COASTAL BANKING
Company, Inc.

Q2

For Immediate Release

For More Information:
Michael G. Sanchez
Chief Executive Officer
Coastal Banking Company Inc.
904-321-0400

Andy Mus
Senior Vice President
Marsh Communications LLC
404-327-7662

Coastal Banking Company Reports Second Quarter 2011 Results

BEAUFORT, S.C., Aug. 12, 2011 – Coastal Banking Company Inc. (OTCBB:CBCO), the holding company of CBC National Bank, which operates divisions including Lowcountry National Bank in Beaufort, S.C., and First National Bank of Nassau County in Fernandina Beach, Fla., today reported a quarterly net loss of $181,316, or a loss of $0.13 per diluted common share, for the quarter ended June 30, 2011. This compares to a net loss of $558,660, or a loss of $0.27 per diluted common share, in the second quarter of 2010.

Key highlights from the second quarter of 2011 include:

- Despite a decline in average earning assets of 10.9 percent from $406.5 million in the second quarter of 2010 to $362.1 million in the second quarter of 2011, net interest income in the current quarter of $2,927,000 was only 3 percent lower than same quarter in 2010.
- Interest expense declined by $598,000 or 31.1 percent from the second quarter of 2010.
- Net interest margin expanded by 30 basis points from the prior year.
- Noninterest income increased 64 percent from a year ago on the strength of improved Small Business Administration ("SBA") lending and mortgage banking activity.
- The company's recently formed national retail mortgage group generated more than $18.4 million in loan production during the quarter.
- Net loan charge-offs of $685,000 or 0.26 percent of total loans declined by $178,000 from the same quarter in 2010.
- CBC National Bank had a total risk-based capital ratio of 16.10 percent and a Tier 1 risk-based capital ratio of 14.83 percent.

"Our core banking operations continued to perform well in a difficult environment, as we posted a second consecutive quarterly increase in net interest income and a significant rise in noninterest income," said Michael G. Sanchez, chief executive officer. "This reflects the success of our actions to boost income, especially our SBA and retail mortgage banking efforts. We continued to feel the effects of a struggling economy, however, as seen in the rise in our nonaccrual loans, which negatively impacted our net income and earnings for the quarter. This increase in nonaccruals, though, primarily was due to two specific loans and was not indicative of the health of our overall loan portfolio."

Net interest income before the provision for loan losses totaled $2.9 million in the second quarter of 2011, compared to $2.9 million earned in the first quarter of 2011 and $3.0 million earned in the second quarter of 2010. Noninterest income increased to $3.0 million at June 30, 2011, from $2.5 million in the first quarter of 2011 and $1.8 million in the second quarter of 2010, largely as a result of a $1.0 million increase in mortgage banking income compared to the same period in 2010. Income from SBA loans totaled $974,000 in the second quarter of 2011, compared to $850,000 in the previous quarter and $100,764 in the second quarter of 2010.

Interest expense totaled $1.3 million in the second quarter of 2011, compared to $1.4 million in the previous quarter and $1.9 million in the same period a year ago. Noninterest expense for the second quarter of 2011 totaled $5.7 million, compared to $4.8 million in the previous quarter and $4.7 million in second quarter of 2010. The increase in noninterest expense largely is due to higher compensation expense from staffing additions at the retail mortgage banking branches, as well as increased commission and incentive costs from residential mortgage banking and SBA lending activities.

The company recognized an income tax benefit of ($74,000) with an effective tax rate of 29 percent in the second quarter of 2011, compared to an income tax expense of $39,000 with an effective tax rate of (7 percent) for the second quarter of 2010. This fluctuation in effective tax rates was due to permanent book-to-tax differences in both years, including the nonrecurring impact of the early redemption of several bank-owned life insurance policies in 2010, which generated taxable income, but did not result in GAAP income. As such, the company recognized a substantial tax expense on the taxable gain without any corresponding book income.

The company's net interest margin for the second quarter of 2011 was 3.24 percent, an increase of 10 basis points from 3.14 percent at March 31, 2011, and an increase of 30 basis points from 2.94 percent for the quarter ended June 30, 2010. This improvement is a reflection of the company's successful efforts to reduce deposit and other borrowing costs.

Total assets at June 30, 2011, were $403.1 million, compared to $427.1 million at Dec. 31, 2010. Total shareholders' equity was $32.8 million at June 30, 2011, compared to $33.0 million at Dec. 31, 2010.

Total deposits were $324.2 million at June 30, 2011, compared to $324.1 million at March 31, 2011, and $346.1 million at Dec. 31, 2010. Total portfolio loans were $259.6 million at the end of the second quarter of 2011, compared to $263.6 million at the end of the first quarter of 2011, and $267.6 million at Dec. 31, 2010.

The company's wholesale mortgage banking division originated approximately $188 million in loans available for sale in the secondary market during the second quarter of 2011. This compares to $182 million in loans originated for sale in the secondary market during the second quarter of 2010. The SBA lending division originated approximately $10 million in loans in the second quarter of 2011, compared to $1 million originated during the same period in 2010.

The company's Internet leads-based retail mortgage operations, which started in April 2010, generated $22 million in loan production in the second quarter of 2011, resulting in $47,000 in net income, as compared to $6 million in loan production and $24,000 in net loss in the second quarter of 2010. Overall, the Internet leads-based retail mortgage operation has generated a total of $97 million in loan production and $303,000 in net income since its inception.

"Our Internet leads-based retail mortgage operation continued to perform well, and has added an important incremental revenue stream to our operations during the past year," said Sanchez. "Through this Internet leads-based approach we have leveraged the Internet to identify serious loan and refinancing prospects. As a follow on to the success of this effort, during the current quarter we have expanded the retail mortgage lending platform further to include a traditional branch presence with the opening of nine new lending offices throughout California, New York, Ohio, Michigan, Maryland and Kansas."

