



March 7, 2022

To our Shareholders:

CoastalSouth Bancshares, Inc. (the "Company") is pleased to announce net income of \$2.7 million, or \$0.31 per diluted share, for the fourth quarter of 2021, as compared to \$3.3 million net income, or \$0.39 per diluted share, for the third quarter of 2021. With another strong quarter, the Company is positioned to continue its growth trajectory with increased profitability and balance sheet expansion after completing the acquisition of Cornerstone Bancshares, Inc. ("Cornerstone") on October 1, 2021.

"We are excited to welcome our new team members from the acquisition of Cornerstone," said Steve Stone, President and Chief Executive Officer of the Company and its wholly owned subsidiary, Coastal States Bank ("CSB" or the "Bank"). "This acquisition adds more talented bankers to the CSB team in Atlanta and increases our deposit market share and our ability to reach customers through an additional branch location. I am optimistic about CSB's future performance with an increased asset base and realization of efficiencies from the merger which should emerge in 2022."

### Highlights for the Fourth Quarter of 2021

- **Net income of \$2.7 million, and \$0.31 diluted earnings per share ("Diluted EPS")**
- **Total assets grew \$278.3 million, a 20.9% increase from September 30, 2021**
- **Total deposits grew \$255.7 million, a 21.9% increase from September 30, 2021**
- **Tangible book value grew to \$13.84 per share, a 2.4% increase from September 30, 2021**
- **Completed Cornerstone Bancshares, Inc. acquisition on October 1, 2021**

The Cornerstone acquisition contributed significantly to the Company's growth in the fourth quarter. At October 1, 2021, the date of acquisition, we recognized \$231.1 million in additional total assets, which included \$125.7 million of loans held for investment, \$82.5 million of cash, and \$16.0 million of investment securities, and we recognized \$208.3 million of total deposits. A bargain purchase gain of \$1.6 million was recognized as a result of the acquisition during the fourth quarter. Following the acquisition of Cornerstone, the Company completed its system integration of Cornerstone Bank, Cornerstone's wholly owned subsidiary, into CSB in December 2021. The synergies as a result of the merger are expected to be realized starting in the first quarter of 2022.

During the fourth quarter, the Company's momentum continued as deposits grew to \$1.42 billion. The increase in deposits of \$255.0 million during the fourth quarter was comprised of \$206.0 million in deposits from the Cornerstone acquisition and \$49.0 million from existing banking operations. Exclusive of the Cornerstone acquisition, this growth was driven by deepening our relationships with existing

customers and attracting new customers through our product offerings and our team members' commitment to a great customer experience. CSB also added several new commercial bankers during the fourth quarter which also helped to drive deposit growth.

During the fourth quarter, our bankers continued to see strong loan demand and we expect this trend to continue into the first quarter of 2022. As mentioned above, the Company has continued to recruit and hire talented bankers within our markets to attract new customers and help fuel this growth. Notwithstanding improving loan demand, the Company has a significant amount of liquidity from strong deposit growth. As such, CSB continues to evaluate opportunities to prudently deploy liquidity into earning assets. Core loans held for investment ("LHFI") grew by \$89.9 million, excluding acquired loans, and the Company's investment portfolio grew by \$79.9 million during the fourth quarter.

The Company's credit metrics remained strong throughout the fourth quarter. The Company's NPA ratio continues to decline and was down to 0.20% at the end of the fourth quarter of 2021 as compared to 0.24% at the end of the third quarter of 2021. The Company's net charge-offs to total LHFI ratio remains low as well, at -0.01% for the fourth quarter of 2021.

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

	Quarterly Trends					4Q21 change vs	
	4Q21	3Q21	2Q21	1Q21	4Q20	3Q21	4Q20
<b>Selected Balance Sheet Data</b>							
Total assets	\$ 1,611,657	\$ 1,333,349	\$ 1,261,987	\$ 1,180,621	\$ 1,147,532	\$ 278,308	\$ 464,125
Total gross loans (LHFS + LHFI)	1,019,569	855,738	865,664	870,271	815,999	163,831	203,570
Total deposits	1,424,117	1,168,370	1,109,913	1,020,496	891,552	255,747	532,565
<b>Earnings Highlights</b>							
Net income	\$ 2,723	\$ 3,251	\$ 3,274	\$ 3,074	\$ 1,709	\$ (528)	\$ 1,014
Diluted earnings per share (EPS)	\$ 0.31	\$ 0.39	\$ 0.40	\$ 0.38	\$ 0.21	\$ (0.08)	\$ 0.10
Net interest income	\$ 11,739	\$ 10,105	\$ 9,678	\$ 9,723	\$ 9,737	\$ 1,634	\$ 2,002
<b>Performance Ratios</b>							
Net interest margin	3.03%	3.28%	3.36%	3.53%	3.63%	-0.25%	-0.60%
Net interest spread	2.87%	3.11%	3.18%	3.35%	3.43%	-0.24%	-0.56%
Cost of total deposits	0.26%	0.29%	0.32%	0.41%	0.48%	-0.03%	-0.22%
Cost of total funding	0.34%	0.38%	0.41%	0.50%	0.56%	-0.04%	-0.22%
Efficiency ratio	77.45%	62.66%	64.69%	64.85%	70.13%	14.79%	7.32%
Loan-to-deposit ratio	71.59%	73.24%	77.99%	85.28%	91.53%	-1.65%	-19.93%
<b>Return on (annualized):</b>							
Average assets (ROAA) <sup>2</sup>	0.68%	1.01%	1.08%	1.07%	0.61%	-0.33%	0.07%
Average tangible assets (ROTA) <sup>2</sup>	0.68%	1.01%	1.09%	1.07%	0.61%	-0.34%	0.07%
Average tangible common equity (ROTCE) <sup>2</sup>	9.10%	12.01%	12.77%	12.61%	7.13%	-2.91%	1.97%
Tangible common equity to tangible assets <sup>2</sup>	7.44%	8.44%	8.53%	8.49%	8.55%	-1.00%	-1.11%
Tangible book value per share <sup>2</sup>	\$ 13.84	\$ 13.52	\$ 13.07	\$ 12.56	\$ 12.08	\$ 0.32	\$ 1.76
<b>Other Operating Measures<sup>1</sup>:</b>							
Pre-tax pre-provision net revenue (PPNR)	\$ 3,482	\$ 4,851	\$ 4,414	\$ 4,045	\$ 3,503	\$ (1,369)	\$ (21)
PPNR ROAA	0.86%	1.51%	1.46%	1.40%	1.24%	-0.64%	-0.38%
Net interest margin excluding PPP income	2.86%	2.98%	3.22%	3.37%	3.41%	-0.12%	-0.56%
Adjusted net income	\$ 2,795	\$ 3,346	\$ 3,468	\$ 3,102	\$ 1,768	\$ (551)	\$ 1,027
Adjusted diluted EPS	\$ 0.33	\$ 0.42	\$ 0.43	\$ 0.39	\$ 0.22	\$ (0.09)	\$ 0.11
Adjusted ROTA	0.70%	1.04%	1.15%	1.08%	0.63%	-0.35%	0.06%
Adjusted ROTCE	9.34%	12.36%	13.53%	12.73%	7.38%	-3.02%	1.97%
Adjusted efficiency ratio	74.07%	61.69%	62.64%	64.53%	69.47%	12.37%	4.60%
Net adjusted noninterest expense as a percent of average tangible assets	8.71%	7.53%	7.68%	7.58%	8.62%	1.18%	0.09%

