For More Information:
Paul R. Garrigues
Chief Financial Officer
Coastal Banking Company Inc.
904-491-9833

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

Coastal Banking Company Reports Second Quarter 2015 Earnings, Declares Preferred Stock Dividend

BEAUFORT, S.C., Aug. 6, 2015 – Coastal Banking Company Inc. (OTCQX:CBCO), the holding company of CBC National Bank, which operates branches in Beaufort and Port Royal, S.C., and Fernandina Beach, Fla., today reported net income of $1.6 million, or earnings per diluted common share of $0.51, for the quarter ended June 30, 2015.

This compares to net income of $1.1 million, or diluted earnings per common share of $0.34, in the second quarter of 2014, a year-over-year increase of $479,000, or diluted earnings per common share of $0.17.

On a linked-quarter basis, net income in the second quarter of 2015 represents an increase of $432,000, or earnings per diluted common share of $0.16, from net income of $1.2 million, or earnings per diluted common share of $0.35, in the first quarter of 2015.

On July 22, 2015, the Board of Directors of CBCO declared a dividend of $22.50 per share of its outstanding Series A Cumulative Perpetual Preferred Stock. The dividend will be payable on Aug. 15, 2015, to shareholders of record on Aug. 5, 2015. The dividend rate of 9% annually results in a total quarterly dividend payment of $223,875.

Key highlights from the second quarter of 2015 include:

- Continued strong profitability growth, with second quarter net income increasing by 42.6 percent year-over-year and up 36.8 percent over the first quarter.
- Driven by strong earnings over the last four quarters, common tangible book value has risen to $10.83 per share at June 30, 2015, an increase of $1.38 per share, or 14.6 percent, during the last year from $9.45 per share at June 30, 2014.

- Second consecutive quarter of record mortgage banking funding and profitability, with more than $565 million in residential mortgage loans funded and $16.5 million in mortgage banking income during the quarter.
- Continued balance sheet expansion during the quarter, up by $35.8 million, or 7.0 percent, with total assets reaching $549.1 million, driven by rising balances of residential mortgage loans available for sale and the related loan sales receivable.
- Net interest margin was stable at 3.82%, down by just 2 basis points from the second quarter of 2014 and lower by 7 basis points from the first quarter of 2015.
- Asset quality costs related to Other Real Estate Owned and nonperforming loans continued to decline, reaching $211,000 in the quarter, a year-over-year reduction of 68.8 percent and a decrease of 37.4 percent from the first quarter of 2015.
- Nonaccrual loans ended the quarter at $4.2 million, a decrease of $453,000, or 9.8 percent, from the prior quarter end, but up by $1.4 million from June 30, 2014. Despite the year-over-year increase, the overall long-term trends in asset quality continue to be positive.
- Other real estate owned (OREO) of $7.0 million represented a linked-quarter increase of 1.5 percent but was down by $4.6 million, or 39.7 percent, from June 30, 2014.
- Capital ratios at CBC National Bank remained strong, with a total risk-based capital ratio of 19.12 percent and a Tier 1 risk-based capital ratio of 17.85 percent

“Our second quarter results were marked by our Mortgage Banking division’s ability to execute well and capitalize on the favorable long term interest rate environment, and accompanying refinancing demand, to generate record loan funding and profitability levels,” said Michael G. Sanchez, chief executive officer. “The quarter also represented the continuation for the 5th consecutive quarter of strong, steady earnings averaging well over $1 million, as the expansion of our balance sheet during the first half of 2015 has far exceeded expectations. Residential mortgage loans available for sale and the related loan sales receivables grew to represent nearly 40% of total assets at June 30, 2015. The strong revenues from mortgage banking have enabled us to accumulate SBA loan production over the last three quarters. By increasing the block size of SBA loans available for sale, we may see an improvement in our sale execution when we ultimately sell participations in these loans during the second half of 2015.”

Net interest income before the provision for loan losses totaled $4.4 million in the second quarter of 2015, compared to $3.7 million earned in the second quarter of 2014. For the first half of 2015, core earnings from net interest income before the provision for loan losses was $8.3 million, an increase of $1.2 million or 17.7 percent, from the first half of 2014.

Noninterest income was $16.7 million in the second quarter of 2015, an increase of $7.6 million, or 83.7 percent, from $9.1 million in the second quarter of 2014. The year-over-year increase was due primarily to an $8.7 million increase in mortgage banking income in the quarter compared to the same period in 2014, partially offset by a quarterly decline in SBA loan income of $986,000 compared to the second quarter of 2014.

Interest expense totaled $628,000 in the second quarter of 2015, compared to $588,000 in the previous quarter and $656,000 in the second quarter of 2014 as the favorable impact from increased use of lower cost short-term borrowings and deposits was partially offset by increased balances of interest-bearing liabilities. For the first half of 2015, interest expense totaled $1.2 million, a decrease of $57,000, or 4.5 percent, from the first half of 2014.

Noninterest expense for the second quarter of 2015 increased to $18.4 million from $10.6 million in second quarter of 2014, primarily due to increased compensation and occupancy expense related to increased mortgage banking loan funding activity. For the first half of 2015 noninterest expense was $34.6 million, an increase of$15.5 million, or 81.2 percent, from $19.1 million in the first half of 2014. As with the current quarter, this increase reflects higher costs of compensation, occupancy and related mortgage lending direct expenses.

