On Monday, July 31, 2017 at 9:00 AM ET

COASTAL BANKING
Company, Inc.

Coastal Banking Company Reports Strong Second Quarter 2017 Earnings

BEAUFORT, SC / ACCESSWIRE / July 31, 2017 / Coastal Banking Company Inc. (OTCQX: CBCO) (the "Company"), 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 $2.11 million, or $0.55 diluted earnings per common share, for the three months ended June 30, 2017. This compares to $1.54 million, or $0.46 in diluted earnings per common share, for the second quarter of 2016, an increase of $570,000. The diluted earnings per common share for both quarters reflect the acquisition of First Avenue National Bank ("FANB") in Ocala, Florida, in early April 2016.

On a linked-quarter basis, the $2.11 million of net income in the second quarter of 2017 increased significantly from first quarter 2017 net income of $1.45 million, or $0.38 diluted earnings per common share.

For the first six months ending June 30, 2017, the Company reported net income of $3.56 million, or $0.94 diluted earnings per common share, an increase of $790,000 over the net income for the first six months of 2016 of $2.77 million, or $0.90 diluted earnings per common share.

Key performance highlights for the second quarter of 2017 include:

- Continued shareholder value creation. Driven by strong earnings over the last four quarters, book value per share has risen to $15.20 at June 30, 2017, from $14.18 at Dec. 31, 2016, and $13.12 at June 30, 2016. The CBCO closing market price on June 30, 2017, was $17.55, up from $15.01 at Dec. 31, 2016.
- Continued strong profitability. Second quarter 2017 net income increased by 36.7 percent over the second quarter of 2016, and 45.9 percent over the first quarter of 2017. Second quarter 2017 results featured more balanced net income for all three of the Company's operating segments as compared to the second quarter of 2016: Community Banking earned $953,000 in 2017's second quarter, up from $418,000 in 2016's second quarter, SBA Lending earned $475,000 in the second quarter of 2017, up from $5,000 earned in the same period in 2016, and Mortgage Banking earned $1,242,000 in the second quarter of 2017, down from the robust earnings of $1,579,000 in the second quarter of 2016. Both Community Banking and SBA Lending outperformed the Company's 2017 budget for both the second quarter and year to date.
- Continued strong mortgage banking income. For the second quarter of 2017, $404.6 million in residential mortgage loans were sold, generating $4.52 million in total mortgage banking income, down from the robust second quarter of 2016, which had $521.9 million in volume and $4.92 million in mortgage banking income. However, sales volume and mortgage income were up strongly over first quarter 2017's $346.6 million and $3.41 million, respectively. Additionally, mortgage banking has generated increased yields on sold loans throughout 2017, compared to 2016, as a result of strategic changes in its loan origination mix. Mortgage banking income is up $88,000 for the first six months of 2017 compared to the same period in 2016 despite sales volume being down $150 million from the same period last year.
- Strong SBA originations and loan sales. SBA loan sale income in the second quarter of 2017 was $871,000, compared to $154,000 for the same period in 2016. For the second quarter of 2017, SBA Lending originated $7.7 million in loans and sold $8.0 million into the secondary market. In the second quarter of 2016, SBA Lending originated $5.2 million in loans and sold $1.5 million into the secondary

market. The balance of SBA loans available for sale at June 30, 2017, was $35 million, slightly down from the end of the first quarter of 2017, but up over the $28 million balance at June 30, 2016.