<sup>(1)</sup> Non-GAAP measure, see "GAAP to Non-GAAP Reconciliation" schedule.

<sup>(2)</sup> 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)

## Financial Results

### Income Statement

**Net income** was \$2.7 million for the fourth quarter of 2021 compared to net income of \$3.3 million in the third quarter of 2021 and a net income of \$1.7 million in the fourth quarter of 2020. Compared to the third quarter of 2021, the slight decrease is attributable to the Cornerstone acquisition integration. Compared to the fourth quarter of 2020, the increase in net income was primarily attributable to an increase in net interest income and noninterest income; offset by an increase in noninterest expense primarily related to salaries and employee benefits in line with growth in revenues in conjunction with the recent Cornerstone Bank acquisition.

**Interest income** was \$13.0 million in the fourth quarter of 2021, compared to \$11.2 million in the third quarter of 2021 and \$11.2 million in the fourth quarter of 2020. The increase in the fourth quarter of 2021 compared to the third quarter of 2021 was primarily in loans held for investment. The increase in the fourth quarter of 2021 compared to the fourth quarter of 2020 is due to growth in the loan portfolio coupled with the expansion of the investment portfolio throughout 2020 and 2021. The components of interest income are presented below:

	Quarterly Trends						4Q21 change vs	
	4Q21	3Q21	2Q21	1Q21	4Q20	3Q21	4Q20	
Interest on cash and due from banks	\$ 19	\$ 2	\$ 2	\$ 1	\$ 1	\$ 17	\$ 18	
Interest on federal funds sold and resell agreements	286	282	288	285	282	4	4	
Interest and dividends on investment securities	1,181	865	806	744	720	316	461	
Interest and fees on LHFS	1,172	1,309	1,448	1,595	1,840	(137)	(668)	
Interest and fees on LHFI excluding PPP loans	9,264	7,017	6,671	6,776	6,531	2,247	2,733	
Interest and fees on PPP loans	1,054	1,736	1,579	1,617	1,791	(682)	(737)	
<b>Interest income</b>	<b>\$ 12,976</b>	<b>\$ 11,211</b>	<b>\$ 10,794</b>	<b>\$ 11,018</b>	<b>\$ 11,165</b>	<b>\$ 1,765</b>	<b>\$ 1,811</b>	

**Interest expense** was \$1.2 million in the fourth quarter of 2021, remaining relatively steady compared to \$1.1 million in the third quarter of 2021 and a slight decrease compared to a \$1.4 million in the fourth quarter of 2020. Compared to the same quarter last year, the decrease in interest expense is due to a 28 basis point decrease in costs of interest-bearing deposits, partially offset by costs the Company's revolving commercial line of credit, which was added during the fourth quarter of 2021 to provide the ability to downstream additional capital to the Bank.

**Net interest margin** for the fourth quarter of 2021 was 3.03%, compared to 3.28% for the third quarter of 2021 and 3.63% for the fourth quarter of 2020. Compared to the third quarter of 2021, net interest margin compressed by 25 basis points, which is related to increased federal funds sold balances in the fourth quarter of 2021 that earn only a nominal yield, decreased income on PPP loans as loans continue to be forgiven, and decreased yield on the investment securities portfolio. Compared to the same

quarter last year, net interest margin compressed by 60 basis points and was attributable to the same factors as the changes between the third and fourth quarter of 2021. Management continues to pursue strategies to deploy excess liquidity into additional earning assets, such as investment securities and loan purchases, to supplement strong core loan growth.

**The cost of funds** for the fourth quarter of 2021 was 34 basis points compared to 38 basis points for the third quarter of 2021 and 56 basis points for the fourth quarter of 2020. Cost of funds decline in both periods is primarily driven by a decrease in costs of interest-bearing deposits offset by the cost of the new revolving commercial line of credit.

**The cost of deposits** was 26 basis points in the fourth quarter of 2021 compared to 29 basis points in the third quarter of 2021 and 48 basis points in the fourth quarter of 2020. Over the last year, the Bank has lowered deposit rates as the Federal Reserve decreased the federal funds rates down to near zero.

**Provision for credit losses** was \$399 thousand during the fourth quarter of 2021, compared to \$700 thousand in the third quarter of 2021 and \$1.4 million in the fourth quarter of 2020. The Company has decreased the allocation of its credit reserves related to COVID-19 throughout 2021; however, these allocations have been consumed by general reserves related to new loan production and for other changes in loss rates. Charge-offs and recovery activity was not significant during 2021.

**Noninterest income** was \$3.7 million in the fourth quarter of 2021, compared to \$2.9 million in the third quarter of 2021, and \$2.0 million in the fourth quarter of 2020. Compared to the third quarter of 2021, the increase is primarily related to a bargain purchase gain of \$1.6 million, offset by decreases in gain on sale of government guaranteed loans of \$567 thousand and gain on BOLI of \$263 thousand. Compared to the fourth quarter of 2020, the increase in noninterest income of \$1.7 million was primarily attributable to bargain purchase gain of \$1.6 million related to Cornerstone Bank acquisition.

