



## Coastal Banking Company Reports First Quarter 2017 Earnings

**BEAUFORT, SC / ACCESSWIRE / May 2, 2017** / Coastal Banking Company Inc. (OTCQX: CBCO), the holding company of CBC National Bank, which operates branches in Beaufort and Port Royal, S.C., and in Fernandina Beach, Ocala, and The Villages, Fla., today reported net income of \$1.45 million, or \$0.38 diluted earnings per common share, for the three months ended March 31, 2017. This compares to \$1.22 million, or \$0.44 in diluted earnings per common share, for the first quarter of 2016, an increase of \$230,000. The decline in diluted earnings per common share was due to the additional common shares issued in April 2016 for the acquisition of First Avenue National Bank (FANB) in Ocala, Fla.

On a linked-quarter basis, the \$1.45 million of net income in the first quarter of 2017 declined from fourth-quarter 2016 net income of \$2.21 million, or \$0.59 diluted earnings per common share. Coupled with the uncertainty surrounding interest rates in the first quarter of 2017, Coastal's mortgage segment historically experiences lower volume during the first quarter consistent with the industry.

Key performance highlights for the first quarter of 2017 include:

- Continued strong profitability. First-quarter 2017 net income increased by 18.9 percent over the first quarter of 2016. First quarter results featured more balanced net income for all three of the Company's operating segments: Community Banking earned \$812,000 in 2017's first quarter, up from \$528,000 in 2016, SBA Lending earned \$638,000 in 2017, up from \$354,000 earned in 2016, and Mortgage Banking earned \$574,000 in 2017, down from \$760,000 in 2016. All three segments outperformed the Company's 2017 budget for the first quarter.
- Continued shareholder value creation. Driven by strong earnings over the last five quarters, book value per share has risen to \$14.58 per share at March 31, 2017, from \$14.18 per share at Dec. 31, 2016, and \$12.88 at March 31, 2016. The CBCO closing market price on March 31, 2017, was \$17.20, up from \$15.01 at Dec. 31, 2016.
- Increased mortgage banking income on lower volume. For the first quarter of 2017, \$346.6 million in residential mortgage loans were sold and \$3.41 million in total mortgage banking income generated, down in volume from \$379.7 million, but up in income from \$2.93 million, from the first quarter of 2016. Mortgage banking generated enhanced yields on sold loans in first-quarter 2017 compared to the same period in 2016 as a result of strategic changes in its loan origination mix.
- Strong SBA originations and loan sales. For the first quarter of 2017, SBA Lending originated \$10.3 million in loans and sold \$8.9 million into the secondary market. The balance of SBA loans available for sale at March 31, 2017, has grown to \$38 million.
- Robust balance sheet and Community Banking loan growth. Year-over-year growth in the balance sheet of \$87.8 million, or 18.5 percent, with total assets of \$562.6 million at March 31, 2017. The asset growth was driven by increased portfolio loan balances and the FANB acquisition. Since March 31, 2016, SBA portfolio loans grew \$8.2 million and Community Banking portfolio loans grew \$95.2 million, of which \$81.4 million were added as part of the acquisition. The growth in portfolio loans was offset by a decline in loans held for sale of \$28.5 million from March 31, 2016, to March 31, 2017.
- Strong quarterly and year-over-year deposit growth. Deposits have grown from \$319.8 million at March 31, 2016, to \$431.7 million at March 31, 2017, an increase of 35.0 percent. During the first quarter of

2017, deposits grew by \$14.4 million, predominantly in non-interest bearing and low-cost NOW accounts.

- Steady credit quality. Related to credit quality, the ratio of non-performing assets to assets decreased from 1.73 percent at March 31, 2016, to 1.50 percent at March 31, 2017. The ratio was 1.98 percent at Dec. 31, 2016. The allowance for loan losses was 1.39 percent of loans outstanding (excluding loans held for sale) at the end of March 2017, slightly down from 1.48 percent at the end of March 2016. The allowance for loan losses was 1.47 percent at Dec. 31, 2016. Other real estate owned (OREO) declined \$1.3 million, or 21.2 percent, from March 31, 2016, to March 31, 2017. Net charge-offs were \$667,000 for the first three months of 2017 compared to net charge-offs of \$869,000 for the first three months in 2016.
- Strong capital ratios. Capital ratios for the Company remained strong, with a total risk-based capital ratio of 20.83 percent and a Tier 1 risk-based capital ratio of 19.56 percent at March 31, 2017, up from 20.11 percent and 19.21 percent, respectively, at March 31, 2016.
- Continued steady efficiency ratio. The Company's efficiency ratio for the first quarter of 2017 was 73.2 percent, compared to 74.3 percent for first-quarter 2016. The Company's efficiency ratio for the year 2016 was 70.5 percent.

