COASTALSOUTH BANCSHARES, INC.

August 14, 2023

To our Shareholders:

CoastalSouth Bancshares, Inc. (the "Company") is pleased to announce net income of $5.8 million, or $0.60 per diluted share, for the second quarter of 2023, compared to $6.8 million net income, or $0.74 per diluted share, for the first quarter of 2023, and $3.7 million net income, or $0.42 per diluted share for the comparable quarter last year.

"The trusted relationships we have built with our customers continue to be demonstrated by our core deposit stability and growth throughout the quarter," said Steve Stone, President and Chief Executive Officer of the Company and its wholly owned subsidiary, Coastal States Bank ("CSB" or the "Bank"). "In spite of the market disruptions experienced following the failures of Silicon Valley Bank and Signature Bank in March 2023, the Bank was able to grow core deposits by $51.5 million during the second quarter. Our focus on reducing higher cost funding sources, growing core deposits, and funding new profitable loan relationships allowed us to achieve continued strong performance demonstrated by a year-to-date return on average assets of 1.32%."

During the beginning of the Q3 2023, the Bank hired four new commercial bankers in Cobb County, GA. This team was previously part of Vinings Bank in Smyrna, GA. In a short amount of time since hiring this team, we have seen outstanding results and we expect that they will continue to help fuel the Bank's growth in Atlanta.

Highlights for the Second Quarter of 2023

- **Net income of $5.8 million, and $0.60 diluted earnings per share ("Diluted EPS")**
- **Total assets were down $59.4 million, a 2.94% decrease from March 31, 2023 due to a reduction in excess on balance sheet liquidity**
- **Core loans held-for-investment grew $30.8 million, a 2.5% increase from March 31, 2023**
- **Total deposits grew $26.3 million, a 1.5% increase from March 31, 2023**
- **Total deposits excluding brokered CD's increased $51.5 million to $1.531 billion at June 30, 2023**
- **Efficiency ratio was 52.26% compared to 49.94% for the first quarter of 2023, and 58.01% for the second quarter of 2022**
- **Net interest margin was 3.47% compared to 3.56% for the first quarter of 2023, and 3.45% for the second quarters of 2022**

COASTALSOUTH BANCSHARES, INC.

The Company recognized net income of $5.8 million, or $0.60 per share, for the quarter, and tangible book value per share increased from $13.43 at March 31, 2023 to $14.05 at June 30, 2023. The Company's continued strong earnings also serves to support the Company's regulatory capital position. During the quarter, net income was impacted by higher deposit costs as well as lower noninterest income compared to the prior quarter.

Despite an incredibly competitive banking environment, the Bank has continued to grow core deposits. The Bank increased total deposits excluding brokered CDs in the second quarter from $1.479 billion at March 31, 2023 to $1.531 billion at June 30, 2023. For the quarter ended June 30, 2023, the Bank estimates that approximately $635.4 million, or 36.1% of total deposits, excluding accrued interest, were uninsured. Of the uninsured deposits, approximately 69.1% are business accounts and 30.9% are personal accounts. During the second quarter, core loans held-for-investment ("LHFI") grew by $30.8 million. Our Marine and Government Guaranteed Lending ("GGL") lines of business contributed to this growth with net new loans originations of $32.0 million and $10.3 million, respectively, offset by a net decline in other lines of business of $22.4 million during the second quarter. Overall, core LHFI grew by $284.5 million year over year as of June 30, 2023.

The Federal Reserve (the "Fed") held interest rates steady in June but signaled that they were prepared to raise interest rates again to tame stubborn inflation. During the second quarter, the Fed increased the federal funds interest rate target by an additional 25 basis points. In addition, the Fed raised its key interest rate by 25 basis points in July, while noting that inflation is still elevated, and that the Fed will remain highly attentive to inflation risks, despite a cooler reading on inflation in June and July. The Fed reiterated that determining the extent of additional policy firming that will be appropriate to lower inflation to the Fed's 2% target will hinge on inflation as well as economic and financial developments, among other factors. Like many other institutions, the Company's available-for-sale ("AFS") investment portfolio experienced a decline in fair value driven by rapid rising interest rates. However, this decline has stabilized, and tangible book value has steadily increased with earnings during 2023. The Company does not hold any securities in Held-to-Maturity status. The Company's investment portfolio at the end of the second quarter of 2023 held approximately 39% in floating rate securities and the overall yield will benefit from this mix as rates continue to increase.

The Company's credit metrics remained strong during the second quarter of 2023 with a decrease in Non-Performing Assets ("NPA") ratio to 0.38% from 0.58% at the end of the first quarter of 2023. Nonaccrual loans decreased by $2.6 million primarily driven by payoffs, principal reductions, and returns to accrual status; offset by modest additions to nonaccrual during the period. The Company's net charge-offs to total LHFI ratio was 0.01% for the second quarter of 2023.

The following table present the Company's quarterly trends of the consolidated financial highlights (unaudited) for the periods presented:

CoastalSouth Bancshares, Inc. and Subsidiary
Consolidated Financial Highlights - Unaudited
(dollars in thousands except per share data)

	Quarterly Trends					2Q23 change vs	
	2Q23	**1Q23**	**4Q22**	**3Q22**	**2Q22**	**1Q23**	**2Q22**
Selected Balance Sheet Data							
Total assets	$ 1,963,496	$ 2,022,876	$ 1,835,478	$ 1,722,915	$ 1,713,183	$ (59,380)	$ 250,313
Total gross loans (LHFS + LHFI)	1,434,279	1,388,646	1,343,103	1,231,779	1,171,467	45,633	262,812
Total deposits	1,758,784	1,732,512	1,548,646	1,540,143	1,506,808	26,272	251,976
Total deposits excluding brokered CDs	1,530,581	1,479,082	1,473,655	1,493,217	1,459,893	51,499	70,688
Earnings Highlights							
Net income	$ 5,787	$ 6,760	$ 5,504	$ 5,260	$ 3,681	$ (973)	$ 2,106
Diluted earnings per share (EPS)	$ 0.60	$ 0.74	$ 0.61	$ 0.60	$ 0.42	$ (0.14)	$ 0.18
Net interest income	$ 16,373	$ 15,552	$ 16,295	$ 15,181	$ 13,661	$ 821	$ 2,712
Performance Ratios							
Net interest margin	3.47%	3.56%	3.86%	3.68%	3.45%	-0.09%	0.02%
Net interest spread	2.80%	2.96%	3.44%	3.42%	3.30%	-0.16%	-0.50%
Cost of total deposits	2.23%	1.63%	0.90%	0.51%	0.28%	0.60%	1.95%
Cost of total funding	2.34%	1.83%	1.09%	0.63%	0.37%	0.51%	1.97%
Efficiency ratio	52.26%	49.94%	54.62%	51.85%	58.01%	2.32%	-5.75%
Loan-to-deposit ratio	81.55%	80.15%	86.73%	79.98%	77.74%	1.40%	3.80%
Return on (annualized):							
Average assets (ROAA)[2]	1.17%	1.47%	1.24%	1.22%	0.89%	-0.30%	0.29%
Average tangible assets (ROTA)[2]	1.17%	1.48%	1.24%	1.22%	0.89%	-0.30%	0.29%
Average tangible common equity (ROTCE)[2]	17.60%	23.83%	20.05%	19.02%	13.44%	-6.23%	4.16%
Tangible common equity to tangible assets[(2)]	6.83%	6.33%	6.19%	6.10%	6.11%	0.50%	0.72%
Tangible book value per share[2]	$ 14.05	$ 13.43	$ 12.64	$ 11.79	$ 12.12	$ 0.62	$ 1.93
Other Operating Measures[1]:							
Pre-tax pre-provision net revenue (PPNR)	$ 8,418	$ 9,055	$ 7,923	$ 8,021	$ 6,639	$ (637)	$ 1,779
PPNR ROAA	1.70%	1.97%	1.78%	1.85%	1.60%	-0.27%	0.11%

