Cash Deposits and Bank Accounts

All cash received by the Company shall be promptly recorded in the accounting records and deposited in a bank account properly authorized by the Company. All bank accounts and other cash accounts shall be clearly and accurately recorded in the accounting records. No unrecorded accounts, funds or assets shall be established for any purpose.

Cooperation with Inquiries

Associates shall provide complete and accurate information in response to inquiries from the Company's internal and outside independent auditors as well as the Company's legal counsel.

POLITICAL CONTRIBUTIONS AND ACTIVITIES

No Company funds or assets, including the work time of any Associate, may be contributed, loaned or made available, directly or indirectly, to any political party or to the campaign of any candidate for a local, state or federal office.

CONFLICTS OF INTEREST

You must carry out your professional responsibilities with integrity and with a sense of loyalty to the Company. You must avoid any situation that involves a possible conflict or an appearance of a conflict of interest between your personal interests and the interests of the Company. Knowingly acting in a manner that presents a conflict between your personal interests and the best interests of the Company is a violation of this Code.

A conflict of interest cannot be defined precisely, only illustrated. The basic factor that exists in all conflict situations is a division of loyalty between the Company's best interests and the personal interest of the individual. Many, but not all, conflict situations arise from personal loyalties or personal financial dealings. It is impossible to list every circumstance giving rise to a possible conflict of interest, but the following illustrates the types of situations that may cause conflicts.

Family Members

A conflict of interest may exist when the Company does business with or competes with an organization in which a family member has an ownership or employment interest. "Family members" include a spouse, parents, children, siblings, whether by blood, marriage or adoption, or anyone residing in such person's home and in-laws. You may not conduct business on behalf of the Company with family members or an organization with which you or a family member is associated unless you receive prior written approval under this Code.

Ownership in Other Businesses

You cannot own, directly or indirectly, a significant financial interest in any business entity that does business with or is in competition with the Company unless you receive prior written approval under this Code. As a guide, "a significant financial interest" is defined as ownership by an Associate and/or family members of more than 1% of the outstanding securities/capital value of a corporation or other entity or that represents more than 5% of the total assets of the Associate and/or family members.

Outside Employment

Associates must keep outside business activities, such as a second job or self-employment, completely separate from the Associate's activities with the Company. Associates may not be employed by any another business entity that does business with or is in competition with the Company unless you receive prior written approval under this Code. Associates may not use Company assets, facilities, materials, or services of other Associates for outside activities unless specifically authorized by the Company, such as for certain volunteer work.

Disclosure Required - When in Doubt, Ask!

You should avoid any actual or apparent conflict of interest. Conflicts can arise unexpectedly and prompt disclosure is critically important. Associates must disclose existing or emerging conflicts of interest (including personal relationships that could reasonably be considered to create conflicts) to their Leader and follow the guidance provided. Leadership and Directors must disclose existing or emerging conflicts of interest to the Chief Executive Officer.

ACCEPTING GIFTS AND GRATUITIES

Accepting Things of Value

Except as provided below, you may not solicit or accept for yourself or for a third party anything of value from anyone in return for any business, service or confidential information of the Company. Things of value include gifts, meals, favors, services and entertainment. The purpose of this policy is to ensure that the Company's business is safeguarded from undue influence of bribery and personal favors.

The Bank Bribery Act generally prohibits the solicitation of and acceptance of things of value. Violations may be punished by fines and imprisonment.

Permitted Transactions

The following transactions are permitted and will be considered as exceptions to the general prohibition against accepting things of value:

- Acceptance of gifts, gratuities, amenities or favors based on family or personal relationships when the circumstances make clear that it is those relationships, rather than the business of the Company, that are the motivating factors;
- Acceptance of meals, refreshments, travel arrangements, accommodations or entertainment, all of a reasonable value, in the course of a meeting or other occasion, the purpose of which is to hold bona fide business discussions or to foster better business relations, provided that the expense would be paid for by the Company as a reasonable business expense if not paid for by another party;
- Acceptance of advertising or promotional material of reasonable value, such as pens, pencils, note pads, key chains, calendars and similar items;
- Acceptance of discounts or rebates on merchandise or services that do not exceed those available to other Customers;
- Acceptance of gifts of reasonable value (estimated value not to exceed \$100.00) related to commonly recognized events or occasions, such as a promotion, new job, wedding, retirement, birthday or holiday; or
- Acceptance of civic, charitable, education or religious organizational awards for recognition of service and accomplishment.

