

Coastal Banking Company Statement on the Sarbanes-Oxley Act

The Sarbanes-Oxley Act of 2002 was passed by the U.S. Congress on January 23, 2002 and signed by the President on July 30, 2002, becoming effective on August 30, 2002. In the Congress' words, it was "an Act to protect investors by improving the accuracy and reliability of corporate disclosures..."

Management and the Board of Directors of Coastal Banking Company (CBCO) support the letter and intent of the law and the regulations that have emerged from the Sarbanes-Oxley Act. CBCO considers the requirements of the Act, specifically Title IV, Section 404, as an opportunity to re-examine our processes in order to increase value to all of our stakeholders and improve our competitive advantage.

CBCO relies on three Corporate Governance structures to comply with the Sarbanes-Oxley Act.

First, management acknowledges ownership for establishing and maintaining internal controls to prudently manage risks to our business objectives. They articulate to staff CBCO's vision for the future which is supported by the values detailed in our Ethics Policy.

Second, the Board, through the Audit and Compliance Committee, the Executive Compensation and Management Resources Committee, and the Corporate Governance and Nominating Committee provides independent oversight through a combination of processes and structures that monitor the activities of the organization toward the achievement of its objectives.

Third, the Chief Audit Executive (CAE), who reports to the Audit and Compliance Committee, provides assurance and consulting services in the areas of risk management, controls, and governance to help CBCO accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Under current Securities and Exchange Commission implementation dates for non-accelerated files, CBCO is required to report Section 404 compliance status in the annual report to be released in 2006 for period ending December 31, 2005. CBCO expects to meet that target.

February 16, 2005