"We continue to see stable, strong, diversified earnings driving robust shareholder value creation," said Michael G. Sanchez, Chairman and Chief Executive Officer. "Book value per share has risen to \$14.58 per share at March 31, 2017, from \$12.88 at March 31, 2016, an increase of \$1.70 per share, or 13.2 percent. It is gratifying to see the continued progress toward a balanced contribution to core earnings from all three of our Company's divisions. Community Banking earned \$812,000 in the first quarter of 2017, as we continue to see our Company strengthened by the acquisition of First Avenue National Bank. The balance sheet has shown year-over-year growth of \$87.8 million, or 18.5 percent. And through a combination of the acquisition and organic growth, deposits have increased \$111.9 million year over year, an increase of 35.0 percent. During the first quarter of 2017, deposits grew by \$14.4 million, predominantly in non-interest bearing, low-cost NOW accounts. Mortgage Banking earned \$574,000 in the first quarter of 2017 in an uncertain interest rate environment that has now shown signs of stabilizing. The Mortgage division has also made a strategic shift to diversify production more evenly between government-backed and conventional loans. SBA Lending earned \$638,000 during the quarter, a direct result of increasing secondary market sales. Portfolio loan balances have increased 10 percent over first-quarter 2016, enhancing interest income. We are now realizing the rewards of our strategic plan by growing our SBA portfolio, which allows us to build loans available for sale (AFS) inventory while also generating interest income. During the quarter, SBA originations continued to outpace SBA loan sales, providing \$38 million in AFS inventory, a ready tool to help maintain steady earnings."

For the three months ended March 31, 2017, net interest income before the provision for loan losses was \$5.11 million, an increase of 29.6 percent, from the \$3.94 million for the first three months of 2016. The first-quarter increase was due to the acquisition of FANB, increased yields and growth in portfolio loans. The Company's net interest margin increased from 3.89 percent for the three months ended March 31, 2016, to 4.16 percent for the same period in 2017.

Noninterest income was \$4.77 million for the first quarter of 2017, compared to \$3.70 million for the first quarter of 2016. The increase was due primarily to an increase in both mortgage banking income and SBA loan income. Additionally, service charges and other income increased year over year primarily due to the FANB acquisition.

For the first quarter of 2017, noninterest expense was \$7.23 million, an increase of 27.3 percent, from the \$5.68 million for the first quarter of 2016. This increase reflects an increase of \$1.02 million in salary and benefit expense primarily from the additional staff from the FANB branches added. Additionally, there was an increase of \$530,000 of all other operating expense categories in 2017, again primarily as a result of the FANB acquisition.

Beginning in the fourth quarter of 2016, the Company changed its financial statement presentation to reclassify the direct lending costs incurred by its Mortgage segment's National Retail Group against that group's origination income. This change only affects noninterest income and noninterest expense as reflected above, and provides for a better reflection of the Company's efficiency ratio. The Company's financials for the first quarter of 2016 were

restated for the change for comparability purposes. This change had no effect on the Company's reported net income for the first quarter of 2017 or 2016.

"As we continue to see more balanced core earnings contributions from all three of our Company's divisions, our steady earnings continue to result in strong shareholder value creation," said Sanchez. "The FANB acquisition has helped strengthen our balance sheet, grow deposits and add management and employee depth. We will maintain our focus on strong profitability across our divisions while remaining vigilant on expense control, asset and loan quality. We maintain full confidence in the capabilities of our talented staff and management to continue to successfully execute our operating strategy, and to continue to deliver strong shareholder value growth in 2017."

### **About Coastal Banking Company Inc.**

Coastal Banking Company Inc. is the \$562.6 million-asset bank holding company of CBC National Bank, headquartered in Fernandina Beach, Fla., which provides a full range of consumer and business banking services through full-service banking offices in Fernandina Beach, Ocala, and The Villages, Fla, and Beaufort and Port Royal, S.C. The company's residential mortgage banking division, headquartered in Atlanta, includes traditional retail and wholesale lending, as well as a national retail group that has lending offices in Florida, Georgia, Maryland, Michigan, North Carolina, Illinois, Ohio and Tennessee. The company's SBA lending division originates SBA loans primarily in Jacksonville, Ft. Myers, Tampa and Vero Beach, Fla., Greensboro, N.C., Atlanta, and Beaufort.