Other Transactions

If you are offered or receive something of value beyond what is permitted in this Code, you must obtain prior approval from the Internal Audit Group Leader before you may accept or keep it. Transactions other than those described above may be approved so long as approval is consistent with the Bank Bribery Act. If you are at all uncertain as to whether you may accept something of value, do not hesitate to ask.

CORPORATE OPPORTUNITIES

Directors and Leadership of the Company stand in a fiduciary relationship to the Company. It is a breach of this duty for any such person to take advantage of a business opportunity for his or her own personal profit or benefit when the opportunity is within the corporate powers of the Company and when the opportunity is of present or potential practical advantage to the Company, unless the Board of Directors knowingly elects not to avail itself of such opportunity and the director's or officer's participation is approved in advance by the Board. It is the policy of the Company that no Director or member of Leadership appropriate a corporate opportunity without the consent of the Board of Directors.

EQUAL EMPLOYMENT OPPORTUNITY, HARASSMENT & SEXUAL HARASSMENT

Equal Employment Opportunity

It is the policy of the Company to provide equal employment opportunity in full compliance with all federal, state and local equal employment opportunity laws and regulations.

Harassment Prohibited

The Company is committed to providing a work environment where all Associates work free from harassment because of race, color, religion, age, gender, sexual orientation, national origin, disability or any characteristic protected by applicable law. The Company will not tolerate harassment by Associates, Leaders, Customers or others.

Our policy is essentially based on common sense: all Associates should treat each other with respect and courtesy. Harassment in any form – including verbal and physical conduct, visual displays, threats, demands and retaliation – is prohibited.

What Constitutes Sexual Harassment

The Equal Employment Opportunity Commission has guidelines that define sexual harassment as unwelcome sexual advances, requests for sexual favors and other verbal or physical conduct of a sexual nature when:

- Submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, or used as the basis for employment decisions affecting such individual; or

- Such conduct creates an intimidating, hostile or offensive working environment.

Sexual harassment can involve either a tangible employment action or a hostile work environment. Sexual harassment includes more than overt physical or verbal intimidation. Lewd or vulgar remarks, suggestive comments, posters, pictures and calendars, pressure for dates and sexual favors, and unacceptable physical contact are examples of what can constitute harassment.

It is important to realize that what may not be offensive to you may be offensive to others. You should consider carefully the effect of your words and actions on others, and should not assume that another Associate's failure to object means that the Associate welcomes the behavior at issue.

The Company as a general matter does not seek to regulate the private social behavior of Associates. However, intimate relationships between Leaders and Associates are discouraged. Because of the undesirable workplace repercussions that they may have, any such ongoing relationship should be disclosed to the Human Resources Group Leader. All Associates should completely understand that no one at the Company has the authority to offer job benefits or threaten job disadvantages based on the provision of sexual favors.

Sexual harassment also can occur among co-workers or result from behavior by contractors or other non-Associates who have reason to interact with Company Associates. Our policy extends to these circumstances as well.

Obligation to Report

Any Associate who has reason to believe that he/she or another Associate is being harassed must promptly report the harassment. The official procedure for reporting violations or suspected violations of this policy is located under the Heading "How to Report a Violation". Do not allow an inappropriate situation to continue by not reporting it, regardless of who is creating the situation.

Investigations

As set forth in the section on "Administration of the Code of Business Conduct", the Company will promptly investigate allegations of harassment and, to the extent possible, conduct such investigations confidentially. Any Associate who is found to have violated this policy is subject to discipline or discharge.

No Retaliation

The Company will not tolerate retaliation in any form against an Associate who has, in good faith, reported an incident of harassment, and Associates should not fear that such a report would endanger his/her job.