[(1)] Non-GAAP measure, see "GAAP to Non-GAAP Reconciliation" schedule.
[(2)] The Company defines tangible assets as total assets less intangible assets (excluding commercial mortgage servicing assets), and tangible common equity as total shareholders' equity less intangible assets (excluding commercial mortgage servicing assets)

During the second quarter, the Company was domesticated and incorporated under the laws of the State of Georgia and surrendered its articles of incorporation under the laws of the Commonwealth of Virginia. Upon domestication in the State of Georgia, the name of the Company remained CoastalSouth Bancshares, Inc. Additionally, the Company's wholly owned subsidiary, Coastal States Bank, became a member of the Federal Reserve Bank of Richmond, which now serves as the primary federal regulator. Management believes that the Federal Reserve Bank of Richmond is well suited to serve as the Bank's regulator given its dynamic growth and strategic plan.

COASTALSOUTH BANCSHARES, INC.

Financial Results

Income Statement

Net income was $5.8 million for the second quarter of 2023, compared to net income of $6.8 million and $3.7 million for the first and second quarters of 2023 and 2022, respectively. Compared to the first quarter of 2023, the decrease in net income was attributable to a decrease in noninterest income, specifically gain on sale of government guaranteed loans and other noninterest income. Compared to the second quarter of 2022, the increase in net income was primarily attributable to an overall increase in interest income, offset by higher deposit costs, lower noninterest income, and higher income tax expense due to growth in taxable income.

Interest income was $26.9 million during the second quarter of 2023, compared to $23.3 million and $15.1 million for the first and second quarters of 2023 and 2022, respectively. The increase during the second quarter of 2023 compared to the first quarter of 2023 was primarily in interest income on LHFI due to a combination of loan growth and rising interest rates on floating rate loans, federal funds sold, and interest and fees on loans held-for-sale. The increase during the second quarter of 2023 compared to the second quarter of 2022 is attributable to growth of the loan portfolio coupled with better yields for federal funds sold and the investments portfolio.

The following table depicts the components of interest income for the quarterly periods presented:

CoastalSouth Bancshares, Inc. and Subsidiary
Components of Interest Income
(dollars in thousands)

	Quarterly Trends					2Q23 change vs	
	2Q23	**1Q23**	**4Q22**	**3Q22**	**2Q22**	**1Q23**	**2Q22**
Interest on cash and due from banks	$ 67	$ 16	$ 16	$ 13	$ 6	$ 51	$ 61
Interest on federal funds sold and resell agreements	1,603	619	312	321	261	984	1,342
Interest and dividends on investment securities	2,602	2,699	2,818	2,455	2,174	(97)	428
Interest and fees on LHFS	1,334	825	749	837	1,166	509	168
Interest and fees on LHFI	21,319	19,092	16,848	14,063	11,471	2,227	9,848
Interest income	$ 26,925	$ 23,251	$ 20,743	$ 17,689	$ 15,078	$ 3,674	$ 11,847

Interest expense was $10.6 million during the second quarter of 2023, compared to $7.7 million and $1.4 million for the first and second quarters of 2023 and 2022, respectively. Compared to the first quarter of 2023, the increase in interest expense is due to a combination of an increase in average balance as well as a 62 basis points increase in cost of interest-bearing deposits, coupled with increases of borrowing costs in other interest-bearing liabilities categories due to the rising interest rate environment. Compared to the same quarter last year, the increase in interest expense is due to an increase in average balance of interest-bearing deposits due to deposits growth, and an increase in the Company's revolving commercial line of credit, and higher interest rates associated with these borrowings. Even with a competitive deposit market, the pace of deposit cost increases has begun to slow down as rates stabilize. From the fourth quarter of 2022 to the first quarter of 2023, the increase in deposit costs was 73 bps, or 81%. From the first quarter of 2023 to the second quarter of 2023 the increase in deposit costs was 60 bps, or 37%.

Net interest income was $16.4 million during the second quarter of 2023, compared to $15.6 million and $13.7 million for the first and second quarters of 2023 and 2022, respectively. Compared to the first quarter of 2023, the increase in net interest income was attributable to higher interest income as discussed above, offset by higher interest expense, primarily the cost of deposits which rose by a much higher rate compared to the growth of interest income. Compared to the second quarter of 2022, the increase in net interest income was attributable to growth in interest income as discussed above.

Net interest margin for the second quarter of 2023 was 3.47%, compared to 3.56% and 3.45% for the first and second quarters of 2023 and 2022, respectively. Compared to the first quarter of 2023, net interest margin compressed by 9 basis points primarily driven by higher costs of deposits as money market and certificates of deposits rates rose, coupled with a decline in noninterest-bearing deposits and a shift in mix towards higher cost certificates of deposit. Compared to the same quarter last year, net interest margin increased by 2 basis points primarily attributable to higher earning assets due to growth and higher yields due to the rising interest rates; offset by higher interest-bearing liabilities costs due to the rising interest rates.

The cost of funds for the second quarter of 2023 was 234 basis points, compared to 183 and 37 basis points during the first and second quarters of 2023 and 2022, respectively. The cost of funds increase from the first quarter of 2023 was primarily due to growth in interest-bearing deposits, coupled with the current rising interest rate environment as deposits rates are adjusted to align with the current market prices. The cost of funds increase compared to the second quarter of 2022 was primarily driven by the growth of the interest-bearing deposits and the current rising interest rate environment as well.

The cost of deposits was 223 basis points in the second quarter of 2023, compared to 163 and 28 basis points in the first and second quarters of 2023 and 2022, respectively. Compared to the first quarter of 2023, the increase is attributable to an increase in average certificates of deposits balances, primarily average brokered CDs, coupled with the current interest rate rising environment. Compared to the second quarter of 2022, the increase is attributable to the growth of interest-bearing deposits coupled with the current rising interest rate environment.