Net charge-offs for the second quarter of 2011 totaled $685,000, or 0.26 percent of average loans, compared to $407,000, or 0.15 percent of total loans, in the first quarter of 2011, and $863,000, or 0.30 percent of total loans, at June 30, 2010.

Nonaccrual loans as a percentage of total loans at the end of the second quarter of 2011 were 9.79 percent, compared to 7.84 percent at the end of the previous quarter and 5.83 percent at June 30, 2010. Loans past due greater than 30 days and still accruing interest totaled $2.0 million at June 30, 2011, compared to $2.1 million in the previous quarter and $4.9 million at June 30, 2010. Other real estate owned (OREO) at June 30, 2011, totaled $12.4 million, compared to $14.3 million at March 31, 2011, and $16.6 million at June 30, 2010.

"Overall, our classified assets have trended down this year, giving us the impression that new credit problems are moderating," said Sanchez. "The increase in nonaccrual loans in the second quarter is largely due to two large credit relationships, totaling $6.3 million, which went into nonaccrual status. As such, the increase does not reflect the health of our broader portfolio, which is relatively stable. As I have stated in the past, however, the potential for weakening in our loan quality remains a major concern, and as a result, we will continue to aggressively manage any past due loans."

The company's provision for loan losses totaled $496,527 for the second quarter of 2011, which was $188,000 less than net charge-offs, compared to a loan-loss provision of $515,000 for the first quarter of 2011, $108,000 in excess of net charge-offs, and a provision of $685,413, or $178,000 less than net charge-offs, at June 30, 2010. The company's allowance for loan losses totaled $5.9 million, or 2.28 percent of loans outstanding at June 30, 2011, compared to $6.1 million, or 2.32 percent of loans outstanding, at March 31, 2011, and $6.5 million, or 2.28 percent of loans outstanding, at June 30, 2010.

At June 30, 2011, CBC National Bank had a total risk-based capital ratio of 16.10 percent and a Tier 1 risk-based capital ratio of 14.83 percent, which exceed the 10 percent and 6 percent respective thresholds for being classified as “well capitalized” by federal regulators. The company also continued to have ample liquidity, with $85.6 million in excess funding available from multiple sources at June 30, 2011.

Net loss for the six months ended June 30, 2011, was $166,084, compared to a net loss of $1.0 million for the same period in 2010. Diluted loss per common share for the first six months of 2011 was $0.17, compared to a diluted loss per common share of $0.51 in the same period a year ago.

Net interest income for the first six months of 2011 was $5.9 million, compared to $6.0 million in the first six months of 2010. Noninterest income was $5.4 million for the first six months of 2011, compared to $3.2 million in the same period of 2010. Noninterest expense was $10.5 million for the first half of 2011, compared to $8.8 million for the same period in 2010.

The company recognized an income tax (benefit) of $($33,000) in the first six months of 2011, compared to income tax expense of $386,000 for the first half of 2010. As a result, the company’s effective tax rate in the first half of 2011 was 17 percent in 2011 and (60) percent in the same period in 2010.

“We continue to take the steps we believe are necessary to return our company to long-term profitability,” said Sanchez. “Signs of our success are evident, and we will carry forward with great effort to overcome a struggling economy and volatile market that continue to pose challenges to all banks large and small.”

About Coastal Banking Company Inc.

Coastal Banking Company Inc., based in Beaufort, S.C., is the $403.1 million-asset bank holding company of CBC National Bank, which operates as Lowcountry National Bank in Beaufort, S.C., First National Bank of Nassau County in Fernandina Beach, Fla., and The Georgia Bank in Meigs, Ga. CBC National Bank, which is headquartered in Fernandina Beach, provides a full range of consumer and business banking services through full-service banking offices in Beaufort, Fernandina Beach, Meigs and Port Royal, S.C. The company also operates a residential mortgage banking division based in Atlanta and commercial loan production offices in

Jacksonville, Fla., and Savannah, Ga. The company's common stock is publicly traded on the OTC Bulletin Board under the symbol CBCO. For more information, please visit the company's Web site, 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. Additional information and other factors that could affect future financial results are included in Coastal's filings with the Securities and Exchange Commission.

All written or oral forward-looking statements are expressly qualified in their entirety by these cautionary statements. Please also read the additional risks and factors described from time to time in reports and registration statements filed with the Securities and Exchange Commission. 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.

- Financials To Follow -

Coastal Banking Company
Consolidated Balance Sheets
June 30, 2011 and December 31, 2010

	June 30, 2011 (unaudited)	December 31, 2010 (audited)
Assets		
Cash and due from banks	$ 2,426,183	$ 1,823,132
Interest-bearing deposits in banks	4,051,965	406,700
Federal funds sold	421,857	185,258
Securities available for sale, at fair value	30,637,227	37,720,495
Securities held to maturity, at cost	2,000,000	2,000,000
Restricted equity securities, at cost	3,964,500	4,472,500
Loans held for sale	31,310,607	55,336,007
Loans, net of unearned income	259,561,046	267,600,402
Less allowance for loan losses	5,927,507	6,007,690
Loans, net	253,633,539	261,592,712
Premises and equipment, net	7,347,630	7,380,238
Cash surrender value of life insurance	1,934,830	1,894,971
Intangible assets	39,442	62,452
Other real estate owned	12,439,118	14,452,043
Loan sales receivable	44,878,094	31,505,783
Other assets	8,011,057	8,244,448
Total assets	$ 403,096,049	$ 427,076,739
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing	$ 20,772,855	$ 18,948,135
Interest-bearing	303,415,139	327,102,144
Total deposits	324,187,994	346,050,279
Other borrowings	35,000,000	37,000,000
Junior subordinated debentures	7,217,000	7,217,000
Other liabilities	3,894,625	3,774,705
Total liabilities	370,299,619	394,041,984
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock, par value $.01; 10,000,000 shares authorized; 9,950 shares issued and outstanding in 2011 and 2010	9,616,152	9,581,703
Common stock, par value $.01; 10,000,000 shares authorized; 2,588,707 shares issued and outstanding in 2011 and 2010	25,887	25,887
Additional paid-in capital	41,321,200	41,247,995
Accumulated deficit	(18,749,739)	(18,300,457)
Accumulated other comprehensive income	582,930	479,627
Total shareholders' equity	32,796,430	33,034,755
Total liabilities and shareholders' equity	$ 403,096,049	$ 427,076,739

