ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Coastal Banking Company

Person to be contacted regarding this report:	Michael G. Sanchez	RSSD: (For Bank Holding Companies)	2855905
UST Sequence Number:	90	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Received:	9,950,000	FDIC Certificate Number: (For Depository Institutions)	35309
CPP Funds Repaid to Date:	0	City:	Fernandina Beach
Date Funded (first funding):	Dec 5, 2008	State:	Florida
Date Repaid[1]:	N/A		

[1]If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

☒	Increase lending or reduce lending less than otherwise would have occurred.	Portfolio loans decreased approximately 5% in the 12 month period ending Dec 31, 2009 caused by lack of demand for C&I and commercial real estate loans. CPP capital allowed us to aggressively seek new loan relationships, so the decrease in the loan portfolio would have been greater with CPP.
☒	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	TARP CPP funding allowed the Bank to increase residential mortgage lending. Residential mortgage lending increased 82% to $922 million in 2009. Residential mortgage lending doubled in the six-month period after receipt of TARP CPP funds.
☐	Increase securities purchased (ABS, MBS, etc.).	NA

☐	Make other investments	NA
☒	Increase reserves for non-performing assets	CPP supported an increase in loan loss reserves. Reserve for loan and lease losses increased $1.5 million, or 32% year over year. The reserve increased to 2.20% of total loans at Dec 31, 2009 from 1.59% at Dec 31, 2008.
☒	Reduce borrowings	Borrowings decreased $6.5 million, or approximately 12%, during 2009. An immediate benefit from the CPP in 2009 was an increase in liquidity. The Bank's capitalization increased $6.6 million and deposit balances increased an additional $3.95 million.
☒	Increase charge-offs	Charge-offs for the 12 month period ending Dec 31, 2009 were $6.3 million; loan collection expenses were $777,000, a ten-fold increase over 2008; and ORE expenses were $1,918,000, a 59% increase over 2008. The CPP dollars augmented the Bank's capital during a period of heightened loan problems.
☐	Purchase another financial institution or purchase assets from another financial institution	NA
☐	Held as non-leveraged increase to total capital	NA

What actions were you able to avoid because of the capital infusion of CPP funds?

Pro forma (without the CPP investment) Tier 1 capital and Total RBC were 7.0% and 11.56%, respectively, compared to actual Tier 1 and Total RBC ratios of 8.41% and 13.7%, respectively, at Dec 31, 2009 at the Bank level. Clearly, the CPP funds down-streamed to the Bank from the Holding Company allowed the Bank to remain sufficiently capitalized. Without CPP funding, the Bank would have been forced to substantially contract, which would have led to decreased borrowings that were used to fund the increase in residential mortgage lending.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

CPP funding allowed the Bank to continue expansion of residential mortgage lending, which increased 82% over 2008. The expansion of residential mortgage lending by all mortgage lenders, both refinance activity and purchase money funding, has a direct benefit of supporting the America homeowner, helping to lead the economic recovery.

CPP funding supported a substantial increase to the Bank's Loan Loss Reserve, providing a cushion against future loan problems, increased charge-offs and other loan related expenses.

The Bank was able to continue business as usual, renewing and originating loans to credit-worthy borrowers. Absent the CPP investment, the Bank would have necessarily had to contract and reduce credit to the communities it serves.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.