Provision for credit losses was $920 thousand during the second quarter of 2023, compared to $210 thousand and $1.7 million for the first and second quarters of 2023 and 2022, respectively. As previously disclosed, the Company adopted Current Expected Credit Losses (“CECL”) methodology in the first quarter of 2023 which also now includes provision for credit losses for unfunded commitments and other assets. During the period, the allowance for loan credit losses was $997 thousand, in addition to a $43 thousand allowance for credit losses ("ACL') related to AFS securities, offset by $120 thousand in recapture of credit losses for unfunded commitments. Compared to the first quarter of 2023, the increase is primarily attributable to higher allowance for loan losses due to growth and risk rating migration of one loan to special mention. Compared to the second quarter of 2022, the decrease was primarily attributable to a previously reported allowance provision for Purchased Credit-Deteriorated ("PCD") loans related to the Cornerstone acquisition during the second quarter of 2022, and the aforementioned recapture of ACL for unfunded commitments during the current period. Net charge-offs were $18 thousand during the second quarter of 2023, compared to net charge-offs of $517 thousand in the first quarter of 2023.

Noninterest income was $1.3 million during the second quarter of 2023, compared to $2.5 million and $2.2 million for the first and second quarters of 2023 and 2022, respectively. Compared to the first quarter of 2023, the decrease was primarily in gains in government guaranteed loans of $912 thousand and other noninterest income of $363 thousand. Compared to the second quarter of 2022, the decrease in noninterest income of $891 thousand was primarily in gain on sale of GGL, and mortgage banking related income of $819 thousand and 218 thousand, respectively, offset by a net increase in other categories, primarily other noninterest income. As the mortgage rates and housing prices have risen, demand for mortgage loans has slowed.

Noninterest expense was $9.2 million during the second quarter of 2023, compared to $9.0 million and $9.2 million for the first and second quarters of 2023 and 2022, respectively. Compared to the first quarter of 2023, the increase of $182 thousand was primarily in regulatory assessment of $170 thousand due to growth in average total assets and average tangible equity. Compared to the second quarter of 2022, the overall noninterest expense remained relatively flat.

Income tax expense was $1.7 million during the second quarter of 2023, compared to $2.1 million and $1.3 million for the first and second quarters of 2023 and 2022, respectively. Compared to the first quarter of 2023, the decrease was attributable to a decrease in taxable income. Compared to the second quarter of 2022, the increase in income tax expense was primarily attributable to higher earnings due to growth, coupled with increased net interest income due to rising interest rates.

Balance Sheet

Total assets as of June 30, 2023 were $1.963 billion, down from $2.023 billion at March 31, 2023, and up from $1.713 billion at June 30, 2022. The decrease of $59.4 million as compared to the prior quarter was primarily attributable to the maturity and payment of a $50 million brokered CD obtained for additional liquidity in response to market challenges in the aftermath of the Silicon Valley Bank and Signature Bank failures during the first quarter. Ultimately, the additional liquidity was not needed as deposits have continued to grow.

Cash and cash equivalents at June 30, 2023 was $89.7 million, down from $188.9 million at March 31, 2023, and up from $85.7 million at June 30, 2022. The decrease in cash and cash equivalents as compared to the prior quarter is primarily attributable to the repayment of FHLB advances outstanding at the end of prior quarter.

Investment securities at June 30, 2023 were $350.1 million, compared to $356.1 million at March 31, 2023, and $373.7 million at June 30, 2022. Compared to March 31, 2023 and June 30, 2022, investment securities decreased by $5.9 million and $23.6 million, respectively.

Total gross loans held-for-investment at June 30, 2023 were $1.353 billion, up from $1.333 billion at March 31, 2023, and up from $1.102 billion at June 30, 2022. Loans held-for-investment grew during the quarter as core LHFI increased by $30.8 million, offset by decreases in acquired LHFI of $8.9 million, and forgiveness and paydowns of Paycheck Protection Program ("PPP") loans of $2.0 million. Compared to June 30, 2022, core LHFI increased by $284.5 million, offset by decreases in acquired LHFI of $26.6 million and PPP balances due to forgiveness and paydowns of $7.3 million. Total loans held-for-sale at June 30, 2023 were approximately $81.7 million, compared to $56.0 million at March 31, 2023, and $69.5 million at June 30, 2022. The general increase for the LHFS balances was due to changes in demand for mortgage loans during the quarter.

Allowance for credit losses (“ACL”) and allowance for loan losses ("ALL") at June 30, 2023 was $19.1 million of ACL, compared to $18.2 million at March 31, 2023 of ACL under the CECL methodology, and $10.6 million of ALL at June 30, 2022. At June 30, 2023, the ACL was comprised of $15.0 million in allowance for loan credit losses, $4.1 million in allowance for unfunded commitments credit losses, which is included in other liabilities on the balance sheet, and $43 thousand in allowance for AFS securities credit losses. The increase in the second quarter of 2023 compared to the first quarter of 2023 was due to the overall increase in weighted average loss rates driven by loan growth and updates to macroeconomic forecasts to the current quarter increasing the loss rates of the CECL model outputs. Compared to the second quarter of 2022 was primarily attributable to the change of methodology for measuring expected losses from incurred loss model to CECL model and the continued growth in the loan portfolio. Total allowance for loan credit losses to total LHFI was 1.11% at June 30, 2023, compared to 1.05% and 0.96% at March 31, 2023, and June 30, 2022, respectively.

The following table presents the components of the ACL under CECL methodology as of the dates indicated:

Dollars in thousands	June 30, 2023	March 31, 2023
Components of the Allowance for Credit Losses Under CECL		
Loans held-for-investment (LHFI)	$ 15,008	$ 14,029
Off-balance sheet credit exposures	4,091	4,211
LHFI and off-balance sheet credit exposures	$ 19,099	$ 18,240
Other (other assets and securities)	43	-
Total allowance for credit losses (ACL)	$ 19,142	$ 18,240

Nonaccrual loans decreased by $2.6 million to $7.2 million at June 30, 2023 from $9.8 million at March 31, 2023 primarily due to payoffs, principal reductions, and returns to accrual status during the quarter. There were no reportable loans to borrowers with financial difficulty as of June 30, 2023. Total nonperforming loans to gross LHFI outstanding was 0.53% at June 30, 2023, compared to 0.88% and 0.39% at March 31, 2023, and June 30, 2022, respectively.

Nonperforming assets to total assets decreased by 20 basis points to 0.38% at June 30, 2023, compared to 0.58% at March 31, 2023, and decreased by 10 basis points compared to 0.28% at June 30, 2022. Real estate owned ("OREO") outstanding at the end second of 2023 was $243 thousand compared to nil at the end of first quarter of 2023. Compared to the second quarter of 2022, OREO decrease of $330 thousand was due to liquidation of OREO properties.