Coastal Banking Company
Consolidated Statements of Operations
For the Three Months and Six Months Ended June 30, 2011 and 2010 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Interest income:				
Interest and fees on loans	$ 3,889,464	$ 4,343,870	$ 7,852,538	$ 8,752,353
Interest on taxable securities	307,096	530,966	650,481	1,128,060
Interest on nontaxable securities	50,949	59,029	101,857	125,472
Interest on deposits in other banks	2,792	842	9,337	4,439
Interest on federal funds sold	1,269	3,974	1,703	3,890
Total interest income	4,251,570	4,938,681	8,615,916	10,014,214
Interest expense:				
Interest on deposits	950,724	1,510,807	1,982,202	3,231,285
Interest on junior subordinated debentures	100,126	98,690	197,750	195,999
Interest on other borrowings	273,807	312,990	584,152	636,500
Total interest expense	1,324,657	1,922,487	2,764,104	4,063,784
Net interest income	2,926,913	3,016,194	5,851,812	5,950,430
Provision for loan losses	496,527	685,413	1,011,527	1,085,413
Net interest income after provision for loan losses	2,430,386	2,330,781	4,840,285	4,865,017
Non-interest income:				
Service charges on deposit accounts	99,579	107,431	210,317	237,795
Other service charges, commissions and fees	79,579	64,204	152,356	128,582
SBA loan income	973,713	100,764	1,823,567	142,199
Mortgage banking income	1,756,177	737,646	3,124,671	1,740,936
Gain on sale of securities available for sale	16,823	805,834	16,823	939,385
Income from investment in life insurance contracts	19,665	—	39,859	33,134
Other income	30,247	4,683	58,513	22,423
Total other income	2,975,783	1,820,562	5,426,106	3,244,454
Non-interest expenses:				
Salaries and employee benefits	2,962,244	1,554,051	5,127,212	3,366,355
Occupancy and equipment expense	388,397	337,239	727,712	660,752
Advertising fees	25,141	28,681	74,801	81,485
Amortization of intangible assets	11,505	20,841	23,010	41,682
Audit fees	105,948	93,650	205,595	196,009
Data processing fees	273,472	224,619	524,503	464,533
Director fees	22,500	35,350	74,200	92,150
FDIC insurance expense	118,611	208,501	334,180	417,417
Legal and other professional fees	246,897	163,617	491,722	290,028
OCC examination fees	43,758	45,916	87,516	91,833
Other real estate expenses	779,725	1,332,545	1,437,210	2,118,912
Other operating	683,334	626,390	1,357,730	932,247
Total other expenses	5,661,532	4,671,400	10,465,391	8,753,403
Loss before income tax (benefits)	(255,363)	(520,057)	(199,000)	(643,932)
Income tax expense (benefit)	(74,047)	38,603	(32,916)	386,003
Net loss	$ (181,316)	$ (558,660)	$ (166,084)	$ (1,029,935)
Preferred stock dividends	141,725	140,738	283,198	281,238
Net loss available to common shareholders	$ (323,041)	$ (699,398)	$ (449,282)	$ (1,311,173)
Basic and diluted loss per common share	$ (.13)	$ (.27)	$ (.17)	$ (.51)

COASTAL BANKING
Company, Inc.

Q3

For Immediate Release

For More Information:
Michael G. Sanchez
Chief Executive Officer
Coastal Banking Company Inc.
904-321-0400

Andy Mus
Senior Vice President
Marsh Communications LLC
770-621-2700

Coastal Banking Company Reports Third Quarter 2011 Results

BEAUFORT, S.C., Nov. 14, 2011 – Coastal Banking Company Inc. (OTCBB:CBCO), the holding company of CBC National Bank, which operates divisions including Lowcountry National Bank in Beaufort, S.C., and First National Bank of Nassau County in Fernandina Beach, Fla., reported a net loss of $368,903, or a loss of $0.20 per diluted share, for the quarter ended Sept. 30, 2011. This compares to a net loss of $496,489, or a loss of $0.25 per diluted share, in the third quarter of 2010.

Key highlights from the third quarter of 2011 include:

- Net interest income of $3.2 million grew from the previous quarter and was slightly above the same period a year ago.
- Noninterest income grew 77.6 percent from last year, due to large increases in mortgage banking and Small Business Administration (SBA) lending income.
- The mortgage banking division crossed the $3 billion threshold in residential mortgage loans originated since its inception in September 2007.
- The company's recently formed national retail mortgage group generated approximately $109 million in loan production during the quarter.
- Net interest margin expanded by 22 basis points from the third quarter of 2010.
- Net charge-offs of $846,000 decreased $707,000 compared to the same period in 2010.
- Provision for loan losses of $703,512 decreased $657,005 compared to the third quarter of 2010.
- Capital ratios remained strong at CBC National Bank with a total risk based capital ratio of 15.86 percent and a Tier 1 leverage ratio of 9.21 percent at Sept. 30, 2011.

"We continued to take positive steps in the third quarter, growing both interest and noninterest income while maintaining a stable credit quality," said Michael G. Sanchez, chief executive officer. “We are having success in finding new opportunities for revenue generation, as evidenced by the growth in our mortgage banking division, which crossed the $3 billion threshold in residential mortgage loans originated since its inception four years ago and our SBA lending division that continues to achieve strong, stable loan production levels. Further, the new National Retail Group within the mortgage banking division that was added in the second quarter of 2011 has recently grown to represent more than one-third of all residential mortgage loans originated by the division. Increased revenues generated from residential mortgage banking and SBA lending has allowed us to more aggressively address credit issues.”