**Noninterest expense** was \$12.0 million during the fourth quarter of 2021, compared to \$8.1 million during the third quarter of 2021 and \$8.2 million during the fourth quarter of 2020. Compared to the third quarter of 2021 and the fourth quarter of 2020, the increase of \$3.8 million and \$3.7 million, respectively, is primarily as a result of Cornerstone acquisition across various noninterest expense categories. Acquisition related one-time merger costs were \$1.7 million during the period.

**Income tax expense** was \$360 thousand in the fourth quarter of 2021, as compared to \$900 thousand in the third quarter of 2021, and \$409 thousand in the fourth quarter of 2020. Compared to the third quarter of 2021, the decrease is attributable to a decline of taxable income, as the bargain purchase gain from the acquisition of Cornerstone is non-taxable income. Compared to the fourth quarter of 2020, the slight decrease in income tax expense is not significant.

## ***Balance Sheet***

**Total assets** as of December 31, 2021 were \$1.612 billion, grew from \$1.333 billion at September 30, 2021 and \$1.148 billion at December 31, 2020. The increase of \$278.3 million as compared to the prior quarter was attributable to the Cornerstone acquisition and continued deployment of liquid funds into loans held for investment and investment securities.

**Cash and cash equivalents** at December 31, 2021 was \$224 million, compared to \$206 million at September 30, 2021, and up from \$157 million at December 31, 2020. The increase in cash and cash equivalents as compared to the prior quarter is primarily attributable to an increase in cash and due from banks as well as an increase in federal funds sold as the Company's deposit balances continue to grow and from the acquisition of Cornerstone.

**Investment securities** at December 31, 2021 were \$295 million, compared to \$215 million at September 30, 2021, and up from \$121 million at December 31, 2020. The increase in investment securities for both periods is related to securities purchases. Management has continued to look to deploy liquidity into higher interest-earning assets in the securities portfolio.

**Total gross loans** held for investment at December 31, 2021 were \$938 million, compared to \$774 million at September 30, 2021, and up from \$703 million at December 31, 2020. Loans held for investment grew during the quarter as core LHFI increased by \$89.9 million, and acquired LHFI grew by \$96.9 million; offset by forgiveness and paydowns of PPP loans of \$23.2 million. As compared to December 31, 2020, core LHFI increased by \$220.6 million and acquired LHFI grew by \$89.8 million; offset by lower PPP balances due to forgiveness and paydowns of \$74.9 million. Total loans held for sale at December 31, 2021 were approximately \$81 million, similar to \$81 million at September 30, 2021 and approximately \$113 million at December 31, 2020.

**Allowance for loan losses ("ALL")** at December 31, 2021 was \$8.1 million, compared to \$7.7 million at September 30, 2021, and from \$7.0 million at December 31, 2020. The increase in the fourth quarter of 2021 compared to the third quarter of 2021 was primarily due to the growth of the loan portfolio and the acquired loans. Compared to the fourth quarter of 2020, the increase in provision is primarily related to the growth of the loan portfolio and the acquired loans as well. Total ALL to total LHFI excluding PPP was 0.92% at December 31, 2021 as compared to 1.10% and 1.21% at September 30, 2021 and December 31, 2020, respectively. A discount on acquired loans is also recorded through accounting for business combinations, and was \$4.9 million at December 31, 2021, which can be used to absorb future credit losses on acquired loans.

**Nonaccrual loans** decreased by \$228 thousand to \$2.2 million at December 31, 2021 from \$2.4 million at September 30, 2021. Troubled debt restructures ("TDRs") increased by \$169 thousand and \$155

thousand, respectively, compared to September 30, 2021 and December 31, 2020, related to one loan from the Cornerstone acquisition that did not qualify for accounting under the guidance for purchased credit-impaired loans. Total nonperforming loans to gross LHF1 outstanding were 0.27% at December 31, 2021, compared to 0.34% and 0.53% at September 30, 2021, and December 31, 2020, respectively.

**Nonperforming assets** to total assets decreased by 4 basis points to 0.20% at December 31, 2021, compared to 0.24% at September 30, 2021, and decreased by 20 basis points compared to 0.40% at December 31, 2020. Other real estate owned ("OREO") increased slightly by \$24 thousand in the fourth quarter to \$640 thousand from \$616 thousand in third quarter of 2021 due to an addition of property from the Cornerstone acquisition. A decrease of \$170 thousand occurred from the fourth quarter of 2020 to the fourth quarter of 2021 due to liquidation of properties.

**Total deposits** at December 31, 2021 were \$1.424 billion, an increase from \$1.168 billion at September 30, 2021 and from \$892 million at December 31, 2020. The increase in total deposits is attributable to Cornerstone Bank acquisition as well as continued new customer acquisition across the franchise. Noninterest bearing deposits accounted for 30.4% of total deposits as compared to 28.5% of total deposits at September 30, 2021 and 25.7% at December 31, 2020. As the Company wins new loan customers and targets new deposit relationships with competitive rates on interest bearing accounts, our bankers are focused on ensuring that we win the entire relationship, including operating accounts, so that we can preserve our attractive mix of deposits.

**Federal Reserve Bank advances** associated with the Paycheck Protection Program Liquidity Facility ("PPPLF") at both December 31, 2021 and September 30, 2021 was nil compared to \$111 million at December 31, 2020. The decrease is attributable to payoff of those advances due to the inflow of customer deposits during 2021.

**Subordinated debt**, net of debt issuance costs, remained at approximately \$14.6 million at December 31, 2021, September 30, 2021 and December 31, 2020.

**Federal Home Loan Bank advances ("FHLB")** remained steady at \$20 million at December 31, 2021, and September 30, 2021, and December 31, 2020. These FHLB advances are structured advances with 3-month call options, and depending on changes in interest rates, may be called prior to maturity.

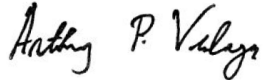
**Revolving commercial line of credit ("LOC")** was \$10.0 million at December 31, 2021. This LOC did not exist at September 30, 2021, and December 31, 2020. The LOC was opened to provide the Company with the ability to downstream additional capital to the Bank and has total capacity of \$18.0 million.

**Tangible book value** per share at December 31, 2021 was \$13.84. CSB is currently well capitalized with a leverage ratio of 8.25%, a common equity tier 1 capital ratio of 10.94%, and a total risk-based capital ratio of 11.63%.