Total deposits at June 30, 2023 were $1.759 billion, an increase from $1.733 billion at March 31, 2023, and from $1.507 billion at June 30, 2022. The increase from March 31, 2023 is attributable to continued new customer acquisition across the franchise. Noninterest-bearing deposits accounted for 20.1% of total deposits, compared to 21.7% of total deposits at March 31, 2023, and 28.9% at June 30, 2022. The 2023 industry disruption has contributed to the decrease in noninterest-bearing deposits but has not been meaningful to the overall balance sheet or deposit composition. Noninterest-bearing deposits has declined as customers continued to move their deposits into interest-earning accounts, albeit at a slower rate. The Company maintains a diverse and stable funding base that includes a mix of both consumer and business operational related deposits.

Subordinated debt, net of debt issuance costs, was approximately $14.7 million at June 30, 2023, compared to approximately $14.6 million at March 31, 2023, and June 30, 2022.

Federal Home Loan Bank ("FHLB") advances were nil at June 30, 2023, compared to $95.0 million and $50.0 million at March 31, 2023 and June 30, 2022, respectively. The decrease from March 31, 2023 is due to repayment of the advances during the second quarter of 2023.

Bank Term Funding Program ("BTFP") advances via the Federal Reserve Bank was nil as of June 30, 2023. The Company enrolled in BTFP program when it became available in March 2023.

Revolving commercial line of credit ("LOC") was $18.0 million at June 30, 2023 and March 31, 2023, compared to $10.0 million at June 30, 2022. The LOC was opened to provide the Company with the ability to downstream additional capital to the Bank and had total capacity of $18.0 million as of June 30, 2023.

Accumulated other comprehensive loss was $23.8 million at June 30, 2023, compared to $23.7 million and $20.0 million at March 31, 2023 and June 30, 2022, respectively. This has been negatively affected by unrealized losses on the Company's AFS securities attributed to the rising interest rate environment as discussed above.

Shareholders' equity was $139.2 million as of June 30, 2023, compared to $133.3 million as of March 31, 2023. The increase was primarily attributable to the period earnings of $5.8 million and an increase in capital surplus $284 thousand, offset by an increase in accumulated other comprehensive loss of $138 thousand.

Tangible book value per share at June 30, 2023 was $14.05, compared to $13.43 at March 31, 2023. Tangible book value increased due to current period earnings and changes in the fair value of derivatives, offset by an increase of unrealized losses on AFS securities as discussed above. CSB is currently well capitalized with a leverage ratio of 9.08%, a common equity tier 1 capital ratio of 10.99%, and a total risk-based capital ratio of 11.85%.

Detailed Results

Supplementary unaudited financial statements are included for the second quarter of 2023 in the following pages. As always, I encourage you to contact me with any questions or comments.

Sincerely,

Anthony P. Valduga

Anthony P. Valduga
CFO / COO

FORWARD-LOOKING STATEMENTS

Certain statements made in this report which are not statements of historical fact are forward-looking statements within the meaning of, and subject to the protections of, the federal securities laws. Forward looking statements include, among others, statements with respect to our beliefs, plans, objectives, goals, targets, expectations, anticipations, assumptions, estimates, intentions and future performance and involve known and unknown risks, many of which are beyond our control and which may our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by the forward-looking statements made in this report. You can identify forward-looking statements through our use of words such as “believes,” “anticipates,” “expects,” “may,” “will,” “assumes,” “should,” “predicts,” “could,” “should,” “would,” “intends,” “targets,” “estimates,” “projects,” “plans,” “potential” and other similar words and expressions. Forward-looking statements are based on our current beliefs and expectations and are subject to significant risks and uncertainties. Accordingly, we caution you not to place undue reliance on such statements. We undertake no obligation to update or revise any of our forward-looking statements for events or circumstances that arise after the statement is made, except as otherwise may be required by law.

Explanation of Certain Unaudited Non-GAAP Financial Measures

This presentation contains financial information determined by methods other than Generally Accepted Accounting Principles (“GAAP”). Management uses these non-GAAP financial measures in its analysis of the Company’s performance and believes these presentations provide useful supplemental information, and a clearer understanding of the Company’s performance. The Company believes the non-GAAP measures enhance investors’ understanding of the Company’s business and performance and if not provided would be requested by the investor community. These measures are also useful in understanding performance trends and facilitate comparisons with the performance of other financial institutions. The limitations associated with operating measures are the risk that persons might disagree as to the appropriateness of items comprising these measures and that different companies might define or calculate these measures differently. The Company provides reconciliations between GAAP and these non-GAAP measures. These disclosures should not be considered an alternative to GAAP.

COASTALSOUTH BANCSHARES, INC.

CoastalSouth Bancshares, Inc. and Subsidiary
Consolidated Balance Sheet - Unaudited
(dollars in thousands)