Net interest income in the third quarter of 2011 totaled $3.2 million, compared to $2.9 million in the second quarter of 2011, and $3.2 million in the same period in 2010. Noninterest income for the third quarter was $5.7 million, a 92.2 percent increase from $3.0 million at June 30, 2011, and a 77.6 percent increase from $3.2 million for the quarter ended Sept. 30, 2010. The increase in noninterest income from a year ago resulted primarily from an increase of $1.6 million in mortgage banking income, which totaled $4.6 million for the third quarter of 2011, and an increase of $866,000 in SBA loan income, which totaled $907,000 for the third quarter of 2011.

Interest expense totaled $1.3 million in the third quarter of 2011, compared to $1.3 million in the previous quarter and $1.7 million in the same period a year ago. Noninterest expense was $8.3 million for the third quarter of 2011, compared to $5.7 million in the previous quarter and $5.9 million for the third quarter of 2010. The increase in noninterest expense from a year ago was due mainly to salaries and benefits, which increased $1.4 million compared to prior year from a combination of staffing additions at the company’s national retail mortgage banking branches as well as increased commission and incentive costs from residential mortgage banking and SBA lending activity. In addition, advertising expenses increased $626,000 compared to the same period in 2010 as a result of higher marketing costs for new loan leads purchased for the 10 retail mortgage offices that opened during the second and third quarters of 2011.

Net interest margin for the quarter ended Sept. 30, 2011, increased to 3.31 percent from 3.24 percent in the previous quarter and 3.09 percent for the quarter ended Sept. 30, 2010.

Total assets at Sept. 30, 2011, were $441.1 million, compared to $427.1 million at Dec. 31, 2010. Total shareholders' equity was $32.4 million at Sept. 30, 2011, compared to $33.0 million at Dec. 31, 2010.

Total deposits were $340.9 million at the end of the third quarter of 2011, compared to $324.2 million at June 30, 2011, and $346.1 million at Dec. 31, 2010. Total portfolio loans at the end of the third quarter of 2011 were $260.8 million, compared to $259.6 million at the end of the second quarter of 2011, and $267.6 million at Dec. 31, 2010.

The company's wholesale mortgage banking division originated approximately $270.1 million in loans available for sale in the secondary market during the third quarter of 2011. This compares to $252.6 million in loans originated for sale in the secondary market during the third quarter of 2010. As of the end of the third quarter 2011, the mortgage banking division had originated more than $3 billion in residential mortgage loans since its inception in September 2007.

The SBA lending division originated approximately $5.76 million in loans in the third quarter of 2011, compared to $5.96 million originated during the same period in 2010. The company's Internet leads-based retail mortgage operations generated $34.7 million in loan production in the third quarter of 2011, resulting in $231,000 in net income, as compared to $26.8 million in loan production and $162,000 in net income in the third quarter of 2010. Overall, the Internet leads-based retail mortgage operation has generated a total of $131.6 million in loan production and $746,000 in net income since its inception in April 2010.

"We are quite pleased with the production from our SBA lending and wholesale and retail mortgage efforts," said Sanchez. "We expect these divisions to continue to make a positive contribution in future quarters."

Net charge-offs in the third quarter of 2011 totaled $846,000, or 0.32 percent of total loans, compared to $685,000, or 0.26 percent, in the previous quarter, and $1.6 million or 0.56 percent in the third quarter of 2010. Nonaccrual loans as a percentage of total loans at the end of the third quarter of 2011 were 8.57 percent, compared to 9.79 percent at the end of the previous quarter and 7.20 percent at Sept. 30, 2010. Loans past due greater than 30 days and still accruing interest totaled $844,000 at the end of the third quarter of 2011, compared to $2.0 million at the end of the previous quarter and $6.1 million at Sept. 30, 2010. Other real estate owned at Sept. 30, 2011, totaled $14.3 million, compared to $12.4 million at June 30, 2011, and $14.5 million at Dec. 31, 2010.

"The overall health of our loan portfolio has been stable and is improving, as can be seen in the decrease in loans past due greater than 30 days and still accruing interest, which has declined over the past four consecutive quarters," said Sanchez. "Also, our nonaccrual loans have remained relatively steady since the beginning of the year. That said, the struggling economy continues to put pressure on borrowers' ability to repay loans. As such, we will continue to monitor and aggressively manage past due loans, and maintain a conservative stance with our loan loss provision."

The company's provision for loan losses totaled $703,512 for the third quarter of 2011, which was $143,000 less than net charge-offs, compared to $496,527 for the second quarter of 2011, which was $188,000 less than net charge-offs, and a provision of $1.4 million, or $192,000 less than net charge-offs, for the quarter ending Sept. 30, 2010. The company's allowance for loan losses totaled $5.8 million, or 2.22 percent of loans outstanding, at Sept. 30, 2011, compared to $5.9 million, or 2.28 percent of loans outstanding, at the end of the previous quarter, and $6.1 million, or 2.25 percent of loans outstanding, at Dec. 31, 2010.

At Sept. 30, 2011, CBC National Bank had a total risk-based capital ratio of 15.86 percent and a Tier 1 capital ratio of 9.21 percent. The threshold for being classified as "well capitalized" by federal regulators is 10 percent and 5 percent, respectively, for total risk-based and Tier 1 capital. The company also continued to have ample liquidity, with $66.3 million in funding available from multiple sources at the end of the third quarter of 2011.