- Year-over-year growth in the balance sheet. The balance sheet grew $20.1 million, or 3.3 percent, from June 30, 2016, to June 30, 2017, with total assets of $635.8 million at June 30, 2017. The asset growth was driven by $21.7 million of increased portfolio loan balances. Since June 30, 2016, Mortgage portfolio loans grew $15.1 million, Community Banking portfolio loans grew $5.4 million and SBA portfolio loans grew $1.2 million. The Company's balance sheet is well positioned for stable or increasing interest rates.
- Strong 2017 and year-over-year deposit growth. Deposits have grown from $413.0 million at June 30, 2016, to $432.1 million at June 30, 2017, an increase of $19.1 million, or 4.6 percent. This year-over-year growth represents all organic growth, as the acquisition of FANB occurred in April 2016. The $19.1 million in growth has largely been composed of core retail DDA growth.
- Steady to improving credit quality. The ratio of non-performing assets to assets decreased from 1.56 percent at June 30, 2016, to 1.48 percent at June 30, 2017. The ratio was 1.98 percent at Dec. 31, 2016. The allowance for loan losses was 1.33 percent of loans outstanding at June 30, 2017, up from 1.22 percent of loans outstanding at the end of June 2016. The allowance for loan losses was 1.47 percent at Dec. 31, 2016. Other real estate owned (OREO) declined to $5.0 million at June 30, 2017, from $5.1 million at both June 30, 2016, and Dec. 31, 2016. Net charge-offs were $183,000 for the second quarter of 2017, compared to net recoveries of $30,000 for the second quarter of 2016. Net charge-offs for the first six months of 2017 were $850,000, compared to $839,000 for the same period last year.
- Strong capital ratios. Capital ratios for CBC National Bank remained strong, with a total risk-based capital ratio of 21.46 percent and a Tier 1 risk-based capital ratio of 20.20 percent at June 30, 2017, up from 19.96 percent and 18.70 percent, respectively, at June 30, 2016.
- Continued improvement in efficiency ratio. The Company's efficiency ratio for the second quarter of 2017 was 68.2 percent, compared to 77.3 percent for second quarter 2016. The Company's efficiency ratio for the six months ended June 30, 2017, was 70.5 percent, compared to 76.1 percent for the same period in 2016.

"In the second quarter, we saw the continuation of a number of our strategic initiatives help drive shareholder value through the more diversified, robust and steady earnings they are combining to provide," said Michael G. Sanchez, Chairman and Chief Executive Officer. "Book value per share was $15.20 at June 30, 2017, a 15.9 percent increase from $13.12 at June 30, 2016, and up 7.2 percent from $14.18 at Dec. 31, 2016. All three of our Company's divisions are contributing strongly to our balanced core earnings, with both Community Banking and SBA Lending outperforming the Company's 2017 budget for the second quarter and year to date. Community Banking earned $953,000 in the second quarter, more than double its earnings in the same period a year ago, fueled by the FANB acquisition. SBA Lending earned $475,000 in the second quarter of 2017 on strong originations and loan sales. We have adjusted our Mortgage Banking model to generate additional government loan production while relying less on brokered out loans, which has improved our already outstanding execution. The result is that Mortgage Banking income rose for the first six months of 2017, compared to the same period last year, despite a decrease in volume. Mortgage Banking earned $1,242,000 in the second quarter of 2017. We have also seen strong year-over-year deposit and balance sheet growth. Deposits have grown by $19.1 million from June 30, 2016, to the end of this year's second quarter, largely owing to organic growth in core retail demand deposit accounts, which in turn decreases our reliance on higher cost deposits and improves our net interest margin. The balance sheet grew $20.1 million year over year on increased portfolio loan balances among all three divisions. Our balance sheet is well-managed and well-positioned to enable our Company to continue to perform strongly through a stable or rising interest rate environment."

For the three months ended June 30, 2017, net interest income before the provision for loan losses was $5.29 million, an increase of 2.5 percent, from the $5.16 million for the quarter ended June 30, 2016. Net interest income increased from $9.10 million for the six months ended June 30, 2016, to $10.40 million for the six months ended June 30, 2017. This increase was due to the acquisition of FANB in April 2016, increased yields and growth in portfolio loans. The Company's net interest margin increased from 3.95 percent for the three months ended June 30, 2016, to 4.09 percent for the same period in 2017. The net interest margin increased from 3.92 percent for the six months ended June 30, 2016, to 4.14 percent for the six months ended June 30, 2017.

Noninterest income was $5.80 million for the second quarter of 2017, comparable to the $5.84 million for the second quarter of 2016. Income on SBA loan sales and service charges on deposits for the second quarter of 2017 increased over last year's second quarter, while income from mortgage loan sales and other income declined. The additional income on service charges on deposit accounts is due to the addition of FANB in April 2016, while the decline in other income is due to a bargain purchase gain recorded in April 2016 related to the FANB acquisition. For the six months ended June 30, 2017, noninterest income was $10.57 million, compared to $9.54 million for the six months ended June 30, 2016. The increase is primarily due to increased SBA and mortgage loan sales income and additional service charges on deposit accounts, partially offset by the recording of the bargain purchase gain mentioned above.