	2Q23	1Q23	4Q22	3Q22	2Q22	2Q23 change vs 1Q23	2Q23 change vs 2Q22
Assets							
Cash and due from banks	$ 18,124	$ 12,232	$ 19,325	$ 15,366	$ 17,690	$ 5,892	$ 434
Federal funds sold and resell agreements	71,596	176,707	9,639	16,867	68,009	(105,111)	3,587
Investment securities (allowance for credit losses of $43 for 2Q23)	350,145	356,058	371,517	372,383	373,706	(5,913)	(23,561)
Loans held for sale (LHFS)	81,692	55,957	44,500	53,049	69,533	25,735	12,159
Loans held for investment (LHFI)	1,352,587	1,332,689	1,298,603	1,178,730	1,101,934	19,898	250,653
Allowance for credit losses [(1)]	(15,008)	(14,029)	(12,362)	(11,625)	(10,599)	(979)	(4,409)
Loans held for investment, net	1,337,579	1,318,660	1,286,241	1,167,105	1,091,335	18,919	246,244
Bank-owned life insurance	30,152	29,961	29,772	29,587	29,402	191	750
Premises, furniture and equipment, net	18,325	18,500	18,690	18,056	17,517	(175)	808
Deferred tax asset	21,284	21,301	21,800	21,223	19,355	(17)	1,929
Goodwill & intangible assets [(2)]	6,804	6,996	6,867	7,173	7,389	(192)	(585)
Other real estate owned	243	-	-	571	573	243	(330)
Other assets	27,552	26,504	27,127	21,535	18,674	1,048	8,878
Total assets	**$ 1,963,496**	**$ 2,022,876**	**$ 1,835,478**	**$ 1,722,915**	**$ 1,713,183**	**$ (59,380)**	**$ 250,313**
Liabilities and stockholders' equity							
Liabilities							
Deposits							
Noninterest bearing DDA	$ 353,856	$ 375,992	$ 424,490	$ 424,848	$ 435,145	$ (22,136)	$ (81,289)
Interest bearing DDA	173,792	159,832	163,123	181,302	181,818	13,960	(8,026)
Savings and money market	611,374	595,313	576,615	653,631	657,726	16,061	(46,352)
Certificates of deposit	619,762	601,375	384,418	280,362	232,119	18,387	387,643
Total deposits	1,758,784	1,732,512	1,548,646	1,540,143	1,506,808	26,272	251,976
Federal Home Loan Bank advances	-	95,000	108,044	25,000	50,000	(95,000)	(50,000)
Subordinated debt, net	14,658	14,646	14,634	14,622	14,610	12	48
Revolving commercial line of credit	18,000	18,000	18,000	10,000	10,000	-	8,000
SBA contingency reserve	1,012	1,733	2,626	2,852	3,029	(721)	(2,017)
Other liabilities	31,800	27,681	24,731	19,832	18,709	4,119	13,091
Total liabilities	**1,824,254**	**1,889,572**	**1,716,681**	**1,612,449**	**1,603,156**	**(65,318)**	**221,098**
Stockholders' equity							
Voting common stock	7,350	7,345	6,894	6,828	6,619	5	731
Nonvoting common stock	2,172	2,172	2,065	2,065	1,991	-	181
Capital surplus	145,358	145,074	136,599	135,592	132,263	284	13,095
Accumulated income (deficit)	8,159	2,372	(86)	(5,590)	(10,850)	5,787	19,009
Accumulated other comprehensive loss	(23,797)	(23,659)	(26,675)	(28,429)	(19,996)	(138)	(3,801)
Total stockholders' equity	**139,242**	**133,304**	**118,797**	**110,466**	**110,027**	**5,938**	**29,215**
Total liabilities and stockholders' equity	**$ 1,963,496**	**$ 2,022,876**	**$ 1,835,478**	**$ 1,722,915**	**$ 1,713,183**	**$ (59,380)**	**$ 250,313**
Capital ratios [(3)]							
Leverage ratio	9.08%	9.34%	8.97%	8.50%	8.46%	-0.26%	0.62%
CET1 risk-based capital ratio	10.99	10.71	9.99	9.80	9.95	0.28	1.04
Tier 1 risk-based capital ratio	10.99	10.71	9.99	9.80	9.95	0.28	1.04
Total risk-based capital ratio	11.85	11.50	10.77	10.58	10.70	0.35	1.15

(1) 2023 reflects the impact of adopting the CECL standard and our transition from an incurred loss model for these reserves to an expected credit loss methodology.
(2) Includes commercial mortgage servicing assets of $1,357, $1,302, $1,302, $1,546, and $1,698 for 2Q23, 1Q23, 4Q22, 3Q22, and 2Q22, respectively.
(3) Ratios are for Coastal States Bank, a wholly-owned subsidiary of CoastalSouth Bancshares, Inc.

CoastalSouth Bancshares, Inc. and Subsidiary
Consolidated Statements of Operations - Quarterly - Unaudited
(dollars in thousands)

						2Q23 change vs	
	2Q23	**1Q23**	**4Q22**	**3Q22**	**2Q22**	**1Q23**	**2Q22**
Interest income							
Interest on cash and due from banks	$ 67	$ 16	$ 16	$ 13	$ 6	$ 51	$ 61
Interest on federal funds sold and resell agreements	1,603	619	312	321	261	984	1,342
Interest and dividends on investment securities	2,602	2,699	2,818	2,455	2,174	(97)	428
Interest and fees on LHFS	1,334	825	749	837	1,166	509	168
Interest and fees on LHFI	21,319	19,092	16,848	14,063	11,471	2,227	9,848
Total interest income	26,925	23,251	20,743	17,689	15,078	3,674	11,847
Interest expense							
Deposits	9,815	6,425	3,476	1,975	1,037	3,390	8,778
Other borrowings	737	1,274	972	533	380	(537)	357
Total interest expense	10,552	7,699	4,448	2,508	1,417	2,853	9,135
Net interest income	16,373	15,552	16,295	15,181	13,661	821	2,712
Provision for credit losses	920	210	719	1,274	1,667	710	(747)
Net interest income after provision for credit losses	15,453	15,342	15,576	13,907	11,994	111	3,459
Noninterest income							
Mortgage banking related income	236	232	306	317	454	4	(218)
Interchange and card fee Income	267	288	251	545	293	(21)	(26)
Service charges on deposit accounts	182	168	227	197	178	14	4
Bank-owned life insurance	191	189	184	185	190	2	1
Gain on sale of government guaranteed loans	18	930	97	-	837	(912)	(819)
Gain on hedge termination	-	992	-	-	-	(992)	-
Securities loss, net	-	(517)	-	-	-	517	-
Other noninterest income	365	253	99	233	198	112	167
Total noninterest income	1,259	2,535	1,164	1,477	2,150	(1,276)	(891)
Noninterest expense							
Salaries and employee benefits	5,953	5,987	5,965	5,765	5,911	(34)	42
Occupancy and equipment	744	748	789	636	611	(4)	133
Data processing	549	531	525	575	482	18	67
Other professional fees	492	561	551	486	777	(69)	(285)
Software and other technology expense	582	523	513	475	418	59	164
Regulatory assessment	450	280	282	308	298	170	152
Loss (gain) on other real estate owned, net	-	-	103	(48)	(213)	-	213
Other noninterest expense	444	402	808	440	888	42	(444)
Total noninterest expense	9,214	9,032	9,536	8,637	9,172	182	42
Net income before taxes	7,498	8,845	7,204	6,747	4,972	(1,347)	2,526
Income tax expense	1,711	2,085	1,700	1,487	1,291	(374)	420
Net income	**$ 5,787**	**$ 6,760**	**$ 5,504**	**$ 5,260**	**$ 3,681**	**$ (973)**	**$ 2,106**
Earnings per share - basic	$ 0.61	$ 0.75	$ 0.62	$ 0.61	$ 0.42	$ (0.14)	$ 0.19
Earnings per share - diluted	$ 0.60	$ 0.74	$ 0.61	$ 0.60	$ 0.42	$ (0.14)	$ 0.18
Tangible book value	$ 133,795	$ 127,799	$ 113,232	$ 104,839	$ 104,336	$ 5,996	$ 29,459
Tangible book value per share	$ 14.05	$ 13.43	$ 12.64	$ 11.79	$ 12.12	$ 0.62	$ 1.93
Shares outstanding	9,522,329	9,517,329	8,959,374	8,893,237	8,609,385	5,000	912,944
Weighted average shares - basic	9,519,069	8,962,444	8,925,490	8,689,740	8,606,546	556,625	912,523
Weighted average shares - diluted	9,624,037	9,120,777	9,039,796	8,839,031	8,838,348	503,260	785,689