The company recognized an income tax expense of $291,000 with an effective tax rate of (372 percent) for the three months ended Sept. 30, 2011, compared to income tax (benefit) of ($338,000) and an effective tax rate of 41 percent for the third quarter of 2010. The fluctuation in effective tax rates reflects the impact of permanent book-to-tax differences in both years, including the impact of the early redemption of several bank owned life insurance ("BOLI") policies during 2010. The BOLI policy redemptions generated taxable income, but did not result in GAAP income upon redemption, which resulted in recognition of a substantial tax expense on the taxable gain, but no corresponding GAAP income.

For the nine months ended Sept. 30, 2011, the company had a net loss of $534,987, or a loss of $0.37 per diluted share, compared to a net loss of $1.5 million, or a loss of $0.76 per diluted share, in the same period a year ago.

Net interest income for the first nine months of 2011 was $9.0 million, compared to $9.1 million in the first nine months of 2010. Noninterest income was $11.1 million for the first nine months of 2011, compared to $6.5 million in the same period of 2010. Income from SBA loans totaled $2.7 million in the first three quarters of 2011, compared to $183,000 in the same period in 2010. Noninterest expense was $18.7 million for the first nine months of 2011, compared to $14.6 million for the same period in 2010.

For the first nine months of 2011, the company recognized income tax expense of $258,000 with an effective tax rate of (93 percent) compared to an income tax expense of $48,000 with an effective tax rate of (3 percent) for first nine months of 2010.

"Given the lackluster economy in our markets and surrounding areas, our focus has been to execute on the basics of banking and high-quality customer service, while exploring new avenues to grow revenue," said Sanchez. "Our performance over the past several quarters in the midst of these circumstances gives us reason for optimism about the prospects for our company in the coming quarters."

About Coastal Banking Company Inc.

Coastal Banking Company Inc., based in Beaufort, S.C., is the $441.1 million-asset bank holding company of CBC National Bank, which operates as Lowcountry National Bank in Beaufort, S.C., First National Bank of Nassau County in Fernandina Beach, Fla., and The Georgia Bank in

Meigs, Ga. CBC National Bank, which is headquartered in Fernandina Beach, provides a full range of consumer and business banking services through full-service banking offices in Beaufort, Fernandina Beach, Meigs and Port Royal, S.C. The company also operates a residential mortgage banking division headquartered in Atlanta with ten lending offices in California, Connecticut, Kansas, Maryland, Michigan, New York and Ohio, as well as commercial loan production offices in Jacksonville, Fla., and Savannah, Ga. The company’s Small Business Administration lending division originates SBA loans primarily in Jacksonville and Vero Beach, Fla., Atlanta, Charlotte, N.C., and Beaufort. The company's common stock is publicly traded on the OTC Bulletin Board under the symbol CBCO. For more information, please visit the company's Web site, 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. Additional information and other factors that could affect future financial results are included in Coastal's filings with the Securities and Exchange Commission.

All written or oral forward-looking statements are expressly qualified in their entirety by these cautionary statements. Please also read the additional risks and factors described from time to time in reports and registration statements filed with the Securities and Exchange Commission. 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.

- Financials To Follow -

Coastal Banking Company
Consolidated Balance Sheets
September 30, 2011 and December 31, 2010

	September 30, 2011 (unaudited)	December 31, 2010 (audited)
Assets		
Cash and due from banks	$ 2,971,024	$ 1,823,132
Interest-bearing deposits in banks	401,903	406,700
Federal funds sold	125,317	185,258
Securities available for sale, at fair value	29,810,135	37,720,495
Securities held to maturity, at cost	—	2,000,000
Restricted equity securities, at cost	4,242,200	4,472,500
Loans held for sale, at fair value	66,523,424	55,336,007
Loans, net of unearned income	260,789,176	267,600,402
Less allowance for loan losses	5,785,218	6,007,690
Loans, net	255,003,958	261,592,712
Premises and equipment, net	7,298,090	7,380,238
Cash surrender value of life insurance	1,954,434	1,894,971
Intangible assets	27,937	62,452
Other real estate owned	14,336,412	14,452,043
Loan sales receivable	50,409,855	31,505,783
Other assets	8,042,557	8,244,448
Total assets	$ 441,147,246	$ 427,076,739
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing	$ 23,227,265	$ 18,948,135
Interest-bearing	317,702,115	327,102,144
Total deposits	340,929,380	346,050,279
Federal funds purchased	3,487,000	—
Other borrowings	51,500,000	37,000,000
Junior subordinated debentures	7,217,000	7,217,000
Other liabilities	5,609,903	3,774,705
Total liabilities	408,743,283	394,041,984
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock, par value $.01; 10,000,000 shares authorized; 9,950 shares issued and outstanding at September 30, 2011 and December 31, 2010	9,633,759	9,581,703
Common stock, par value $.01; 10,000,000 shares authorized; 2,595,207 shares issued and outstanding at September 30, 2011; 2,588,707 shares issued and outstanding at December 31, 2010	25,952	25,887
Additional paid-in capital	41,359,009	41,247,995
Accumulated deficit	(19,260,622)	(18,300,457)
Accumulated other comprehensive income	645,865	479,627
Total shareholders' equity	32,403,963	33,034,755
Total liabilities and shareholders' equity	$ 441,147,246	$ 427,076,739

See accompanying notes to unaudited consolidated financial statements.