For the second quarter of 2017 noninterest expense was $7.57 million, a decrease of 10.9 percent from the $8.50 million for the second quarter of 2016. This decrease is primarily due to non-recurring FANB acquisition expenses incurred in the second quarter of 2016. For the six months ended June 30, 2017, noninterest expense was $14.79 million, an increase of 4.3 percent over the $14.18 million in noninterest expense for the first six months of 2016. The increase is due primarily to the year-to-date 2017 effect of the additional salaries, benefits and occupancy expenses from the FANB branches added in the second quarter of 2016, partially offset by the non-recurring acquisition expenses incurred in 2016, mentioned above.

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

"We continue to fine-tune the operations of each of our Company's three divisions, and all three continue to contribute strongly to our ongoing robust and balanced core earnings," said Sanchez. "Those strong earnings, in turn, continue to translate into strong shareholder value creation. It is gratifying to see initiatives including our FANB acquisition combine with organic deposit growth and strategic product-mix moves to contribute to our Company's robust performance. Our capable, talented staff and management are executing our operating strategy at a high level, and we maintain the utmost confidence in their ability to continue to create strong shareholder value growth in successive quarters."

About Coastal Banking Company Inc.

Coastal Banking Company Inc. is the $635.8 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 both traditional retail and wholesale lending groups, which together have lending offices in Florida, Georgia, Maryland, South Carolina, North Carolina, Illinois, Ohio and Tennessee. The company's SBA lending division operates under SBA's delegated authority, originating SBA, USDA and FSA loans throughout the southeastern United States. Headquartered in Fernandina Beach, its offices are located 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 2016 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.

For More Information Contact:

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

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

Coastal Banking Company
Consolidated Balance Sheet
June 30, 2017

	6/30/2017 YTD Consolidated	6/30/2016 YTD Consolidated	12/31/2016 Consolidated
Assets			
Cash and due from banks	$ 11,105,535	$ 7,163,423	$ 7,956,004
Federal funds sold	224,000	103,894	387,123
Investment securities	40,537,393	29,013,435	24,760,056
Loans held for sale	141,664,093	154,328,774	92,009,241
Loans, gross	414,869,550	393,145,710	408,743,325
Less allowance	(5,509,635)	(4,808,392)	(5,990,733)
Loans, net	409,359,915	388,337,318	402,752,592
Premises and equipment, net	13,468,510	13,741,240	13,604,166
Other real estate owned	5,017,505	5,146,302	5,061,661
Cash Surrender Value of Life Insurance	2,402,709	2,598,458	2,362,805
SBA Servicing Rights	1,514,559	1,457,880	1,403,431
Other assets	10,459,206	13,716,285	11,091,647
Total assets	$ 635,753,425	$ 615,607,009	$ 561,388,726
Liabilities			
DDA - non interest bearing	$ 82,611,180	$ 71,417,215	$ 77,603,027
Interest bearing dda	177,350,869	176,221,999	174,112,178
Savings	17,331,118	14,406,114	15,618,336
Time	154,808,391	150,991,728	149,983,376
Total deposits	432,101,558	413,037,056	417,316,917
FHLB Advances & other borrowings	118,500,000	121,976,003	63,060,005
Senior Note Payable	8,416,667	9,416,667	8,916,667
Junior subordinated debentures	7,217,000	7,217,000	7,217,000
Other liabilities	13,664,560	16,769,958	13,162,845
Total liabilities	579,899,785	568,416,684	509,673,434
Stockholders' equity			
Common stock	36,735	35,957	36,475
Additional paid-in-capital	53,862,614	52,683,135	53,354,382
Retained earnings	1,691,581	(6,061,904)	(1,870,203)
Net unrealized gain (loss) - securities AFS	262,710	533,137	194,638
Total stockholders' equity	55,853,640	47,190,325	51,715,292
Total liabilities and stockholders' equity	$ 635,753,425	$ 615,607,009	$ 561,388,726