### **Detailed Results**

Supplementary unaudited financial statements are included for the fourth quarter of 2021 in the following pages. As always, I encourage you to contact me with any questions or comments.

Sincerely,



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. and Subsidiary**  
**Consolidated Balance Sheet - Unaudited**  
*(dollars in thousands)*

	4Q21	3Q21	2Q21	1Q21	4Q20	4Q21 change vs	
						3Q21	4Q20
<b>Assets</b>							
Cash and due from banks	\$ 15,348	\$ 1,542	\$ 10,444	\$ 4,941	\$ 7,419	\$ 13,806	\$ 7,929
Federal funds sold and resell agreements	209,011	204,314	172,957	119,512	149,584	4,697	59,427
Investment securities	294,754	214,842	155,843	129,804	121,207	79,912	173,547
Loans held for sale (LHFS)	81,453	81,257	104,035	116,334	113,481	196	(32,028)
Loans held for investment (LHFI)	938,116	774,481	761,629	753,937	702,518	163,635	235,598
Allowance for loan losses	(8,148)	(7,715)	(7,157)	(7,060)	(7,041)	(433)	(1,107)
Loans held for investment, net	929,968	766,766	754,472	746,877	695,477	163,202	234,491
Bank-owned life insurance	29,039	18,918	19,030	19,070	18,950	10,121	10,089
Premises, furniture and equipment, net	17,650	17,726	17,242	16,743	16,357	(76)	1,293
Deferred tax asset	14,498	10,472	9,820	9,922	10,111	4,026	4,387
Goodwill & intangible assets <sup>(1)</sup>	7,564	6,437	6,322	6,274	6,322	1,127	1,242
Other real estate owned	640	616	778	810	810	24	(170)
Other assets	11,732	10,459	11,044	10,334	7,814	1,273	3,918
<b>Total assets</b>	<b>\$ 1,611,657</b>	<b>\$ 1,333,349</b>	<b>\$ 1,261,987</b>	<b>\$ 1,180,621</b>	<b>\$ 1,147,532</b>	<b>\$ 278,308</b>	<b>\$ 464,125</b>
<b>Liabilities and stockholders' equity</b>							
<b>Liabilities</b>							
Deposits							
Noninterest bearing DDA	\$ 432,631	\$ 332,701	\$ 324,425	\$ 285,005	\$ 229,361	\$ 99,930	\$ 203,270
Interest bearing DDA	178,614	171,574	184,549	188,964	134,934	7,040	43,680
Savings and money market	629,974	539,563	472,981	409,882	377,381	90,411	252,593
Certificates of deposit	182,898	124,532	127,958	136,645	149,876	58,366	33,022
<b>Total deposits</b>	<b>1,424,117</b>	<b>1,168,370</b>	<b>1,109,913</b>	<b>1,020,496</b>	<b>891,552</b>	<b>255,747</b>	<b>532,565</b>
Federal Home Loan Bank advances	20,000	20,000	20,000	20,000	20,000	-	-
Subordinated debt, net	14,587	14,575	14,563	14,551	14,538	12	49
Revolving commercial line of credit	10,000	-	-	-	-	10,000	10,000
SBA contingency reserve	5,323	-	-	-	-	5,323	5,323
Federal Reserve Bank PPPLF advances	-	-	-	11,145	111,498	-	(111,498)
Other liabilities	12,696	16,680	7,673	8,635	7,956	(3,984)	4,740
<b>Total liabilities</b>	<b>1,486,723</b>	<b>1,219,625</b>	<b>1,152,149</b>	<b>1,074,827</b>	<b>1,045,544</b>	<b>267,098</b>	<b>441,179</b>
<b>Stockholders' equity</b>							
Voting common stock	6,614	6,031	6,003	6,003	6,003	583	611
Nonvoting common stock	1,991	1,991	1,991	1,991	1,991	-	-
Capital surplus	131,792	122,732	122,411	122,070	121,756	9,060	10,036
Accumulated deficit	(18,276)	(20,998)	(24,249)	(27,525)	(30,598)	2,722	12,322
Accumulated other comprehensive income	2,813	3,968	3,682	3,255	2,836	(1,155)	(23)
<b>Total stockholders' equity</b>	<b>124,934</b>	<b>113,724</b>	<b>109,838</b>	<b>105,794</b>	<b>101,988</b>	<b>11,210</b>	<b>22,946</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,611,657</b>	<b>\$ 1,333,349</b>	<b>\$ 1,261,987</b>	<b>\$ 1,180,621</b>	<b>\$ 1,147,532</b>	<b>\$ 278,308</b>	<b>\$ 464,125</b>
<b>Capital ratios <sup>(2)</sup></b>							
Leverage ratio	8.25%	8.18%	8.32%	8.87%	9.15%	0.07%	-0.90%
CET1 risk-based capital ratio	10.94	10.92	11.22	11.60	11.46	0.02	-0.52
Tier 1 risk-based capital ratio	10.94	10.92	11.22	11.60	11.46	0.02	-0.52
Total risk-based capital ratio	11.63	11.74	12.03	12.45	12.34	-0.11	-0.72

<sup>(1)</sup> Includes commercial mortgage servicing assets of \$1,736, \$1,147, \$989, \$897, and \$899 for 4Q21, 3Q21, 2Q21, 1Q21, and 4Q20, respectively.