Coastal Banking Company
Consolidated Statements of Operations
For the Three Months and Nine Months Ended September 30, 2011 and 2010
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Interest income:				
Interest and fees on loans	$ 4,091,437	$ 4,423,017	$ 11,943,975	$ 13,175,370
Interest on taxable securities	276,542	413,321	927,023	1,541,381
Interest on nontaxable securities	50,879	53,957	152,736	179,429
Interest on deposits in other banks	1,451	1,844	10,788	6,283
Interest on federal funds sold	471	472	2,174	4,362
Total interest income	4,420,780	4,892,611	13,036,696	14,906,825
Interest expense:				
Interest on deposits	919,529	1,312,345	2,901,731	4,543,630
Interest on junior subordinated debentures	102,600	101,048	300,350	297,047
Interest on other borrowings	234,972	322,545	819,124	959,045
Total interest expense	1,257,101	1,735,938	4,021,205	5,799,722
Net interest income	3,163,679	3,156,673	9,015,491	9,107,103
Provision for loan losses	703,512	1,360,517	1,715,039	2,445,930
Net interest income after provision for loan losses	2,460,167	1,796,156	7,300,452	6,661,173
Non-interest income:				
Service charges on deposit accounts	92,373	114,245	302,690	352,040
Other service charges, commissions and fees	75,976	69,379	228,332	197,961
SBA loan income	907,324	40,762	2,730,891	182,961
Mortgage banking income	4,580,706	2,978,591	7,705,377	4,719,527
Gain on sale of securities available for sale	—	—	16,823	939,385
Income from investment in life insurance contracts	19,604	16,184	59,463	49,318
Other income	42,442	305	100,955	22,728
Total other income	5,718,425	3,219,466	11,144,531	6,463,920
Non-interest expenses:				
Salaries and employee benefits	3,963,246	2,611,922	9,090,458	5,978,277
Occupancy and equipment expense	488,413	392,840	1,216,125	1,053,592
Advertising fees	640,751	15,246	715,552	96,731
Amortization of intangible assets	11,505	20,841	34,515	62,523
Audit fees	94,403	96,434	299,998	292,443
Data processing fees	291,412	269,650	815,915	734,183
Director fees	30,300	36,200	104,500	128,350
FDIC insurance expense	147,578	204,028	481,758	621,445
Legal and other professional fees	192,833	194,528	684,555	484,556
OCC examination fees	41,964	43,846	129,480	135,679
Other real estate expenses	1,254,073	1,112,010	2,691,283	3,230,922
Other operating	1,100,211	852,783	2,457,941	1,785,030
Total other expenses	8,256,689	5,850,328	18,722,080	14,603,731
Loss before income tax (benefits)	(78,097)	(834,706)	(277,097)	(1,478,638)
Income tax expense (benefit)	290,806	(338,217)	257,890	47,786
Net loss	$ (368,903)	$ (496,489)	$ (534,987)	$ (1,526,424)

Preferred stock dividends	141,980	140,979	425,178	422,217
Net loss available to common shareholders	$ (510,883)	$ (637,468)	$ (960,165)	$ (1,948,641)
Basic and diluted loss per common share	$ (.20)	$ (.25)	$ (.37)	$ (.76)

See accompanying notes to unaudited consolidated financial statements.

Coastal Banking Company, Inc.

Q4

For Immediate Release

For More Information:
Michael G. Sanchez
Chief Executive Officer
Coastal Banking Company Inc.
904-321-0400

Andy Mus
Senior Vice President
Marsh Communications LLC
770-621-2700

Coastal Banking Company Reports Fourth Quarter and Full Year 2011 Results

BEAUFORT, S.C., March 16, 2012 – Coastal Banking Company Inc. (OTCBB:CBCO), the holding company of CBC National Bank, reported net income of $892,211, or $0.29 in earnings per diluted share, for the quarter ended Dec. 31, 2011. This compares to a net loss of $2.3 million, or a loss of $0.94 per diluted share, in the fourth quarter of 2010, which included a $1.8 million deferred tax asset valuation allowance. Excluding the deferred tax asset valuation allowance, the company recorded a net loss of $0.5 million, or a loss of $0.23 per diluted share, for the fourth quarter of 2010.

For the full year 2011, the company reported net income of $357,224, or a loss of $0.08 per diluted share. This compares to a net loss of $3.8 million, or a loss of $1.70 per diluted share, for the full year 2010.

Key highlights from the fourth quarter of 2011 include:

- Net interest income grew $793,000 compared the same period a year ago.
- Noninterest income grew 120 percent from last year, due to a large increase in mortgage banking income and SBA lending.
- The company’s recently formed national retail mortgage group generated approximately $192 million in loan production during the quarter.
- Net interest margin expanded by 60 basis points from the fourth quarter of 2010.
- Total assets at Dec. 31, 2011, increased by $50.5 million from Dec. 31, 2010.
- Capital ratios at CBC National Bank remained strong with a total risk-based capital ratio of 16.34 percent and a Tier 1 risk-based capital ratio of 15.21 percent.

- Loans on nonaccrual declined by $6 million from $22 million or 8.33 percent of total loans at December 31, 2010 to just $16 million or 6.26 of total loans at December 31, 2011.

"Our results in the fourth quarter and during the whole year confirm that we are on the right path," said Michael G. Sanchez, chief executive officer. "We generated consistent gains in net income each quarter in 2011 by adding new revenue in a market of weak loan demand and reducing our interest expense, culminating in positive net income and earnings in the fourth quarter. In particular, our mortgage banking and SBA lending units continued to make significant contributions to our bottom line."

Net interest income in the fourth quarter of 2011 totaled $3.6 million, compared to $2.8 million earned in the same period in 2010. Noninterest income in the fourth quarter was $9.5 million, a 120 percent increase from $4.3 million in the fourth quarter of 2010, due mostly to significant gains in mortgage banking income and SBA loan income. Mortgage banking income totaled $8.6 million in the fourth quarter of 2011, compared to $3.5 million in the fourth quarter of 2010. Income from SBA lending totaled $737,968 in the fourth quarter of 2011, compared to income of $580,408 during the same period in 2010.

Interest expense totaled $1.2 million in the fourth quarter of 2011, compared to $1.3 million in the previous quarter and $1.6 million in the same period a year ago. Noninterest expense was $11.4 million for the fourth quarter of 2011, compared to $7.7 million for the fourth quarter of 2010. The increase was due primarily to salaries and benefits associated with staffing additions at the new national retail mortgage banking branches, increased commission and incentive costs from residential mortgage banking and SBA lending activity, and a $1.7 million increase in advertising expenses related to new retail mortgage offices that opened earlier this year.