Coastal Banking Company
Consolidated Income Statement
June 30, 2017

	6/30/2017 QTD Consolidated	6/30/2016 QTD Consolidated	6/30/2017 YTD Consolidated	6/30/2016 YTD Consolidated	12/31/2016 YTD Consolidated
Interest Income:					
Loans	6,054,389	5,944,222	11,869,280	10,453,130	$ 22,709,121
Securities	220,373	207,191	426,550	400,892	805,347
Interest on Deposits	569	5,224	1,636	9,667	14,771
Federal funds sold	12,319	3,787	56,755	4,132	12,764
Total interest income	6,287,650	6,160,424	12,354,221	10,867,821	23,542,003
Interest Expense:					
Deposits	693,383	617,191	1,370,399	1,029,110	2,422,894
Trust Preferred	55,674	48,812	110,274	98,369	480,556
Other	250,539	331,707	477,570	637,332	1,144,973
Total interest expense	999,596	997,710	1,958,243	1,764,811	4,048,423
Net interest income before provision for loan losses	5,288,054	5,162,714	10,395,978	9,103,010	19,493,580
Provision for loan losses	74,364	359,523	369,200	392,932	1,450,061
Net interest income after provision for loan losses	5,213,690	4,803,191	10,026,778	8,710,078	18,043,519
Operating income:					
Service charges on deposits	145,095	65,242	386,964	140,529	860,338
Mortgage banking income	4,528,492	4,918,870	7,936,270	7,847,928	18,225,244
SBA loan income	870,790	153,975	1,895,833	734,120	1,962,023
Gain on sale of securities	42,763	-	42,763	-	18,373
Increase in cash surrender value of life insurance	20,142	20,252	40,020	41,918	83,584
Other income	193,857	685,271	270,443	775,552	1,536,287
Total operating income	5,801,139	5,843,610	10,572,293	9,540,047	22,685,849
Operating expenses:					
Salaries and benefits	4,660,141	4,834,156	9,277,910	8,433,396	17,373,369
Net occupancy and equipment expense	888,561	848,778	1,670,469	1,428,020	3,147,188
Mortgage loan expense	187,276	145,321	280,665	272,536	703,285
Other real estate expense	171,735	88,971	156,786	106,961	616,676
Data processing/ATM expense	459,700	554,452	907,993	930,948	1,969,355
Audit Fees	197,848	117,293	328,112	211,670	769,158
Legal & professional fees	330,432	347,069	612,400	501,057	1,023,046
Director fees	117,675	104,900	222,925	179,000	403,550
Advertising	133,958	156,616	270,276	289,969	653,609
FDIC Insurance expense	55,588	81,000	99,657	162,000	239,506
OCC Examination fees	38,772	42,523	77,544	80,113	162,385
Other operating expense	324,167	1,182,352	887,247	1,585,173	2,681,879
	7,565,853	8,503,431	14,791,984	14,180,843	29,743,005
Income before provision for income taxes	3,448,976	2,143,370	5,807,087	4,069,282	10,986,363
Provision for income taxes	1,335,627	597,230	2,245,303	1,305,198	4,030,577
Net income	$ 2,113,349	$ 1,546,140	$ 3,561,784	$ 2,764,084	$ 6,955,786