ILLEGAL AND IMPAIRING SUBSTANCES

You may not possess, use, sell, distribute or be under the influence of illegal drugs while on Company property or while conducting Company business anywhere. Such behavior is a violation of Company policy in addition to being a violation of the law.

When reporting for work and throughout the work day, you must be fit for duty at all times and, in particular, not pose a safety hazard to yourself or others through your use of alcohol or other legal, but impairing, substances.

WORKPLACE VIOLENCE

The Company expressly prohibits any acts of violence or threats of violence by any Company Associate against any other person in or about Company facilities or in connection with the conduct of Company business elsewhere at any time.

You are prohibited from possessing firearms while on Company property or while conducting Company business anywhere at any time unless authorized by the Company.

MARKETING PRACTICES AND ANTITRUST

Marketing Practices

The Company's products and services must be sold fairly and honestly. You should not attempt to take advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair practice. Many of the products and services provided by the Company are subject to laws and regulations that specify the information that must be provided to the Company's Customers. It is the policy of the Company to comply fully with these disclosure requirements.

Antitrust

The antitrust laws are intended to foster free and open competition and it is important that the Company comply with the letter and the spirit of such laws. Agreements that reduce business competition are a core concern of the antitrust laws and violations may result in severe civil and criminal penalties to the Company and to individuals. Antitrust laws pertain to dealings with Customers and suppliers as well as competitors.

In some cases, depending on the circumstances, the antitrust laws prohibit discussions among competitors about competitively sensitive subjects. The most serious antitrust violations are agreements among competitors that directly restrict competition among them.

These include agreements:

- To raise, lower or stabilize prices;
- To divide the areas in which they will do business or the Customers they will serve; or
- To refuse to deal with certain Customers or suppliers.

Conduct intended to drive a competitor out of business may also violate antitrust laws. It is the policy of the Company to fully comply with all applicable antitrust laws.

Antitrust is a complex area of the law and violations have serious consequences for the Company and for individuals personally. The Company's legal counsel should be consulted with any questions.

COMPUTER NETWORKS, VOICE MAIL, E-MAIL AND THE INTERNET

Many Company Associates depend on access to computer networks, voice mail, E-mail and/or the Internet to do their jobs. These tools come with risks and responsibilities that all Associates must understand and accept.

The Company has a separate policy on Information Security. You are responsible for completely reading and understanding this policy and complying with the policies and provisions contained therein.

EXAMINATIONS, GOVERNMENT INVESTIGATIONS AND LITIGATION

Regulatory Examinations

The Company and its subsidiaries are subject to examination by federal banking regulators. It is Company policy to cooperate fully with the Company's regulators.

Government and Law Enforcement Investigations

It is Company policy to cooperate with reasonable and valid requests by federal, state or local government investigators. At the same time, the Company is entitled to all the safeguards provided in the law for persons under investigation, including representation by counsel.

Accordingly, if a government investigator requests an interview with you, seeks information or access to files, or poses written questions, he/she should be told that you must first consult with the Company's legal counsel. You should immediately contact the Risk Manager, who will then provide advice as to further action.

Penalties

You should be aware that criminal sanctions could be imposed upon any person who submits false or misleading information to the government in connection with any regulatory examination or government investigation. Full cooperation and proper legal supervision of any response in connection with a regulatory examination or government investigation is essential from both corporate and individual viewpoints.

Litigation

In the event any litigation is begun or threatened against the Company, notify the Risk Manager immediately, even if the action or threats appear to be without merit or insignificant.

Preservation of Records

All records relating to the business of the Company shall be retained as required by the Company's record retention guidelines. Notwithstanding such guidelines, under no circumstances shall any records known to be the subject of or germane to any anticipated, threatened or pending lawsuit, governmental or regulatory investigation, or bankruptcy proceeding be removed, concealed or destroyed.

DETAILED POLICIES AND PROCEDURES

This Code does not contain all of the policies of the Company or all of the details of the policies that are included. The Company has written policies and procedures that provide more information on some of the topics in this Code of Business Conduct.

Talk to your Leader about the Company's policies and procedures that you are responsible for following in your job and make sure that you have reviewed and understand them.