<sup>(2)</sup> 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)*

	4Q21	3Q21	2Q21	1Q21	4Q20	4Q21 change vs	
						3Q21	4Q20
<b>Interest income</b>							
Interest on cash and due from banks	\$ 19	\$ 2	\$ 2	\$ 1	\$ 1	\$ 17	\$ 18
Interest on federal funds sold and resell agreements	286	282	288	285	282	4	4
Interest and dividends on investment securities	1,181	865	806	744	720	316	461
Interest and fees on LHFS	1,172	1,309	1,448	1,595	1,840	(137)	(668)
Interest and fees on LHFI	10,318	8,753	8,250	8,393	8,322	1,565	1,996
Total interest income	12,976	11,211	10,794	11,018	11,165	1,765	1,811
<b>Interest expense</b>							
Deposits	946	827	838	956	1,054	119	(108)
Other borrowings	291	279	278	339	374	12	(83)
Total interest expense	1,237	1,106	1,116	1,295	1,428	131	(191)
Net interest income	11,739	10,105	9,678	9,723	9,737	1,634	2,002
Provision for credit losses	399	700	222	5	1,385	(301)	(986)
Net interest income after provision for credit losses	11,340	9,405	9,456	9,718	8,352	1,935	2,988
<b>Noninterest income</b>							
Mortgage banking related income	709	785	845	676	646	(76)	63
Gain on sale of government guaranteed loans	565	1,132	977	246	443	(567)	122
Bargain purchase gain	1,649	-	-	-	-	1,649	1,649
Interchange and card fee income	248	236	261	257	187	12	61
Bank-owned life insurance	121	384	307	119	122	(263)	(1)
Service charges on deposit accounts	209	156	140	138	143	53	66
Securities (loss) gain, net	(65)	-	6	-	302	(65)	(367)
Other noninterest income	267	192	286	350	149	75	118
Total noninterest income	3,703	2,885	2,822	1,786	1,992	818	1,711
<b>Noninterest expense</b>							
Salaries and employee benefits	6,898	5,258	5,139	4,941	5,464	1,640	1,434
Other professional services	1,429	485	638	387	638	944	791
Occupancy and equipment	747	535	521	509	439	212	308
Software and other technology expense	686	510	445	444	330	176	356
Data processing	592	355	353	331	316	237	276
Regulatory assessment	331	249	223	209	168	82	163
Loss on other real estate owned, net	325	25	32	-	135	300	190
Other noninterest expense	952	722	735	643	736	230	216
Total noninterest expense	11,960	8,139	8,086	7,464	8,226	3,821	3,734
Net income before taxes	3,083	4,151	4,192	4,040	2,118	(1,068)	965
Income tax expense	360	900	918	966	409	(540)	(49)
<b>Net income</b>	<b>\$ 2,723</b>	<b>\$ 3,251</b>	<b>\$ 3,274</b>	<b>\$ 3,074</b>	<b>\$ 1,709</b>	<b>\$ (528)</b>	<b>\$ 1,014</b>
Earnings per share - basic	\$ 0.31	\$ 0.41	\$ 0.41	\$ 0.38	\$ 0.21	\$ (0.10)	\$ 0.09
Earnings per share - diluted	\$ 0.31	\$ 0.39	\$ 0.40	\$ 0.38	\$ 0.21	\$ (0.09)	\$ 0.09
Tangible book value	\$ 119,106	\$ 108,434	\$ 104,505	\$ 100,417	\$ 96,565	\$ 10,672	\$ 22,541
Tangible book value per share	\$ 13.84	\$ 13.52	\$ 13.07	\$ 12.56	\$ 12.08	\$ 0.32	\$ 1.76
Shares outstanding	8,604,735	8,021,153	7,993,653	7,993,653	7,993,653	583,582	611,082
Weighted average shares - basic	8,588,600	8,003,709	7,993,653	7,993,653	7,983,753	584,890	604,847
Weighted average shares - diluted	8,826,000	8,230,906	8,238,909	8,011,481	7,992,332	595,093	833,668



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

	Twelve Months Ended December 31		Change
	2021	2020	
<b>Interest income</b>			
Interest on cash and due from banks	\$ 24	\$ 96	\$ (72)
Interest on federal funds sold and resell agreements	1,141	512	629
Interest and dividends on investment securities	3,596	2,558	1,038
Interest and fees on LHFS	5,524	5,834	(310)
Interest and fees on LHFI	35,714	28,677	7,037
Total interest income	45,999	37,677	8,322
<b>Interest expense</b>			
Deposits	3,567	5,094	(1,527)
Other borrowings	1,187	672	515
Total interest expense	4,754	5,766	(1,012)
Net interest income	41,245	31,911	9,334
Provision for credit losses	1,326	3,236	(1,910)
Net interest income after provision for credit losses	39,919	28,675	11,244
<b>Noninterest income</b>			
Mortgage banking related income	3,015	2,150	865
Gain on sale of government guaranteed loans	2,920	1,263	1,657
Bargain purchase gain	1,649	-	1,649
Interchange and card fee income	1,002	742	260
Bank-owned life insurance	931	416	515
Service charges on deposit accounts	643	547	96
Securities (loss) gain, net	(59)	948	(1,007)
Other noninterest income	1,095	358	737
Total noninterest income	11,196	6,424	4,772
<b>Noninterest expense</b>			
Salaries and employee benefits	22,236	17,475	4,761
Professional services	2,939	1,470	1,469
Occupancy and equipment	2,312	1,644	668
Software and other technology expense	2,085	1,350	735
Data processing	1,631	1,256	375
Regulatory assessment	1,012	621	391
Loss on other real estate owned, net	382	228	154
Other noninterest expense	3,052	2,834	218
Total noninterest expense	35,649	26,878	8,771
Net income before taxes	15,466	8,221	7,245
Income tax expense	3,144	1,853	1,291
<b>Net income</b>	<b>\$ 12,322</b>	<b>\$ 6,368</b>	<b>\$ 5,954</b>
Earnings per share - basic	\$ 1.51	\$ 0.80	\$ 0.71
Earnings per share - diluted	\$ 1.48	\$ 0.80	\$ 0.68
Shares outstanding	8,604,735	7,993,653	611,082
Weighted average shares - basic	8,144,215	7,963,767	180,448
Weighted average shares - diluted	8,323,712	7,986,952	336,760