The company's common stock is publicly traded on the OTCQX Best Market under the symbol CBCO. The company was named to the OTCQX® Best 50 in both 2015 and 2016, an annual ranking of the top 50 U.S. and international companies traded on the OTCQX Best Market, based on equal weighting of one-year return and average daily dollar volume growth.

A current CBCO stock price quote and recent stock trading activity is available at <http://www.otcmarkets.com/stock/CBCO/quote>.

For complete audited annual financial results, [click here](#).

For more information, please visit the company's website, [www.coastalbanking.com](http://www.coastalbanking.com).

### **FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISK FACTORS**

*This release contains forward-looking statements including statements relating to present or future trends or factors generally affecting the banking industry and specifically affecting Coastal's operations, markets and products. Without limiting the foregoing, the words "believes," "anticipates," "intends," "expects," or similar expressions are intended to identify forward-looking statements. These forward-looking statements involve risks and uncertainties. Actual results could differ materially from those projected for many reasons, including, without limitation, changing events and trends that have influenced Coastal's assumptions, but that are beyond Coastal's control. These trends and events include (i) changes in the interest rate environment which may reduce margins, (ii) not achieving expected growth, (iii) less favorable than anticipated changes in the national and local business environments and securities markets, (iv) adverse changes in the regulatory requirements affecting Coastal, (v) greater competitive pressures among financial institutions in Coastal's markets, (vi) greater loan losses than historic levels, and (vii) difficulties in expanding our banking operations into a new geographic market. All written or oral forward-looking statements are expressly qualified in their entirety by these cautionary statements. Coastal Banking Company Inc. undertakes no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date on which such statements were made.*

**For More Information, Contact:**

Thomas J. Flournoy  
EVP & Chief Financial Officer  
Coastal Banking Company Inc.  
904-321-2917

Michael G. Sanchez  
Chairman & Chief Executive Officer  
Coastal Banking Company Inc.  
904-321-0400

**Coastal Banking Company  
Consolidated Balance Sheet  
March 31, 2017**

|                                  | 3/31/2017<br>QTD | 3/31/2016<br>QTD | 12/31/2016    |
|----------------------------------|------------------|------------------|---------------|
|                                  | Consolidated     | Consolidated     | Consolidated  |
| <b>Assets</b>                    |                  |                  |               |
| Cash and due from banks          | \$ 9,587,795     | \$ 6,145,349     | \$ 7,956,004  |
| Federal funds sold               | 184,588          | 106,930          | 387,123       |
| Investment securities            | 29,833,319       | 25,637,363       | 24,760,056    |
| Loans held for sale              | 95,845,656       | 124,355,880      | 92,009,241    |
| Loans, gross                     | 403,081,514      | 298,261,921      | 408,743,325   |
| Less allowance                   | (5,618,072)      | (4,418,991)      | (5,990,733)   |
| Loans, net                       | 397,463,442      | 293,842,930      | 402,752,592   |
| Premises and equipment, net      | 13,479,317       | 7,184,570        | 13,604,166    |
| Accrued interest receivable      | 1,185,415        | 864,917          | 1,242,703     |
| Other real estate owned          | 4,956,572        | 6,292,050        | 5,061,661     |
| Other assets                     | 10,032,622       | 10,330,843       | 13,615,180    |
| Total assets                     | \$562,568,726    | \$474,760,832    | \$561,388,726 |
| <b>Liabilities</b>               |                  |                  |               |
| DDA - non interest bearing       | \$ 82,424,329    | \$ 43,879,074    | \$ 77,603,027 |
| Interest bearing DDA             | 178,010,237      | 127,858,006      | 174,112,178   |
| Savings                          | 16,767,772       | 5,262,299        | 15,618,336    |
| Time                             | 154,522,728      | 142,768,113      | 149,983,376   |
| Total deposits                   | 431,725,066      | 319,767,492      | 417,316,917   |
| FHLB Advances & other borrowings | 53,582,881       | 91,001,004       | 63,060,005    |
| Senior Note Payable              | 8,666,667        | 9,666,667        | 8,916,667     |
| Junior subordinated debentures   | 7,217,000        | 7,217,000        | 7,217,000     |
| Accrued interest payable         | 243,636          | 207,547          | 198,018       |
| Other liabilities                | 7,620,401        | 12,147,715       | 12,964,827    |
| Total liabilities                | 509,055,651      | 440,007,425      | 509,673,434   |
| <b>Stockholders' equity</b>      |                  |                  |               |
| Common stock                     | 36,702           | 26,983           | 36,475        |
| Additional paid-in-capital       | 53,689,837       | 41,904,148       | 53,354,381    |
| Retained earnings                | (421,768)        | (7,608,044)      | (1,870,202)   |