ADMINISTRATION OF THE CODE OF BUSINESS CONDUCT

Every Associate Has an Obligation to:

- **Comply** with this Code of Business Conduct, which prohibits violation of local, state, federal or foreign laws and regulations applicable to our businesses, and requires compliance with all Company policies;
- **Be familiar** with laws and Company policies applicable to his/her job. Leadership must communicate laws and the Company's policies effectively to Associates;
- **Ask questions** if a policy or the action to take in a specific situation is unclear;
- **Be alert** to indications and/or evidence of possible wrongdoing; and
- **Report** violations and suspected violations of this Code of Business Conduct to the appropriate person as described in "How to Report a Violation" below and elsewhere in this Code.

The Company's Leaders have a particular responsibility to notice and question incidents, circumstances and behaviors that point to a reasonable possibility that a violation of this Code has occurred. A Leader's failure to follow up on reasonable questions is, in itself, a violation of Company policy.

How to Ask a Question

Whenever possible, an Associate should work with his/her immediate Leader to get answers to routine questions.

If a Leader's answer does not resolve a question or if an Associate has a question that he/she cannot comfortably address to his/her Leader, he/she should go to the next Leader in the Associate's Leadership chain or ultimately to the Internal Audit Group Leader. The Associate may also direct questions to any of the Contacts listed at the end of this Code of Business Conduct.

Directors may bring any questions to the Chairman of the Board or the Chairman of the Audit Committee.

How to Report a Violation

Any Associate having information about a violation (or suspected violation) of this Code should report the violation in accordance with the Procedures on Reporting Corporate Violations.

Leadership and Directors may submit any reports of violations (or suspected violations) of this Code in accordance with the Procedures on Reporting Corporate Violations.

If the violation involves the Internal Audit Group Leader then the Associate should report the violation in accordance with the Procedures on Reporting Corporate Violations.

Concerns regarding questionable accounting or auditing matters should be reported in accordance with the Procedures on Reporting Corporate Violations.

Follow-up to the Report of a Violation

Any follow up to the report of a violation of this Code of Business Conduct should be in accordance with the Procedures on Reporting Corporate Violations.

Determining Whether a Violation Has Occurred

Investigation of a report will be conducted in accordance with the Procedures on Reporting Corporate Violations.

Confidentiality

Reports of suspected violations will be kept confidential to the fullest extent possible and consistent with the conduct of an appropriate investigation.

No Retaliation

Retaliation in any form against an Associate who has, in good faith, reported a violation of this Code will not be tolerated.

Consequences of a Violation

Associates, Leaders or Directors who violate this Code, or who fail to report violations of which they are aware or should be aware, will subject themselves to disciplinary action up to and including dismissal. Some violations may also result in civil liability and/or lead to criminal prosecution.

Prior Approvals

Whenever the requirement for prior approval appears in this Code, it means that a writing setting forth the pertinent facts of the situation under consideration shall be submitted according to the following process.

If a request for prior approval relates to a Director, the determination with respect to the approval shall be made by the Audit Committee of the Board of Directors, in consultation with such external legal counsel as the Audit Committee deems appropriate.

If a request for prior approval relates to any Associate, the determination shall be made by the Chief Executive Officer, unless the matter is quantitatively or qualitatively material or outside the ordinary course of business, in which case such determination shall be made by the Audit Committee.

All approvals (other than those approved by the Audit Committee) shall be promptly reported to the Audit Committee.

Waivers

You must request a waiver of a provision of this Code if there is a reasonable likelihood that your contemplated action will violate the Code.

If a waiver request relates to a member of Leadership or a Director, the determination with respect to the waiver shall be made by the Audit Committee of the Board of Directors, in consultation with such external legal counsel as the Audit Committee deems appropriate. Any waivers granted by such committee shall be submitted to the Board for ratification.

If a waiver request relates to any other Associate, the determination shall be made by the Chief Executive Officer, unless the matter is quantitatively or qualitatively material or outside the ordinary course of business, in which case such determination shall be made by the Audit Committee.