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

	Quarterly trend					4Q21 change vs	
	4Q21	3Q21	2Q21	1Q21	4Q20	3Q21	4Q20
<b>Average balances</b>							
Cash and cash equivalents	\$ 48,922	\$ 10,011	\$ 6,585	\$ 8,333	\$ 8,817	\$ 38,911	\$ 40,105
Federal funds sold and resell agreements	240,282	173,329	149,620	133,167	121,233	66,953	119,049
Investment securities	258,622	175,617	140,442	127,926	124,010	83,005	134,612
Loans held for sale	80,700	90,672	105,425	122,878	128,112	(9,972)	(47,412)
Loans held for investment	909,314	772,205	753,920	723,559	685,751	137,109	223,563
Total earning assets	1,537,840	1,221,834	1,155,992	1,115,863	1,067,923	316,006	469,917
Total nonearning assets	62,303	55,305	55,521	54,081	52,754	6,998	9,549
Total assets	<u>\$ 1,600,143</u>	<u>\$ 1,277,139</u>	<u>\$ 1,211,513</u>	<u>\$ 1,169,944</u>	<u>\$ 1,120,677</u>	<u>\$ 323,004</u>	<u>\$ 479,466</u>
Interest-bearing deposits	\$ 994,414	\$ 797,603	\$ 754,449	\$ 686,949	\$ 639,995	\$ 196,811	\$ 354,419
Other borrowings	36,626	34,677	36,874	115,974	142,173	1,949	(105,547)
Total interest bearing liabilities	1,031,040	832,280	791,323	802,923	782,168	198,760	248,872
Noninterest-bearing deposits	429,186	325,732	305,641	254,650	232,377	103,454	196,809
Other liabilities	16,387	6,442	6,366	8,143	5,327	9,945	11,060
Stockholders' equity	123,530	112,685	108,183	104,228	100,805	10,845	22,725
Total liabilities and stockholders' equity	<u>\$ 1,600,143</u>	<u>\$ 1,277,139</u>	<u>\$ 1,211,513</u>	<u>\$ 1,169,944</u>	<u>\$ 1,120,677</u>	<u>\$ 323,004</u>	<u>\$ 479,466</u>
<b>Interest margins</b>							
Cash and due from banks	0.15%	0.08%	0.12%	0.05%	0.05%	0.07%	0.10%
Federal funds sold and resell agreements	0.47%	0.65%	0.77%	0.87%	0.93%	-0.18%	-0.46%
Investment securities	1.81%	1.95%	2.30%	2.36%	2.31%	-0.14%	-0.50%
LHFS	5.76%	5.73%	5.51%	5.26%	5.71%	0.03%	0.05%
LHFI	4.50%	4.50%	4.39%	4.70%	4.83%	0.00%	-0.33%
Total earning assets	<u>3.35%</u>	<u>3.64%</u>	<u>3.75%</u>	<u>4.00%</u>	<u>4.16%</u>	<u>-0.29%</u>	<u>-0.81%</u>
Interest-bearing deposits	0.38%	0.41%	0.45%	0.56%	0.66%	-0.03%	-0.28%
Other borrowings	3.15%	3.19%	3.02%	1.19%	1.05%	-0.04%	2.10%
Total interest-bearing liabilities	<u>0.48%</u>	<u>0.53%</u>	<u>0.57%</u>	<u>0.65%</u>	<u>0.73%</u>	<u>-0.05%</u>	<u>-0.25%</u>
Cost of total deposits <sup>(1)</sup>	0.26%	0.29%	0.32%	0.41%	0.48%	-0.03%	-0.22%
Cost of total funding <sup>(1)</sup>	0.34%	0.38%	0.41%	0.50%	0.56%	-0.04%	-0.22%
Net interest spread	2.87%	3.11%	3.18%	3.35%	3.43%	-0.24%	-0.56%
Net interest margin	3.03%	3.28%	3.36%	3.53%	3.63%	-0.25%	-0.60%
Yield on total loans	4.60%	4.63%	4.53%	4.79%	4.97%	-0.03%	-0.37%
Yield on loans excluding PPP <sup>(2)</sup>	4.43%	4.37%	4.57%	4.81%	4.96%	0.06%	-0.53%
Yield on LHFI excluding PPP <sup>(2)</sup>	4.30%	4.19%	4.41%	4.72%	4.78%	0.11%	-0.48%
Net interest margin excluding PPP <sup>(2)</sup>	2.86%	2.98%	3.22%	3.37%	3.41%	-0.12%	-0.56%
Efficiency ratio	77.45%	62.66%	64.69%	64.85%	70.13%	14.79%	7.32%

<sup>(1)</sup> Includes noninterest-bearing deposits.

<sup>(2)</sup> Non-GAAP measure, see "GAAP to Non-GAAP Reconciliation" schedule.

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

	4Q21			3Q21			4Q20		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
<b>Assets</b>									
<b>Earning assets:</b>									
Cash and due from banks	\$ 48,922	\$ 19	0.15%	\$ 10,011	\$ 1	0.04%	\$ 8,817	\$ 1	0.05%
Federal funds sold and resell agreements	240,282	286	0.47%	173,329	283	0.65%	121,233	282	0.93%
Investment securities	258,622	1,181	1.81%	175,617	865	1.95%	124,010	720	2.31%
Loans held for sale	80,700	1,172	5.76%	90,672	1,309	5.73%	128,112	1,840	5.71%
Loans held for investment	909,314	10,318	4.50%	772,205	8,753	4.50%	685,751	8,322	4.83%
Total earning assets	1,537,840	12,976	3.35%	1,221,834	11,211	3.64%	1,067,923	11,165	4.16%
Allowance for loan losses	(7,820)			(7,212)			(5,770)		
Bank-owned life insurance	19,937			18,795			18,880		
Premises, furniture and equipment, net	17,781			17,678			16,300		
Deferred tax asset	13,632			10,448			9,729		
Goodwill & intangible assets	6,567			6,341			6,285		
Other real estate owned	738			718			1,097		
Other assets	11,468			8,537			6,233		
Total assets	<u>\$ 1,600,143</u>			<u>\$ 1,277,139</u>			<u>\$ 1,120,677</u>		
Interest-bearing deposits	994,414	946	0.38%	797,603	827	0.41%	639,995	1,054	0.66%
Federal Reserve Bank advances	-	-	0.00%	109	-	0.00%	107,626	95	0.35%
Federal Home Loan Bank advances	20,000	38	0.75%	20,000	39	0.77%	20,000	39	0.78%
Revolving commercial line of credit <sup>(1)</sup>	2,046	18	3.49%	-	-	0.00%	-	-	0.00%
Subordinated debt, net	14,580	235	6.39%	14,568	240	6.54%	14,547	240	6.56%
Total interest-bearing liabilities	1,031,040	1,237	0.48%	832,280	1,106	0.53%	782,168	1,428	0.73%
Noninterest-bearing deposits	429,186			325,732			232,377		
Other liabilities	16,387			6,442			5,327		
Stockholders' equity	123,530			112,685			100,805		
Total liabilities and stockholders' equity	<u>\$ 1,600,143</u>			<u>\$ 1,277,139</u>			<u>\$ 1,120,677</u>		

<sup>(1)</sup> Loan carries a contractual borrowing interest rate of 3.25%, plus debt costs.

