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 Reports Fourth Quarter and Record Annual 2016 Earnings

BEAUFORT, S.C., Feb. 16, 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 $6.96 million, or $2.05 diluted earnings per common share for the year ended Dec. 31, 2016. This compares to $5.05 million, or $1.85 in diluted earnings per common share in 2015, an increase of $1.91 million, or $0.20 per diluted earnings per common share. The 2015 earnings and diluted earnings per common share were net of preferred stock dividends.

For the fourth quarter of 2016, the Company reported net income of $2.21 million, or diluted earnings per common share of $0.59. This compares to net income of $1.32 million, or diluted earnings per common share of $0.48, for the fourth quarter of 2015 (net of preferred stock dividends), and represents a year-over-year increase of $884,000, or diluted earnings per common share of $0.11.

On a linked-quarter basis, the $2.21 million of net income in the fourth quarter of 2016 represents an increase of $219,000, or $0.05 diluted earnings per common share, from net income of $1.99 million, or diluted earnings per common share of $0.54, in the third quarter of 2016.

Key performance highlights for 2016 include:

- Completion of the acquisition of First Avenue National Bank (“FANB”) in Ocala, Florida, in April 2016, and subsequent integration into CBC National Bank. FANB had assets of $112 million at the acquisition date.

- Continued strong profitability growth, with 2016 net income increasing by 37.7 percent over 2015, including more balanced net income for all three of the Company's operating segments: Mortgage Banking earned $5.59 million in 2016, up from $5.38 million in 2015; Community Banking earned $1.40 million in 2016, up from $98,000 in 2015, and SBA Lending earned $891,000 in 2016, comparable to the $963,000 earned in 2015.
- Driven by strong earnings over the last four quarters, common tangible book value has risen to $13.57 per share at Dec. 31, 2016, from $11.81 at Dec. 31, 2015, an increase of 14.9 percent. The CBCO closing market price on Dec. 31, 2016, was $15.01 per share.
- Continuation of robust mortgage banking funding and profitability, with more than $3.05 billion in residential mortgage loans originated and $18.2 million in total mortgage banking income during 2016, up from $2.81 billion and $15.7 million, respectively, for 2015. For the fourth quarter of 2016, $740.8 million in residential mortgage loans were originated and $5.9 million in total mortgage banking income generated, up from $596.4 million and $3.8 million, respectively, for the fourth quarter of 2015.
- Year-over-year growth in the balance sheet of $96.7 million, or 20.8 percent, with total assets of $561.4 million at Dec. 31, 2016. The asset growth was driven by rising portfolio loan balances and the FANB acquisition. SBA portfolio loans grew $25.3 million and Community Banking portfolio loans grew $104.3 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 $36.2 million from the end of 2015 to the end of 2016.
- Related to credit quality, the ratio of non-performing assets to assets increased slightly from 1.85 percent at Dec. 31, 2015, to 1.98 percent at Dec. 31, 2016. The allowance for loan losses was 1.84 percent of loans outstanding at the end of 2015, compared to 1.47 percent at the end of 2016. Other real estate owned (OREO) declined $1.05 million, or 17.2 percent, from Dec. 31, 2015, to Dec. 31, 2016. Net charge-offs were $714,000 in 2016 compared to net recoveries of $32,000 in 2015.
- Capital ratios for the Company remained strong, with a total risk-based capital ratio of 19.74 percent and a Tier 1 risk-based capital ratio of 18.47 percent at Dec. 31, 2016, closely comparable to the levels of both ratios at the end of 2015.