All waivers of this Code (other than those approved by the Audit Committee) shall be promptly reported to the Audit Committee.

Waivers will not be granted except under extraordinary or special circumstances.

Any waivers of this Code for any member of the Executive Resource Group, the Controller or a Director of the Company must promptly be disclosed to Shareholders.

Updates and Changes

This Code will be reissued from time to time to remind Associates, Leadership and Directors of its specifics and to make changes and clarifications based on experience and suggestions.

REPORTING CORPORATE VIOLATIONS

(REPORTS ON SUSPECTED IMPROPER ACTIVITIES)

STATEMENT OF NEED

The Sarbanes-Oxley Act of 2002 (the "Act") was enacted to enhance corporate governance and ensure the accuracy of financial reporting. The Act created new measures that deal with financial reporting, conflicts of interest, corporate ethics, and oversight of accounting firms that perform public company audits. The Audit Committee of Coastal Financial Corporation ("Company") recognizes the obligations the Act has created. The Audit Committee is adopting this statement of intent and creating the following procedures in order to establish a conduit for Associates to communicate concerns about potential wrongdoing or other improper activities directly to the Audit Committee. For purposes of this document, "Associate" is meant to include all people employed by the Company, holding either Leadership or non-Leadership positions.

The Audit Committee of the Board of Directors seeks to comply with the requirements of the Act by the adoption of this document and the procedures it establishes.

STATEMENT OF INTENT

All Associates are encouraged to report any suspected or actual improper activities to the Audit Committee of the Board of Directors, through the procedures outlined in this document. Improper activities are defined as any activity by an Associate that may jeopardize the accuracy of financial reporting, represents a conflict of interest, violates the Company's Code of Business Conduct, or violates any provision of federal securities law and regulations and/or laws relating to fraud against Shareholders.

The Audit Committee hereby designates The Network, Inc. ("The Service"), an independent third party, to receive reports from Associates and to forward these reports to the Audit Committee Chairman and the Internal Audit Group Leader ("Internal Audit"). Internal Audit will investigate and follow up on any reported improper activities on the Audit Committee's behalf. The procedures established herein define the reporting conduits, and the subsequent activities that will be undertaken in response to reports received.

No Associate will be retaliated against for any actions they may take in good faith to report suspected or actual wrongdoing on the part of any other Associate of the Company. No Leader, Director, Associate, or other agent of the Company may discharge, demote, suspend, threaten, harass, or in any other manner discriminate against an Associate on any basis whatsoever in

response to the Associate's having taken steps to report suspected or actual wrongdoing in compliance with this document or the procedures spelled out herein.

PROCEDURES FOR REPORTING CORPORATE VIOLATIONS

1. Any improper activity or other suspected wrongdoing should be reported to The Service:

Telephone: (888) 217-8076 (Available 24 hours a day)

Your telephone call to The Service will be treated confidentially and objectively. Any report received will be held in **strictest confidence**, to the fullest extent possible. Reports may be submitted anonymously. If you do choose to identify yourself, then your identity will be kept strictly confidential and will only be disclosed as follows: (1) to members of Leadership that have a **legitimate need-to-know** in order to carry out an investigation; (2) to appropriate members of law enforcement; or (3) to other individuals or agencies pursuant to a subpoena or other legal process of discovery.

The Service will ask you a number of questions about the situation for which you are reporting. Report only the facts that you know. At a minimum, you will need to provide the following information:

- Description of the nature of the improper activity.
- Approximate or actual date the activity took place.

The Service will assign you a case number. You will be able to follow up on your report by calling The Service and asking for an update. The Service may ask you to call them back within a specified time for more information, in case there are questions from the Company on the situation that you reported.

2. The report will be forwarded from The Service to the Audit Committee Chairman and Internal Audit. Internal Audit will conduct an investigation into the situation that you reported. Generally within 30 days of receipt of any reported information, Internal Audit will complete a preliminary investigation, utilizing all resources available, including interviews with alleged violators, witnesses and/or yourself -- to establish the validity of the reported activities. Internal Audit will document and maintain secured records of all reported activities and any documentation relating to the investigation of those activities. Internal Audit will maintain any and all information it may receive or become party to in **strict confidence**, to the fullest extent possible.