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

	Twelve Months Ended December 31, 2021			Twelve Months Ended December 31, 2020		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
<b>Assets</b>						
<b>Earning assets:</b>						
Cash and due from banks	\$ 18,551	\$ 24	0.13%	\$ 16,879	\$ 96	0.57%
Federal funds sold and resell agreements	174,391	1,141	0.65%	69,780	512	0.73%
Investment securities	176,010	3,595	2.04%	102,727	2,558	2.49%
Loans held for sale	99,778	5,525	5.54%	105,040	5,834	5.55%
Loans held for investment	790,210	35,714	4.52%	606,659	28,677	4.73%
Total earning assets	1,258,940	45,999	3.65%	901,085	37,677	4.18%
Allowance for loan losses	(7,286)			(4,816)		
Bank-owned life insurance	19,212			16,158		
Premises, furniture and equipment, net	17,276			15,464		
Deferred tax asset	10,989			10,139		
Goodwill & intangible assets	6,372			6,316		
Other real estate owned	767			1,252		
Other assets	9,490			5,666		
Total assets	<u>\$ 1,315,760</u>			<u>\$ 951,264</u>		
Interest-bearing deposits	809,167	3,567	0.44%	559,603	5,094	0.91%
Federal Reserve Bank advances	19,862	70	0.35%	58,023	203	0.35%
Federal Home Loan Bank advances	20,822	154	0.74%	26,885	174	0.65%
Revolving commercial line of credit <sup>(1)</sup>	516	18	3.49%	-	-	0.00%
Subordinated debt, net	14,562	945	6.49%	4,532	295	6.51%
Total interest-bearing liabilities	864,929	4,754	0.55%	649,043	5,766	0.89%
Noninterest bearing deposits	329,272			200,900		
Other liabilities	9,348			4,477		
Stockholders' equity	112,211			96,844		
Total liabilities and stockholders' equity	<u>\$ 1,315,760</u>			<u>\$ 951,264</u>		
<b>Interest margins</b>						
Cost of total deposits <sup>(2)</sup>	0.31%			0.67%		
Cost of total funding <sup>(2)</sup>	0.40%			0.68%		
Net interest spread	3.10%			3.29%		
Net interest margin	3.28%			3.54%		
Efficiency ratio	67.98%			70.11%		

<sup>(1)</sup> Loan carries a contractual borrowing interest rate of 3.25%, plus debt costs.

<sup>(2)</sup> Includes noninterest-bearing deposits.

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

						4Q21 change vs	
	4Q21	3Q21	2Q21	1Q21	4Q20	3Q21	4Q20
<b>Loans held for investment ("LHFI")</b>							
<b>Commercial loans</b>							
Construction and land	\$ 76,547	\$ 58,297	\$ 55,778	\$ 61,075	\$ 62,079	\$ 18,250	\$ 14,468
Commercial real estate	404,797	328,856	295,990	275,817	261,102	75,941	143,695
Commercial and industrial	167,360	137,198	113,555	106,616	104,955	30,162	62,405
Paycheck Protection Program	47,655	70,866	119,966	159,806	122,517	(23,211)	(74,862)
<b>Consumer loans</b>							
Residential real estate	101,198	75,866	72,850	67,359	67,215	25,332	33,983
Other consumer	104,664	103,398	103,490	83,264	84,650	1,266	20,014
<b>Purchased Credit Impaired (PCI) loans</b>							
Construction and land	702	-	-	-	-	702	702
Commercial real estate	26,843	-	-	-	-	26,843	26,843
Commercial and industrial	5,935	-	-	-	-	5,935	5,935
Residential real estate	2,412	-	-	-	-	2,412	2,412
Other consumer	3	-	-	-	-	3	3
<b>Total loans held for investment</b>	<b>\$ 938,116</b>	<b>\$ 774,481</b>	<b>\$ 761,629</b>	<b>\$ 753,937</b>	<b>\$ 702,518</b>	<b>\$ 163,635</b>	<b>\$ 235,598</b>
Core LHFI	763,357	673,442	609,339	556,308	542,722	89,915	220,635
Acquired LHFI <sup>(1)</sup>	127,104	30,173	32,324	37,823	37,279	96,931	89,825
Paycheck Protection Program	47,655	70,866	119,966	159,806	122,517	(23,211)	(74,862)
<b>Total loans held for investment</b>	<b>\$ 938,116</b>	<b>\$ 774,481</b>	<b>\$ 761,629</b>	<b>\$ 753,937</b>	<b>\$ 702,518</b>	<b>\$ 163,635</b>	<b>\$ 235,598</b>
Total loans held for sale	81,453	81,257	104,035	116,334	113,481	196	(32,028)
Total allowance for loan losses	8,148	7,715	7,157	7,060	7,041	433	1,107
<b>Nonperforming assets</b>							
Nonaccrual loans	2,184	2,412	2,752	2,710	3,494	(228)	(1,310)
Troubled debt restructurings	394	225	230	234	239	169	155
Other real estate owned	640	616	778	810	810	24	(170)
<b>Total nonperforming assets</b>	<b>\$ 3,218</b>	<b>\$ 3,253</b>	<b>\$ 3,760</b>	<b>\$ 3,754</b>	<b>\$ 4,543</b>	<b>\$ (35)</b>	<b>\$ (1,325)</b>
<b>Credit Analysis</b>							
QTD net charge-offs (recoveries)	\$ (34)	\$ 142	\$ (28)	\$ 139	\$ 47	\$ (176)	\$ (81)
Net charge-offs to total LHFI	-0.01%	0.07%	-0.01%	0.07%	0.03%	-0.09%	-0.04%
Total allowance for loan losses to total LHFI	0.87%	1.00%	0.94%	0.94%	1.00%	-0.13%	-0.13%
Total allowance for loan losses to total							
LHFI, excluding PPP loans <sup>(2)</sup>	0.92%	1.10%	1.12%	1.19%	1.21%	-0.18%	-0.30%
Nonperforming loans to gross LHFI	0.27%	0.34%	0.39%	0.39%	0.53%	-0.07%	-0.26%
Nonperforming assets to total assets	0.20%	0.24%	0.30%	0.32%	0.40%	-0.04%	-0.20%

<sup>(1)</sup> Includes loans acquired through business combinations.