Net interest margin at the end of the fourth quarter of 2011 was 3.41 percent, compared to 3.31 percent at the end of the previous quarter and 2.81 percent for the quarter ended Dec. 31, 2010. For the full year 2011, net interest margin was 3.28 percent, compared to 2.95 percent in 2010.

Total assets at Dec. 31, 2011, were $477.6 million, compared to $427.1 million at Dec. 31, 2010. At Dec. 31, 2011, CBC National Bank had a total risk-based capital ratio of 16.34 percent and a Tier 1 risk-based capital ratio of 15.21 percent. The threshold for being classified as "well capitalized" by federal regulators is 10 percent and 6 percent, respectively, for total and Tier 1 risk-based capital. The company had $82 million in funding available from multiple sources at the end of the fourth quarter of 2011.

Total portfolio loans at the end of the fourth quarter 2011 were $254.7 million, compared to $267.6 million at the end of 2010. Total deposits were $354.7 million at the end of the fourth quarter 2011, compared to $346.1 million at the end of the fourth quarter of 2010. Total shareholders' equity was $33.2 million at Dec. 31, 2011, compared to $33.0 million at Dec. 31, 2010.

The company's residential mortgage banking division originated approximately $418 million in loans available for sale in the secondary market during the fourth quarter of 2011. This compares to $333.0 million in loans originated for sale in the secondary market during the fourth quarter of 2010. Of this total, the company's Internet leads-based retail mortgage division generated $45 million in loan production in the fourth quarter of 2011, resulting in $272,000 in net income, compared to $30 million in loan production and $106,000 in net income in the fourth quarter of 2010. The company's National Retail Group, which began operations in the second quarter of 2011, produced $192 million in loan production in the fourth quarter of 2011. The National Retail Group operates a national network of 14 traditional brick and mortar retail mortgage branches located in California, Connecticut, Florida, Kansas, Maryland, Michigan, New York and Ohio.

Net charge-offs in the fourth quarter of 2011 totaled $1.7 million, or 0.67 percent of total loans, compared to $846,000, or 0.32 percent, in the previous quarter, and $535,000 or 0.20 percent in the fourth quarter of 2010. Nonaccrual loans as a percentage of total loans at the end of the fourth quarter of 2011 were 6.26 percent, compared to 8.57 percent at the end of the third quarter 2011 and 8.33 percent at Dec. 31, 2010. Loans past due greater than 30 days and still accruing interest totaled $1.1 million at Dec. 31, 2011, compared to $844,000 in the previous quarter and

$2.1 million at Dec. 31, 2010. Other real estate owned (OREO) at the end of the fourth quarter totaled $15.4 million, compared to $14.3 million at the end of the previous quarter and $14.5 million at Dec. 31, 2010.

“We continued to aggressively address and resolve problem loans, as evidenced by the uptick in net charge-offs in the fourth quarter” said Sanchez. “While we also experienced a minor increase in loans past due greater than 30 days and still accruing interest, we are encouraged by the broader trend of four consecutive quarters of decline in this metric prior to the fourth quarter, as well as by the decline in nonaccrual loans over the past two quarters. Overall, we made good progress diversifying our loan portfolio in 2011, replacing higher risk-rated real estate construction loans with comparably lower risk-rated loans.”

The company’s provision for loan losses totaled $1.2 million for the fourth quarter of 2011, which was $563,000 less than net charge-offs, compared to $703,000 for the third quarter of 2011, which was $143,000 less than net charge-offs, and $250,000 for the fourth quarter of 2010, which was $285,000 less than net charge-offs. For the full year, provision for loan losses totaled $2.9 million, compared to $2.7 million in 2010. The company’s allowance for loan losses totaled $5.2 million, or 2.05 percent of loans outstanding, at Dec. 31, 2011, compared to $5.8 million, or 2.22 percent of loans outstanding, at Sept. 30, 2011, and $6.0 million, or 2.25 percent of loans outstanding, at Dec. 31, 2010.

Net interest income for the full year 2011 totaled $12.6 million, compared to $11.9 million in 2010. Noninterest income was $20.7 million in 2011, compared to $10.8 million in 2010. Noninterest expense was $30.1 million in 2011, compared to $22.3 million in 2010. For the full year 2011, the company earned $16.3 million in mortgage banking income, nearly double the $8.2 million earned in 2010.

The company recognized income tax benefit of $49,202 with an effective tax rate of (16 percent) in 2011 compared to an income tax expense of $1.5 million with an effective tax rate of (69 percent) in 2010. The fluctuation in effective tax rates reflects the impact of permanent book-to-tax differences from the impact of the early redemption of several bank owned life insurance

(“BOLI”) policies. The BOLI policy redemptions during 2010 generated taxable income, but did not result in GAAP income upon redemption, which resulted in the recognition of a substantial tax expense on the taxable gain, but no corresponding GAAP income.

“It was a much improved year for our company,” said Sanchez. “The progress we made and the positive results we achieved give us great optimism for the future.”

About Coastal Banking Company Inc.

Coastal Banking Company Inc., is the $477.6 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 Beaufort, S.C., Fernandina Beach, Meigs, Ga., and Port Royal, S.C., and commercial loan production offices in Jacksonville, Fla., and Savannah, Ga. 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 14 lending offices in California, Connecticut, Florida, Kansas, Maryland, Michigan, New York and Ohio. The company’s Small Business Administration lending division originates SBA loans primarily in Jacksonville and Vero Beach, Fla., Atlanta, Charlotte, N.C., and Beaufort. The company's common stock is publicly traded on the OTC Bulletin Board under the symbol CBCO. 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. Additional information and other factors that could affect future financial results are included in Coastal's filings with the Securities and Exchange Commission.