CoastalSouth Bancshares, Inc. and Subsidiary
Consolidated Statements of Operations - Year-to-Date - Unaudited
(dollars in thousands)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Change
Interest income			
Interest on cash and due from banks	$ 83	$ 11	$ 72
Interest on federal funds sold and resell agreements	2,222	458	1,764
Interest and dividends on investment securities	5,301	3,814	1,487
Interest and fees on LHFS	2,159	2,193	(34)
Interest and fees on LHFI	40,411	21,675	18,736
Total interest income	50,176	28,151	22,025
Interest expense			
Deposits	16,240	1,930	14,310
Other borrowings	2,011	736	1,275
Total interest expense	18,251	2,666	15,585
Net interest income	31,925	25,485	6,440
Provision for credit losses	1,130	3,085	(1,955)
Net interest income after provision for credit losses	30,795	22,400	8,395
Noninterest income			
Mortgage banking related income	468	1,031	(563)
Interchange and card fee Income	555	581	(26)
Service charges on deposit accounts	350	359	(9)
Bank-owned life insurance	380	364	16
Gain on sale of government guaranteed loans	948	1,780	(832)
Gain on hedge termination	992	-	992
Securities loss, net	(517)	-	(517)
Other noninterest income	618	434	184
Total noninterest income	3,794	4,549	(755)
Noninterest expense			
Salaries and employee benefits	11,940	11,659	281
Occupancy and equipment	1,492	1,248	244
Data processing	1,080	997	83
Other professional fees	1,053	1,182	(129)
Software and other technology expense	1,105	917	188
Regulatory assessment	730	567	163
(Gain) loss on other real estate owned, net	-	(443)	443
Other noninterest expense	846	941	(95)
Total noninterest expense	18,246	17,068	1,178
Net income before taxes	16,343	9,881	6,462
Income tax expense	3,796	2,455	1,341
Net income	**$ 12,547**	**$ 7,426**	**$ 5,121**
Earnings per share - basic	$ 1.36	$ 0.86	$ 0.49
Earnings per share - diluted	$ 1.34	$ 0.84	$ 0.50
Shares outstanding	9,522,329	8,609,385	912,944
Weighted average shares - basic	9,242,294	8,605,708	636,586
Weighted average shares - diluted	9,377,120	8,864,942	512,178

COASTALSOUTH BANCSHARES, INC.

CoastalSouth Bancshares, Inc. and Subsidiary
Condensed Consolidated Average Balances and Yield Analysis
(dollars in thousands)

	Quarterly trend					2Q23 change vs	
	2Q23	1Q23	4Q22	3Q22	2Q22	1Q23	2Q22
Average balances							
Cash and cash equivalents	$ 17,551	$ 14,727	$ 14,164	$ 15,425	$ 14,058	$ 2,824	$ 3,493
Federal funds sold and resell agreements	119,318	51,965	25,966	53,823	101,974	67,353	17,344
Investment securities	351,901	360,114	371,670	382,784	381,681	(8,213)	(29,780)
Loans held for sale	60,970	35,875	31,977	41,585	63,342	25,095	(2,372)
Loans held for investment	1,343,441	1,307,880	1,230,266	1,143,023	1,025,822	35,561	317,619
Total earning assets	1,893,181	1,770,561	1,674,043	1,636,640	1,586,877	122,620	306,304
Total nonearning assets	87,908	90,175	88,739	80,915	79,895	(2,267)	8,013
Total assets	**$ 1,981,089**	**$ 1,860,736**	**$ 1,762,782**	**$ 1,717,555**	**$ 1,666,772**	**$ 120,353**	**$ 314,317**
Interest-bearing deposits	$ 1,411,267	$ 1,203,070	$ 1,093,428	$ 1,092,985	$ 1,062,591	$ 208,197	$ 348,676
Other borrowings	47,377	113,399	96,312	55,377	42,625	(66,022)	4,752
Total interest bearing liabilities	1,458,644	1,316,469	1,189,740	1,148,362	1,105,216	142,175	353,428
Noninterest-bearing deposits	352,903	391,829	432,809	432,798	426,199	(38,926)	(73,296)
Other liabilities	32,218	31,859	25,718	21,025	19,816	359	12,402
Stockholders' equity	137,324	120,579	114,515	115,370	115,541	16,745	21,783
Total liabilities and stockholders' equity	**$ 1,981,089**	**$ 1,860,736**	**$ 1,762,782**	**$ 1,717,555**	**$ 1,666,772**	**$ 120,353**	**$ 314,317**
Interest margins							
Cash and due from banks	1.53%	0.44%	0.45%	0.33%	0.17%	1.09%	1.36%
Federal funds sold and resell agreements	5.39%	4.83%	4.77%	2.37%	1.03%	0.56%	4.36%
Investment securities	2.97%	3.04%	3.01%	2.54%	2.28%	-0.07%	0.69%
LHFS	8.78%	9.33%	9.29%	7.99%	7.38%	-0.55%	1.40%
LHFI	6.37%	5.92%	5.43%	4.88%	4.49%	0.45%	1.88%
Total earning assets	5.70%	5.33%	4.92%	4.29%	3.81%	0.37%	1.89%
Interest-bearing deposits	2.79%	2.17%	1.26%	0.72%	0.39%	0.62%	2.40%
Other borrowings	6.24%	4.56%	4.00%	3.82%	3.58%	1.68%	2.66%
Total interest-bearing liabilities	2.90%	2.37%	1.48%	0.87%	0.51%	0.53%	2.39%
Cost of total deposits [1]	2.23%	1.63%	0.90%	0.51%	0.28%	0.60%	1.95%
Cost of total funding [1]	2.34%	1.83%	1.09%	0.63%	0.37%	0.51%	1.97%
Net interest spread	2.80%	2.96%	3.44%	3.42%	3.30%	-0.16%	-0.50%
Net interest margin	3.47%	3.56%	3.86%	3.68%	3.45%	-0.09%	0.02%
Yield on total loans	6.47%	6.01%	5.53%	4.99%	4.65%	0.46%	1.82%
Efficiency ratio	52.26%	49.94%	54.62%	51.85%	58.01%	2.32%	-5.75%

[1] Includes noninterest-bearing deposits.

COASTALSOUTH BANCSHARES, INC.