3. Upon completion of the preliminary investigation, the results of the investigation will be discussed with the Audit Committee Chairman. Internal Audit will present the issue to the Audit Committee for their review. The following information will be presented to the Audit Committee:

- A copy of the original information provided by the individual.
- A report on the findings of the preliminary investigation, including Internal Audit's opinion of the reported activity.

Nothing in this document will preclude Internal Audit from notifying the Audit Committee immediately of reported wrongdoing. The timing of the report will be dictated by the perceived materiality or seriousness of the reported activity.

4. The Audit Committee will review the findings on the reported activity as it is received, and will determine what, if any, further action is required. Action may include, but not be limited to: requesting additional investigative work by Internal Audit, Security or any other Group as deemed necessary; questioning Executive Leadership; contacting legal counsel; and/or reporting to law enforcement agencies.

5. Appropriate action taken on this matter may be reported back to The Service.

PROTECTION FROM RETALIATION

No Associate will be retaliated against for submitting reports, in good faith, that allege or suspect improper activity or wrongdoing. If an Associate believes he or she has been retaliated against, he or she should contact the Human Resources Group Leader. The Human Resources Group Leader, in conjunction with Bank Counsel, will investigate the alleged retaliation. If the investigation confirms that the Associate was retaliated against because of his or her report(s), the Company will take appropriate corrective actions.

PROCEDURES FOR MAKING A RETALIATION CLAIM UNDER THE ACT

Associates are also given federal protections under the Sarbanes-Oxley Act.

- The Act specifies that an Associate must file a claim with the Secretary of Labor within 90 days of the alleged retaliatory event.
- The Secretary of Labor will conduct an investigation of the claim, provided that the Associate has made a prima facie

showing that his or her protected conduct was a contributing factor in the adverse employment action taken by the Company.

- Reinstatement is available when the Secretary of Labor finds that an Associate has been subject to retaliation and the Company has not shown by clear and convincing evidence that it would have taken adverse action despite the employee engaging in the protected conduct.
- Associates may bring private action in federal court if the Secretary of Labor has not issued a final decision within 180 days of the filing of the claim.

An Associate prevailing in any action will be entitled to all relief necessary to make that Associate whole, including: back pay with interest; reinstatement with their prior seniority status; litigation costs, including reasonable attorneys' and expert witness fees; and compensatory damages.

Additionally, in certain cases of retaliation against a person providing information to a law enforcement officer relating to the commission of a federal offense, the Act imposes criminal sanctions, including a fine and imprisonment for up to ten years.

RETENTION OF COMPLAINTS AND REPORTS OF RESULTING ACTION

Internal Audit will maintain a file of all complaints and concerns reported pursuant to these procedures, tracking their receipt, investigation, evaluation and resolution, and of the related reports issued in connection therewith, which summarize the results of the related investigation and any corrective action taken. Copies of all such materials will be retained in accordance with the Company's document retention policy, but in any event, for a period of at least five (5) years from the date on which the related complaint or concern was initially reported hereunder.

LEGAL COUNSEL AND OTHER EXPERTS

In discharging their responsibilities hereunder, the Audit Committee, the Audit Committee Chairman, and Internal Audit may request and obtain assistance from members of the Company's Accounting or Audit Departments and/or may retain an independent accountant, independent legal counsel or other experts to assist in the investigation of the complaint or reported concern, the evaluation of the matter under investigation or determining and implementing the appropriate remedial or corrective action. The cost of retaining any such expert or experts shall be borne by the Company.

RIGHTS RETAINED BY ASSOCIATE

The Act does not diminish the rights, privileges or remedies that the Associate may have under any federal or state law or under any collective bargaining agreement.

CONTACTS

Jim Clemmons, Chairman of the Board of Directors

Bob Calliham, Audit Committee Chairman

Mike Gerald, President and CEO

Marc Smith, Internal Audit Group Leader

Robbie Douglas, Human Resources Group Leader

Jerry Rexroad, Risk Manager

Susan Cooke, Corporate Secretary