The company's net interest margin for the second quarter of 2015 was 3.82 percent, down slightly from 3.89 percent in the first quarter of 2015, and 2 basis points lower than the 3.84 percent margin for the second quarter of 2014.

Total assets at June 30, 2015, were $549.1 million, compared to $421.9 million at Dec. 31, 2014. Total shareholders' equity was $40.3 million at June 30, 2015, compared to $37.9 million at Dec. 31, 2014. Total deposits were $323.3 million at June 30, 2015, compared to $285.7 million at Dec.

31, 2014. Total portfolio loans were $272.1 million at the end of the second quarter of 2015, compared to $272.8 million at year-end 2014.

The company's mortgage banking division originated approximately $565.7 million in loans available for sale in the secondary market during the second quarter of 2015, compared to $374.3 million during the second quarter of 2014, and $507.5 million in the first quarter of 2015. The year-over-year increase in mortgage lending was driven by a significant increase in demand for refinance loans, as well as higher levels of loans to purchase homes. The increased refinance lending demand reflects the impact of lower long-term interest rates, easing of certain underwriting criteria for agency-eligible (FNMA and FHLMC) loans, and reductions to certain FHA loan costs.

Mortgage banking loan production has remained at record levels for two consecutive quarters, exceeding a billion dollars in loans funded during the first half of 2015. The sharply increased demand during this period for refinance loans has shifted the loan-purpose mix of new loan production toward a much higher proportion of refinance lending. The mortgage division product mix has shifted from 47 percent refinance and 53 percent purchase loans during the second quarter of 2014 to 69 percent refinance and 31 percent purchase loans in the second quarter of 2015, and 76 percent refinance and 24 percent purchase lending in the first quarter of 2015. The mortgage division has now funded and sold over $8.5 billion in mortgage loans since the division's inception in September 2007.

Net charge-offs in the second quarter of 2015 totaled $21,000, or 0.01 percent of total loans, compared to a net recovery of $76,000, or 0.03 percent, in the previous quarter, and net charge-offs of $85,000, or 0.03 percent, in the second quarter of 2014. Nonaccrual loans as a percentage of total loans at the end of the second quarter of 2015 were 1.53 percent, compared to 1.71 percent at the end of the prior quarter, and 1.08 percent at June 30, 2014. Loans past due greater than 30 days and still accruing interest totaled $1.75 million at June 30, 2015, compared to $2,000 in the previous quarter and $1.72 million at June 30, 2014. Other real estate owned (OREO) totaled $7.0 million at June 30, 2015, a 39.7 percent decline from $11.7 million at June 30, 2014.

The company's provision for loan losses totaled $33,000 for the second quarter of 2015, which was $12,000 more than net charge-offs, compared to a loan-loss provision of $260,000 for the first quarter of 2015, which was $336,000 more than net recoveries, and a provision of $473,000, or $388,000 more than net charge-offs, in the quarter ended June 30, 2014. The company's allowance for loan losses totaled $5.2 million, or 1.90 percent of loans outstanding at June 30, 2015, compared to $5.2 million, or 1.91 percent of loans outstanding, at the prior quarter end, and $4.7 million, or 1.81 percent of loans outstanding, at June 30, 2014.

At June 30, 2015, CBC National Bank had a total risk-based capital ratio of 19.12 percent and a Tier 1 risk-based capital ratio of 17.85 percent, which exceed the 10 percent and 8 percent respective thresholds for being classified as "well capitalized" by federal banking regulators. The company also continued to have ample liquidity, with $64.4 million in excess funding available from multiple sources at June 30, 2015.

"It is very gratifying that our strong earnings through the first half of this year have driven significant growth in shareholder value," said Sanchez. "Our tangible book value has increased by $0.94 per share, or 9.5 percent, since December 31, 2014. While led by the record performance of our Mortgage Banking Division, all three of our Company's divisions continued to generate profits in the second quarter, which positions us well for the future. We expect that the extraordinary loan funding and profit levels from Mortgage Banking thus far in 2015 will moderate in the second half of the year, but we believe that our Community Bank and SBA divisions are positioned to step up and increase their contributions to overall profitability. We remain confident in the ability of our talented, dedicated staff and management to continue the successful execution of our operating strategy to achieve our growth and profit objectives in 2015."

About Coastal Banking Company Inc.

Coastal Banking Company Inc. is the $549.1 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 Beaufort, S.C., Fernandina Beach, and Port Royal, S.C. The company's residential mortgage banking division, headquartered in Atlanta, includes an Internet-based retail mortgage operation, as well as a National Retail Group that has lending offices in Arizona, Florida, Georgia, Maryland, Michigan, Indiana, Illinois and Ohio. The company's Small Business Administration lending division originates SBA loans primarily in Jacksonville, Ft. Myers, Tampa and Vero Beach, Fla., Greensboro, N.C., and Beaufort.

The company's common stock is publicly traded on the OTCQX Markets under the symbol CBCO. A current CBCO stock price quote and recent stock trading activity is available at www.otcmarkets.com/stock/CBCO/quote. The complete unaudited quarterly financial results are available at www.coastalbanking.com/pdf/CBCO_2Q15_Earnings.pdf or 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.

###