Coastal Banking Company
Consolidated Financial Highlights
June 30, 2017

	6/30/2017 QTD Consolidated	6/30/2016 QTD Consolidated	6/30/2017 YTD Consolidated	6/30/2016 YTD Consolidated	12/31/2016 YTD Consolidated
$ Earnings					
Net interest income	$ 5,288,054	$ 5,162,714	$ 10,395,978	$ 9,103,010	$ 19,493,580
Provision for loan loss	$ 74,364	$ 359,523	$ 369,200	$ 392,932	$ 1,450,061
Other income	$ 5,801,139	$ 5,843,610	$ 10,572,293	$ 9,540,047	$ 22,685,849
Other expense	$ 7,565,853	$ 8,503,431	$ 14,791,984	$ 14,180,843	$ 29,743,005
Pre-tax income	$ 3,448,976	$ 2,143,370	$ 5,807,087	$ 4,069,282	$ 10,986,363
Taxes	$ 1,335,627	$ 597,230	$ 2,245,303	$ 1,305,198	$ 4,030,577
Net income	$ 2,113,349	$ 1,546,140	$ 3,561,784	$ 2,764,084	$ 6,955,786
Earnings per share (basic)	$ 0.58	$ 0.47	$ 0.97	$ 0.92	$ 2.10
Earnings per share (diluted)	$ 0.55	$ 0.46	$ 0.94	$ 0.90	$ 2.05
Performance Ratios					
ROAA	1.53%	1.10%	1.31%	1.12%	1.29%
ROAE	15.79%	13.82%	13.38%	14.50%	16.07%
Net Interest Margin	4.09%	3.95%	4.14%	3.92%	3.85%
Efficiency Ratio	68.23%	77.26%	70.54%	76.07%	70.52%
Capital					
Tier 1 leverage capital ratio	11.07%	9.14%	11.07%	9.14%	10.01%
Common equity risk-based capital ratio	18.27%	16.06%	18.27%	16.06%	18.47%
Tier 1 risk-based capital ratio	18.27%	16.06%	18.27%	16.06%	18.47%
Total risk-based capital ratio	19.53%	17.32%	19.53%	17.32%	19.74%
Book value per share	$ 15.20	$ 13.12	$ 15.20	$ 13.12	$ 14.18
Tangible book value per share	$ 14.61	$ 12.44	$ 14.61	$ 12.44	$ 13.57
Asset Quality					
Other real estate owned	$ 5,017,505	$ 5,146,302	$ 5,017,505	$ 5,146,302	$ 5,061,661
Net Charge-offs (recoveries)	$ 182,800	$ (29,877)	$ 850,298	$ 838,948	$ 713,736
Net Charge-offs to average loans	0.04%	-0.01%	0.21%	0.25%	0.20%
Allowance to total loans, net of LHFS	1.33%	1.22%	1.33%	1.22%	1.47%
Nonaccrual Loans	$ 4,365,335	$ 4,477,476	$ 4,365,335	$ 4,477,476	$ 6,070,027
Nonperforming assets to total assets	1.48%	1.56%	1.48%	1.56%	1.98%
End of Period Balances					
Assets	635,753,425	615,607,009	$ 635,753,425	$ 615,607,009	$ 561,388,726
Portfolio Loans	414,869,550	393,145,710	$ 414,869,550	$ 393,145,710	$ 408,743,325
Loans Held for Sale	141,664,093	154,328,774	$ 141,664,093	$ 154,328,774	$ 92,009,241
Deposits	432,101,558	413,037,056	$ 432,101,558	$ 413,037,056	$ 417,316,917
Borrowings	118,500,000	121,976,003	$ 118,500,000	$ 121,976,003	$ 63,060,005
Shareholders' Equity	55,853,640	47,190,325	$ 55,853,640	$ 47,190,325	$ 51,715,292
Average Balances					
Assets	$ 554,626,142	$ 565,666,017	$ 549,417,364	$ 497,529,296	$ 540,525,290
Portfolio Loans	$ 410,245,995	$ 376,720,582	$ 407,556,175	$ 331,772,764	$ 364,242,751
Loans Held for Sale	$ 76,275,217	$ 116,985,042	$ 69,760,761	$ 104,073,200	$ 111,509,816
Deposits	$ 431,559,425	$ 408,115,210	$ 426,412,789	$ 351,353,485	$ 385,102,055
Borrowings	$ 40,815,179	$ 84,625,387	$ 41,066,038	$ 80,203,915	$ 83,230,853
Shareholders' Equity	$ 53,694,002	$ 44,859,161	$ 53,694,002	$ 38,451,882	$ 43,270,921
Average Shares	3,672,462	3,308,403	3,666,954	3,001,103	3,307,965
Stock Valuation					
Closing Market Price (OTCQX)	17.55	12.99	$ 17.55	$ 12.99	$ 15.01