CoastalSouth Bancshares, Inc. and Subsidiary
Consolidated Average Balances, Interest Income and Expenses, and Yield Analysis (QTD)
(dollars in thousands)

	2Q23			1Q23			2Q22		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets									
Earning assets:									
Cash and due from banks	$ 17,551	$ 67	1.53%	$ 14,727	$ 16	0.44%	$ 14,058	$ 6	0.17%
Federal funds sold and resell agreements	119,318	1,603	5.39%	51,965	619	4.83%	101,974	261	1.03%
Investment securities	351,901	2,602	2.97%	360,114	2,699	3.04%	381,681	2,174	2.28%
Loans held for sale	60,970	1,334	8.78%	35,875	825	9.33%	63,342	1,166	7.38%
Loans held for investment	1,343,441	21,319	6.37%	1,307,880	19,092	5.92%	1,025,822	11,471	4.49%
Total earning assets	1,893,181	26,925	5.70%	1,770,561	23,251	5.33%	1,586,877	15,078	3.81%
Allowance for credit losses [1]	(14,194)			(14,245)			(9,228)		
Bank-owned life insurance	30,033			29,853			29,275		
Premises, furniture and equipment, net	18,460			18,635			17,555		
Deferred tax asset	21,248			22,574			17,627		
Goodwill & intangible assets	6,899			6,934			7,400		
Other real estate owned	69			-			573		
Other assets	25,393			26,424			16,693		
Total assets	**$ 1,981,089**			**$ 1,860,736**			**$ 1,666,772**		
Interest-bearing deposits	1,411,267	9,815	2.79%	1,203,070	6,425	2.17%	1,062,591	1,037	0.39%
Federal Reserve Bank BTFP	-	-	0.00%	1,333	15	4.56%	-	-	0.00%
Federal Home Loan Bank advances	14,725	128	3.49%	79,425	677	3.46%	18,022	41	0.91%
Revolving commercial line of credit	18,000	374	8.33%	18,000	347	7.82%	10,000	104	4.17%
Subordinated debt, net	14,652	235	6.43%	14,641	235	6.51%	14,603	235	6.45%
Total interest-bearing liabilities	1,458,644	10,552	2.90%	1,316,469	7,699	2.37%	1,105,216	1,417	0.51%
Noninterest-bearing deposits	352,903			391,829			426,199		
Other liabilities	32,218			31,859			19,816		
Stockholders' equity	137,324			120,579			115,541		
Total liabilities and stockholders' equity	**$ 1,981,089**			**$ 1,860,736**			**$ 1,666,772**		
Interest margins									
Cost of total deposits [2]	2.23%			1.63%			0.28%		
Cost of total funding [2]	2.34%			1.83%			0.37%		
Net interest spread	2.80%			2.96%			3.30%		
Net interest margin	3.47%			3.56%			3.45%		
Efficiency ratio	52.26%			49.94%			58.01%		

[1] 2023 reflects the impact of adopting the CECL standard and our transition from an incurred loss model for these reserves to an expected credit loss methodology.
[2] Includes noninterest bearing deposits.

COASTALSOUTH BANCSHARES, INC.

CoastalSouth Bancshares, Inc. and Subsidiary
Consolidated Average Balances, Interest Income and Expenses, and Yield Analysis (YTD)
(dollars in thousands)

	Six Months Ended June 30, 2023			Six Months Ended June 30, 2022		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets						
Earning assets:						
Cash and due from banks	$ 16,146	$ 83	1.04%	$ 16,080	$ 11	0.14%
Federal funds sold and resell agreements	85,828	2,222	5.22%	133,923	458	0.69%
Investment securities	355,985	5,301	3.00%	365,339	3,814	2.11%
Loans held for sale	48,492	2,159	8.98%	63,081	2,193	7.01%
Loans held for investment	1,325,759	40,411	6.15%	989,844	21,675	4.42%
Total earning assets	1,832,210	50,176	5.52%	1,568,267	28,151	3.62%
Allowance for credit losses (1)	(14,219)			(8,630)		
Bank-owned life insurance	29,944			29,187		
Premises, furniture and equipment, net	18,547			17,582		
Deferred tax asset	21,908			16,510		
Goodwill & intangible assets	6,917			7,480		
Other real estate owned	35			600		
Other assets	25,903			14,762		
Total assets	**$ 1,921,245**			**$ 1,645,758**		
Interest-bearing deposits	1,307,744	16,240	2.50%	1,041,428	1,930	0.37%
Federal Reserve Bank BTFP	663	15	4.56%	-	-	0.00%
Federal Home Loan Bank advances	46,897	805	3.46%	19,006	78	0.83%
Revolving commercial line of credit	18,000	720	8.07%	10,000	188	3.79%
Subordinated debt, net	14,646	470	6.47%	14,597	470	6.49%
Total interest-bearing liabilities	1,387,950	18,250	2.65%	1,085,031	2,666	0.50%
Noninterest bearing deposits	372,258			421,839		
Other liabilities	32,039			19,034		
Stockholders' equity	128,998			119,854		
Total liabilities and stockholders' equity	**$ 1,921,245**			**$ 1,645,758**		
Interest margins						
Cost of total deposits (2)	1.95%			0.27%		
Cost of total funding (2)	2.09%			0.36%		
Net interest spread	2.87%			3.11%		
Net interest margin	3.51%			3.28%		
Efficiency ratio	51.08%			56.83%		

(1) Current year reflects the impact of adopting the CECL standard and our transition from an incurred loss model for these reserves to an expected credit loss methodology.
(2) Includes noninterest bearing deposits.

COASTALSOUTH BANCSHARES, INC.

CoastalSouth Bancshares, Inc. and Subsidiary
Loans and Credit Quality Analysis
(dollars in thousands)