|   |               |               |               |
|---|---------------|---------------|---------------|
| Net unrealized gain (loss) - securities AFS | 208,304       | 430,320       | 194,638       |
| Total stockholders' equity                  | 53,513,075    | 34,753,407    | 51,715,292    |
| Total liabilities and stockholders' equity  | \$562,568,726 | \$474,760,832 | \$561,388,726 |

**CBC Bank Only**  
**Consolidated Income Statement**  
**March 31, 2017**

|  | 3/31/2017<br>QTD<br>Consolidated | 3/31/2016<br>QTD<br>Consolidated | 12/31/2016<br>YTD<br>Consolidated |
|--|----------------------------------|----------------------------------|-----------------------------------|
| <b>Interest Income:</b>                              |                                  |                                  |                                   |
| Loans  | \$ 5,814,891                     | \$ 4,508,908                     | \$ 22,709,121                     |
| Securities   | 206,177                          | 193,701                          | 805,347                           |
| Interest on Deposits                                 | 1,067                            | 4,442                            | 14,771                            |
| Federal funds sold                                   | 44,436                           | 345                              | 12,764                            |
| Total interest income                                | 6,066,571                        | 4,707,396                        | 23,542,003                        |
| <b>Interest Expense:</b>                             |                                  |                                  |                                   |
| Deposits   | 677,016                          | 411,921                          | 2,422,894                         |
| Other  | 281,631                          | 355,151                          | 1,625,529                         |
| Total interest expense                               | 958,647                          | 767,072                          | 4,048,423                         |
| Net interest income before provision for loan losses | 5,107,924                        | 3,940,324                        | 19,493,580                        |
| Provision for loan losses                            | 294,836                          | 33,409                           | 1,450,061                         |
| Net interest income after provision for loan losses  | 4,813,088                        | 3,906,915                        | 18,043,519                        |
| <b>Operating income:</b>                             |                                  |                                  |                                   |
| Service charges on deposits                          | 241,869                          | 127,363                          | 860,338                           |
| Mortgage banking income                              | 3,407,778                        | 2,929,058                        | 18,225,244                        |
| SBA loan income                                      | 1,025,043                        | 580,146                          | 1,962,023                         |
| Gain on sale of securities                           | -                                | -                                | 18,373                            |
| Increase in cash surrender value of life insurance   | 19,878                           | 21,666                           | 83,584                            |
| Other income   | 76,586                           | 38,206                           | 1,536,287                         |
| Total operating income                               | 4,771,154                        | 3,696,439                        | 22,685,849                        |
| <b>Operating expenses:</b>                           |                                  |                                  |                                   |
| Salaries and benefits                                | 4,617,769                        | 3,599,239                        | 17,373,369                        |
| Net occupancy and equipment expense                  | 781,908                          | 579,243                          | 3,147,188                         |
| Other operating expense                              | 1,826,455                        | 1,498,960                        | 9,222,448                         |
|  | 7,226,132                        | 5,677,442                        | 29,743,005                        |
| Income before provision for income taxes             | 2,358,110                        | 1,925,912                        | 10,986,363                        |
| Provision for income taxes                           | 909,676                          | 707,968                          | 4,030,577                         |
| Net income   | \$ 1,448,434                     | \$ 1,217,944                     | \$ 6,955,786                      |