All written or oral forward-looking statements are expressly qualified in their entirety by these cautionary statements. Please also read the additional risks and factors described from time to time in reports and registration statements filed with the Securities and Exchange Commission. 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.

- Financials To Follow -

COASTAL BANKING COMPANY, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	December 31, 2011	December 31, 2010
Assets		
Cash and due from banks	$ 3,611,404	$ 1,823,132
Interest-bearing deposits in banks	478,763	406,700
Federal funds sold	243,046	185,258
Securities available for sale, at fair value	22,505,649	37,720,495
Securities held to maturity, at cost	—	2,000,000
Restricted equity securities, at cost	5,136,250	4,472,500
Loans held for sale	36,122,381	55,336,007
Loans, net of unearned income	254,667,452	267,600,402
Less allowance for loan losses	5,221,736	6,007,690
Loans, net	249,445,716	261,592,712
Premises and equipment, net	7,309,083	7,380,238
Cash surrender value of life insurance	1,974,210	1,894,971
Intangible assets	22,651	62,452
Other real estate owned	15,423,903	14,452,043
Loan sales receivable	126,592,128	31,505,783
Other assets	8,734,053	8,244,448
Total assets	$ 477,599,237	$ 427,076,739
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing	$ 20,476,198	$ 18,948,135
Interest-bearing	334,195,148	327,102,144
Total deposits	354,671,346	346,050,279
Securities sold under agreements to repurchase	8,766,000	—
Other borrowings	68,447,000	37,000,000
Junior subordinated debentures	7,217,000	7,217,000
Other liabilities	5,336,341	3,774,705
Total liabilities	444,437,687	394,041,984
Commitments and contingencies (Note 16)		
Shareholders' Equity:		
Preferred stock, par value $.01; 10,000,000 shares authorized; 9,950 shares issued and outstanding at December 31, 2011 and December 31, 2010	9,651,627	9,581,703
Common stock, par value $.01; 10,000,000 shares authorized; 2,595,207 shares issued and outstanding at December 31, 2011; 2,588,707 shares issued and outstanding at December 31, 2010	25,952	25,887

Additional paid-in capital	41,395,811	41,247,995
Accumulated deficit	(18,510,653)	(18,300,457)
Accumulated other comprehensive income	598,813	479,627
Total shareholders' equity	33,161,550	33,034,755
Total liabilities and shareholders' equity	$ 477,599,237	$ 427,076,739

COASTAL BANKING COMPANY, INC. AND SUBSIDIARIES
Consolidated Statement of Operations

	For the three months ended December 31		For the twelve months ended December 31	
	2011	**2010**	**2011**	**2010**
Interest income:				
Interest and fees on loans	$ 4,595,365	$ 4,085,004	$ 16,539,340	$ 17,260,374
Interest on taxable securities	227,739	340,950	1,154,762	1,882,331
Interest on nontaxable securities	20,236	52,584	172,972	232,013
Interest on deposits in other banks	349	6,289	13,093	12,573
Interest on federal funds sold	181	205	399	4,566
Total interest income	4,843,870	4,485,032	17,880,566	19,391,857
Interest expense:				
Interest on deposits	901,082	1,229,096	3,802,813	5,772,726
Interest on junior subordinated debentures	50,184	100,176	350,534	397,223
Interest on other borrowings	260,600	316,938	1,079,724	1,275,983
Total interest expense	1,211,866	1,646,210	5,233,071	7,445,932
Net interest income	3,632,004	2,838,822	12,647,495	11,945,925
Provision for loan losses	1,150,000	250,000	2,865,039	2,695,930
Net interest income after provision for loan losses	2,482,004	2,588,822	9,782,456	9,249,995
Non-interest income:				
Service charges on deposit accounts	100,102	109,698	402,792	461,738
Other service charges, commissions and fees	74,947	75,722	303,279	273,683
SBA loan income	737,968	580,408	3,468,859	763,369
Mortgage banking income	8,557,806	3,510,474	16,263,183	8,230,001
Gain on sale of securities available for sale	(25,302)	—	33,484	939,385
Gain on tender of securities held to maturity	—	—	(41,963)	—
Income from investment in life insurance contracts	19,776	32,834	79,239	82,152
Other income	52,248	19,866	153,203	42,594
Total other income	9,517,545	4,329,002	20,662,076	10,792,922
Non-interest expenses:				
Salaries and employee benefits	5,327,526	3,533,600	14,417,984	9,511,877
Occupancy and equipment expense	619,448	350,194	1,835,573	1,403,786
Advertising fees	1,753,132	42,923	2,468,684	139,654
Amortization of intangible assets	5,286	11,505	39,801	74,028
Audit fees	126,113	171,037	426,111	463,480
Data processing fees	334,564	272,725	1,150,479	1,006,908
Director fees	30,000	36,800	134,500	165,150
FDIC insurance premiums	160,747	214,800	642,505	836,245

Legal and other professional fees	277,689	202,085	962,244	686,641
OCC examination fees	41,963	43,847	171,443	179,526
Other real estate expenses	1,411,975	1,507,837	4,103,258	4,738,759
Other operating expense	1,325,987	1,310,334	3,783,928	3,095,364
Total other expenses	11,414,430	7,697,687	30,136,510	22,301,418
Income (loss) before income taxes (benefit)	585,119	(779,863)	308,022	(2,258,501)
Income tax expense (benefit)	(307,092)	1,500,286	(49,202)	1,548,072
Net income (loss)	$ 892,211	$ (2,280,149)	$ 357,224	$ (3,806,573)
Preferred stock dividends	142,242	141,224	567,420	563,441
Net income (loss) available to common shareholders	$ 749,969	$ (2,421,373)	$ (210,196)	$ (4,370,014)
Basic and diluted income (loss) per common share	$ 0.29	$ (0.94)	$ (0.08)	$ (1.70)