	2Q23	1Q23	4Q22	3Q22	2Q22	2Q23 change vs 1Q23	2Q23 change vs 2Q22
Loans held for investment ("LHFI")							
Commercial real estate							
Construction, acquisition and development	$ 92,520	$ 98,037	$ 85,283	$ 76,816	$ 84,134	(5,517)	8,386
Income producing	250,017	233,706	235,855	192,538	206,971	16,311	43,046
Commercial and industrial							
Non-real estate	103,401	110,580	109,263	100,152	97,913	(7,179)	5,488
Senior housing	267,903	272,539	249,974	236,008	212,651	(4,636)	55,252
Owner occupied	94,353	98,997	105,277	107,353	93,952	(4,644)	401
Retail							
Residential mortgages	139,370	135,990	137,035	136,615	131,889	3,380	7,481
Marine vessels	252,669	220,626	203,039	163,856	114,093	32,043	138,576
Cash value life insurance LOC	129,893	137,186	146,390	136,499	126,901	(7,293)	2,992
Other consumer	21,759	22,320	23,352	25,101	25,456	(561)	(3,697)
Paycheck Protection Program	702	2,708	3,135	3,792	7,974	(2,006)	(7,272)
Total loans held for investment	**$ 1,352,587**	**$ 1,332,689**	**$ 1,298,603**	**$ 1,178,730**	**$ 1,101,934**	**$ 19,898**	**$ 250,653**
Core LHFI	1,268,723	1,237,917	1,200,315	1,073,204	984,195	30,806	284,528
Acquired LHFI [(1)]	83,162	92,064	95,153	101,734	109,765	(8,902)	(26,603)
Paycheck Protection Program	702	2,708	3,135	3,792	7,974	(2,006)	(7,272)
Total loans held for investment	**$ 1,352,587**	**$ 1,332,689**	**$ 1,298,603**	**$ 1,178,730**	**$ 1,101,934**	**$ 19,898**	**$ 250,653**
Total loans held for sale	81,692	55,957	44,500	53,049	69,533	25,735	12,159
Total allowance for credit losses [(2)]	15,008	14,029	12,362	11,625	10,599	979	4,409
Nonperforming assets							
Nonaccrual loans	7,193	9,757	5,495	2,274	3,843	(2,564)	3,350
Past due loans 90 days and still accruing	-	1,968	2,584	2,157	34	(1,968)	(34)
Troubled debt restructurings [(3)]	-	-	194	390	391	-	(391)
Total nonperforming loans	7,193	11,725	8,273	4,821	4,268	(4,532)	2,925
Other real estate owned	243	-	-	571	573	243	(330)
Total nonperforming assets	**$ 7,436**	**$ 11,725**	**$ 8,273**	**$ 5,392**	**$ 4,841**	**$ (2,321)**	**$ 2,629**
Credit Analysis							
QTD net charge-offs (recoveries)	$ 18	$ 517	$ (18)	$ 248	$ 14	$ (499)	$ 4
Net charge-offs (recoveries) to total LHFI	0.01%	0.16%	-0.01%	0.08%	0.01%	-0.15%	0.00%
Total allowance for credit losses to total LHFI [(2)]	1.11%	1.05%	0.95%	0.99%	0.96%	0.06%	0.15%
Nonperforming loans to gross LHFI	0.53%	0.88%	0.64%	0.41%	0.39%	-0.35%	0.14%
Nonperforming assets to total assets	0.38%	0.58%	0.45%	0.31%	0.28%	-0.20%	0.10%

[(1)] Includes loans acquired through business combinations.
[(2)] Current year reflects the impact of adopting the CECL standard and our transition from an incurred loss model to an expected credit loss methodology.
[(3)] Prior to 1/1/2023, the figures reflect cumulative TDRs but now reflects loans to borrowers with financial difficulty under ASU 2022-02 in the trailing 12 months.

COASTALSOUTH BANCSHARES, INC.

The following table presents a breakdown for the ACL and allowance for loan credit losses (ALL) for the periods presented:

	ACL		ALL		
Three months ended - dollars in thousands	2Q23	1Q23	4Q22	3Q22	2Q22
Allowance for Credit Losses (ACL) and Allowance for Loan Losses (ALL)					
Beginning balance	$ 14,029	$ 12,362	$ 11,625	$ 10,599	$ 8,946
Adoption of ASU 2016-03 [1]		1,666			
Charge-offs:					
Commercial real estate					
Construction, acquisition and development	-	-	-	-	-
Income producing	(82)	-	-	-	-
Commercial and industrial					
Non-real estate	-	(281)	-	(263)	(50)
Senior housing	-	-	-	-	-
Owner occupied	-	-	-	-	-
Retail					
Residential mortgages	-	(194)	-	-	-
Marine vessels	(5)	-	-	-	-
Cash value life insurance LOC	-	-	-	-	-
Other consumer	-	(57)	(5)	(75)	-
Total charge-offs	(87)	(532)	(5)	(338)	(50)
Recoveries:					
Commercial real estate					
Construction, acquisition and development	-	-	-	-	-
Income producing	17	-	-	-	-
Commercial and industrial					
Non-real estate	6	5	2	77	2
Senior housing	-	-	-	-	-
Owner occupied	-	-	-	-	-
Retail					
Residential mortgages	9	10	14	12	24
Marine vessels	-	-	-	-	-
Cash value life insurance LOC	-	-	-	-	-
Other consumer	37	-	7	1	10
Total recoveries	69	15	23	90	36
Total net (charge-offs)/recoveries:	(18)	(517)	18	(248)	(14)
Provision for loan credit losses	997	518	719	1,274	1,667
Ending balance	$ 15,008	$ 14,029	$ 12,362	$ 11,625	$ 10,599
Allowance for credit losses - Off-balance sheet credit exposures					
Beginning balance	$ 4,211	$ -			
Adoption of ASU 2016-03 [1]	–	4,519			
Provision for (recapture of) credit losses [2]	(120)	(308)			
Ending balance	$ 4,091	$ 4,211			
Allowance for credit losses: loans and off-balance sheet credit exposures	$ 19,099	$ 18,240			

[1] Impact of ASU 2016-03 CECL adoption.
[2] Change in provision for unfunded commitments credit losses.

CoastalSouth Bancshares, Inc. and Subsidiary
GAAP to Non-GAAP Reconciliation - Unaudited
(dollars in thousands)

	Quarterly Trends				
	2Q23	**1Q23**	**4Q22**	**3Q22**	**2Q22**
Net Income	5,787	6,760	5,504	5,260	3,681
Provision for credit losses	920	210	719	1,274	1,667
Provision for income taxes	1,711	2,085	1,700	1,487	1,291
Pre-tax pre-provision net revenue (PPNR)	$ 8,418	$ 9,055	$ 7,923	$ 8,021	$ 6,639
Average assets	$ 1,981,089	$ 1,860,736	$ 1,762,782	$ 1,717,555	$ 1,666,772
Average goodwill & intangible assets	(6,899)	(6,934)	(7,090)	(7,313)	(7,400)
Average commercial mortgage servicing rights	1,424	1,401	1,494	1,654	1,676
Average tangible assets	$ 1,975,614	$ 1,855,203	$ 1,757,186	$ 1,711,896	$ 1,661,048
Average stockholders' equity	$ 137,324	$ 120,579	$ 114,515	$ 115,370	$ 115,541
Average goodwill & intangible assets	(6,899)	(6,934)	(7,090)	(7,313)	(7,400)
Average commercial mortgage servicing rights	1,424	1,401	1,494	1,654	1,676
Average tangible common equity	$ 131,849	$ 115,046	$ 108,919	$ 109,711	$ 109,817
Total assets	$ 1,963,496	$ 2,022,876	$ 1,835,478	$ 1,722,915	$ 1,713,183
Goodwill & intangible assets	(6,804)	(6,996)	(6,867)	(7,173)	(7,389)
Commercial mortgage servicing rights	1,357	1,491	1,302	1,546	1,698
Tangible assets	$ 1,958,049	$ 2,017,371	$ 1,829,913	$ 1,717,288	$ 1,707,492
Stockholders' equity	$ 139,242	$ 133,304	$ 118,797	$ 110,466	$ 110,027
Goodwill & intangible assets	(6,804)	(6,996)	(6,867)	(7,173)	(7,389)
Commercial mortgage servicing rights	1,357	1,491	1,302	1,546	1,698
Tangible common equity	$ 133,795	$ 127,799	$ 113,232	$ 104,839	$ 104,336