**Coastal Banking Company**  
**Consolidated Financial Highlights**  
**March 31, 2017**

|  | <b>3/31/2017</b>    | <b>3/31/2016</b>    | <b>12/31/2016</b>   |
|--|---------------------|---------------------|---------------------|
|  | <b>QTD</b>          | <b>QTD</b>          | <b>YTD</b>          |
|  | <b>Consolidated</b> | <b>Consolidated</b> | <b>Consolidated</b> |
| <b>\$ Earnings</b>                     |                     |                     |                     |
| Net interest income                    | \$ 5,107,924        | \$ 3,940,324        | \$ 19,493,580       |
| Provision for loan loss                | \$ 294,836          | \$ 33,409           | \$ 1,450,061        |
| Other income                           | \$ 4,771,154        | \$ 3,696,439        | \$ 22,685,849       |
| Other expense                          | \$ 7,226,132        | \$ 5,677,442        | \$ 29,743,005       |
| Pre-tax income                         | \$ 2,358,110        | \$ 1,925,912        | \$ 10,986,363       |
| Taxes                                  | \$ 909,676          | \$ 707,968          | \$ 4,030,577        |
| Net income                             | \$ 1,448,434        | \$ 1,217,944        | \$ 6,955,786        |
| Earnings per share (basic)             | \$ 0.40             | \$ 0.45             | \$ 2.10             |
| Earnings per share (diluted)           | \$ 0.38             | \$ 0.44             | \$ 2.05             |
| <b>Performance Ratios</b>              |                     |                     |                     |
| ROAA                                   | 1.07%               | 1.13%               | 1.29%               |
| ROAE                                   | 11.01%              | 14.33%              | 16.07%              |
| Net Interest Margin                    | 4.16%               | 3.89%               | 3.85%               |
| Efficiency Ratio                       | 73.15%              | 74.34%              | 70.52%              |
| <b>Capital</b>                         |                     |                     |                     |
| Tier 1 leverage capital ratio          | 10.87%              | 9.67%               | 10.01%              |
| Common equity risk-based capital ratio | 19.56%              | 19.21%              | 18.47%              |
| Tier 1 risk-based capital ratio        | 19.56%              | 19.21%              | 18.47%              |
| Total risk-based capital ratio         | 20.83%              | 20.11%              | 19.74%              |
| Book value per share                   | \$ 14.58            | \$ 12.88            | \$ 14.18            |
| Tangible book value per share          | \$ 13.98            | \$ 12.29            | \$ 13.57            |
| <b>Asset Quality</b>                   |                     |                     |                     |
| Other real estate owned                | \$ 4,956,572        | \$ 6,292,050        | \$ 5,061,661        |
| Net Charge-offs (recoveries)           | \$ 667,497          | \$ 868,825          | \$ 713,736          |
| Net Charge-offs to average loans       | 0.17%               | 0.30%               | 0.20%               |
| Allowance to total loans, net of LHFS  | 1.39%               | 1.48%               | 1.47%               |
| Nonaccrual Loans                       | \$ 3,503,189        | \$ 1,935,692        | \$ 6,070,027        |
| Nonperforming assets to total assets   | 1.50%               | 1.73%               | 1.98%               |
| <b>End of Period Balances</b>          |                     |                     |                     |
| Assets                                 | \$562,568,726       | \$474,760,832       | \$561,388,726       |
| Portfolio Loans                        | \$403,081,514       | \$298,261,921       | \$408,743,325       |
| Loans Held for Sale                    | \$ 95,845,656       | \$124,355,880       | \$ 92,009,241       |
| Deposits                               | \$431,725,066       | \$319,767,492       | \$417,316,917       |
| Borrowings                             | \$ 53,582,881       | \$ 91,001,004       | \$ 63,060,005       |
| Shareholders' Equity                   | \$ 53,513,075       | \$ 34,753,407       | \$ 51,715,292       |
| <b>Average Balances</b>                |                     |                     |                     |
| Assets                                 | \$543,075,717       | \$429,415,886       | \$540,550,612       |
| Portfolio Loans                        | \$404,301,900       | \$286,799,547       | \$364,242,751       |
| Loans Held for Sale                    | \$ 63,173,922       | \$ 91,186,757       | \$111,509,816       |

|                              |               |               |               |
|------------------------------|---------------|---------------|---------------|
| Deposits                     | \$421,532,981 | \$294,582,848 | \$385,102,055 |
| Borrowings                   | \$ 41,362,714 | \$ 75,782,444 | \$ 83,230,853 |
| Shareholders' Equity         | \$ 52,614,183 | \$ 34,006,155 | \$ 43,270,921 |
| Average Shares               | 3,661,384     | 2,693,802     | 3,307,965     |
| <b>Stock Valuation</b>       |               |               |               |
| Closing Market Price (OTCQX) | \$ 17.20      | \$ 12.40      | \$ 15.01      |

**SOURCE:** Coastal Banking Company Inc.