"In 2016 we took significant strategic steps toward further bolstering the value of our Company and, in turn, our stock," said Michael G. Sanchez, chairman and chief executive officer. "The acquisition of First Avenue National Bank and the integration of its three branches, located in an economically vibrant growth market, along with the added management depth and employee talent, has strengthened our balance sheet and positioned the Company for strong growth into the future, with more balanced contributions from each of our three operating divisions. Our Community Banking Division significantly increased its year-over-year earnings in 2016, and the division's portfolio loans grew $104.3 million, which included $81.4 million from the FANB acquisition. Our SBA Lending Division had strong earnings again in 2016 and the SBA portfolio loans grew by $25.3 million. Our Mortgage Banking Division continued to perform strongly, with more than $3.05 billion in residential mortgage loans originated and $18.2 million in mortgage banking income during 2016, both strong gains over 2015 levels. And, despite the issuance of additional shares as part of the FANB acquisition, we saw diluted earnings per common share increase from $1.85 in 2015 to $2.05 for 2016, and common tangible book value rose 14.9 percent year-over-year to $13.57 per share at Dec. 31, 2016."

For the year 2016, net interest income before the provision for loan losses was $19.49 million, an increase of $2.84 million, or 17.1 percent, from the $16.65 million for 2015. For the fourth quarter of 2016, net interest income before the provision for loan losses totaled $5.13 million, compared to $3.93 million in the fourth quarter of 2015, an increase of 30.7 percent. The annual and fourth quarter increases were due to the acquisition of FANB and growth in portfolio loans. The Company's net interest margin remained strong, standing at 3.85 percent for 2016, compared to 3.89 percent for 2015.

Noninterest income was $22.7 million for 2016, compared to $17.9 million for 2015. All three operating segments showed an increase in noninterest income in 2016, in addition to the bargain purchase gain recognized from the acquisition of First Avenue National Bank. Noninterest income was $7.3 million in the fourth quarter of 2016, an increase of $2.3 million, or 46.3 percent, from $5.0 million in the fourth quarter of 2015. This increase was due primarily to the significant increase in mortgage banking income and the recording of additional bargain purchase gain from the FANB acquisition.

For the year 2016 noninterest expense was $29.7 million, an increase of $5.2 million, or 21.3 percent, from the $24.5 million in 2015. This increase reflects an increase of $2.4 million in salary and benefit expense from the higher levels of loan volume in the Mortgage Banking Division and additional staff from the FANB branches added. Additionally, there were $1.2 million of other operating expenses in 2016 as a result of the FANB acquisition. The annual increase also reflects $674,000 in one-time, non-recurring acquisition-related expenses. Noninterest expense for the fourth quarter of 2016 increased $1.6 million to $8.4 million, from $6.8 million in the fourth quarter of 2015. Salaries and benefits increased $1.1 million in the fourth quarter of 2016, again largely as a result of the increased mortgage volume and additional FANB staff. Additionally, other operating expenses of $0.4 million were related to the three FANB branches added in April 2016.

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 2015 were also restated for the change for comparability purposes. This change had no effect on the Company's reported net income for 2016 or 2015.

The Company also finalized its purchase accounting adjustments for the FANB acquisition during the fourth quarter of 2016 by recording an additional $925,000 in bargain purchase gain reflected in other income. The Company also recorded a loan loss provision of $1.00 million in the fourth quarter based on its allowance for loan loss methodology. The allowance for loan losses to loans (excluding Loans Held for Sale) ended the year at 1.47 percent of loans, compared to 1.23 percent at Sept. 30, 2016, and 1.48 percent just prior to the FANB acquisition at Mar. 31, 2016. The Company's provision for loan losses totaled $1.45 million for 2016, compared to a loan loss provision of $394,000 for 2015.

"In 2017 we will remain focused on continuing to create shareholder value through the generation of robust, broad-based earnings made possible by the ongoing strong contributions of each of our operating divisions: mortgage banking, government guaranteed lending and core community banking," said Sanchez. "With the acquisition of First Avenue National Bank in 2016, including the added management depth and employee talent, broadened product mix and balance sheet growth, our Company is stronger and better positioned for the future. We will remain vigilant on expense control, as well as asset and loan quality. We maintain the utmost confidence in our staff, our systems, products, and management, and in our ability to achieve our goals."

About Coastal Banking Company Inc.

Coastal Banking Company Inc. is the $561.4 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 and Ohio. The company's government guaranteed 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.

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.