<sup>(2)</sup> Non-GAAP measure, see "GAAP to Non-GAAP Reconciliation" schedule.



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

	Quarterly Trends				
	4Q21	3Q21	2Q21	1Q21	4Q20
<b>Net Income</b>	\$ 2,723	\$ 3,251	\$ 3,274	\$ 3,074	\$ 1,709
Total noninterest income	3,703	2,885	2,822	1,786	1,992
Adjustments to noninterest income *	(1,649)	-	-	-	-
Total noninterest expense	11,960	8,139	8,086	7,464	8,226
Adjustments to noninterest expense **	1,744	125	256	37	78
Income Taxes	360	900	918	966	409
Tax effect of adjustments	(23)	(30)	(62)	(9)	(19)
<b>Adjusted net income</b>	\$ 2,795	\$ 3,346	\$ 3,468	\$ 3,102	\$ 1,768
Net Income	2,723	3,251	3,274	3,074	1,709
Provision for allowance for loan losses	399	700	222	5	1,385
Provision for income taxes	360	900	918	966	409
<b>Pre-tax pre-provision net revenue (PPNR)</b>	\$ 3,482	\$ 4,851	\$ 4,414	\$ 4,045	\$ 3,503
Adjustments to noninterest income *	(1,649)	-	-	-	-
Adjustments to noninterest expense **	1,744	125	256	37	78
<b>Adjusted Pre-Tax Pre-Provision Income</b>	\$ 3,577	\$ 4,976	\$ 4,670	\$ 4,082	\$ 3,581
Return on average tangible assets (ROTA)	0.68%	1.01%	1.09%	1.07%	0.61%
Adjustments to net income	0.02%	0.03%	0.06%	0.01%	0.02%
<b>Adjusted ROTA</b>	0.70%	1.04%	1.15%	1.08%	0.63%
Return on Tangible Common Equity (ROTCE)	9.10%	12.01%	12.77%	12.61%	7.13%
Adjustments to net income	0.24%	0.35%	0.76%	0.11%	0.25%
<b>Adjusted ROTCE</b>	9.34%	12.36%	13.53%	12.73%	7.38%
Diluted EPS	\$ 0.31	\$ 0.39	\$ 0.40	\$ 0.38	\$ 0.21
Adjustments to net income	0.02	0.03	0.03	0.01	0.01
<b>Adjusted diluted EPS</b>	\$ 0.33	\$ 0.42	\$ 0.43	\$ 0.39	\$ 0.22
Efficiency ratio	77.45%	62.66%	64.69%	64.85%	70.13%
Adjustments to net income	-3.38%	-0.97%	-2.05%	-0.32%	-0.66%
<b>Adjusted efficiency ratio</b>	74.07%	61.69%	62.64%	64.53%	69.47%
Interest and fees on LHFS	\$ 1,172	\$ 1,309	\$ 1,448	\$ 1,595	\$ 1,840
Interest and fees on LHFI	10,318	8,753	8,250	8,393	8,322
Interest and fees on PPP loans	(1,054)	(1,736)	(1,579)	(1,617)	(1,791)
<b>Loan interest income excluding PPP loans</b>	\$ 10,436	\$ 8,326	\$ 8,119	\$ 8,371	\$ 8,371
Interest and fees on LHFI	10,318	8,753	8,250	8,393	8,322
Interest and fees on PPP loans	(1,054)	(1,736)	(1,579)	(1,617)	(1,791)
<b>LHFI interest income excluding PPP loans</b>	\$ 9,264	\$ 7,017	\$ 6,671	\$ 6,776	\$ 6,531
Net interest income	11,739	10,105	9,678	9,723	9,737
Interest and fees on PPP loans	(1,054)	(1,736)	(1,579)	(1,617)	(1,791)
<b>Net interest income excluding PPP loans</b>	\$ 10,685	\$ 8,369	\$ 8,099	\$ 8,106	\$ 7,946
Total earning assets	1,537,840	1,221,834	1,155,992	1,115,863	1,067,923
Average PPP loans	(55,194)	(107,622)	(146,772)	(141,248)	(142,054)
<b>Adjusted earning assets</b>	\$ 1,482,646	\$ 1,114,212	\$ 1,009,220	\$ 974,615	\$ 925,869
Average loans (LHFI + LHFS)	990,014	862,877	859,345	846,437	813,863
Average PPP Loans	(55,194)	(107,622)	(146,772)	(141,248)	(142,054)
<b>Average loans excluding PPP</b>	\$ 934,820	\$ 755,255	\$ 712,573	\$ 705,189	\$ 671,809
Average LHFI	909,314	772,205	753,920	723,559	685,751
Average PPP Loans	(55,194)	(107,622)	(146,772)	(141,248)	(142,054)
<b>Average LHFI excluding PPP</b>	\$ 854,120	\$ 664,583	\$ 607,148	\$ 582,311	\$ 543,697

(\*) Consists of bargain purchase gain as a result of Cornerstone Bancshares, Inc. acquisition.

(\*\*) Consists of merger and acquisition and due diligence costs.

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

	Quarterly Trends				
	4Q21	3Q21	2Q21	1Q21	4Q20
Yield on total loans	4.60%	4.63%	4.53%	4.79%	4.97%
Impact of PPP loans	-0.17%	-0.26%	0.04%	0.02%	-0.01%
<b>Yield on total loans excluding PPP loans</b>	<b>4.43%</b>	<b>4.37%</b>	<b>4.57%</b>	<b>4.81%</b>	<b>4.96%</b>
Yield on LHFI	4.50%	4.50%	4.39%	4.70%	4.83%
Impact of PPP loans	-0.20%	-0.31%	0.02%	0.02%	-0.05%
<b>Yield on LHFI excluding PPP loans</b>	<b>4.30%</b>	<b>4.19%</b>	<b>4.41%</b>	<b>4.72%</b>	<b>4.78%</b>
Net interest margin	3.03%	3.28%	3.36%	3.53%	3.63%
Impact of PPP loans	-0.17%	-0.30%	-0.14%	-0.16%	-0.22%
<b>Net interest margin excluding PPP loans</b>	<b>2.86%</b>	<b>2.98%</b>	<b>3.22%</b>	<b>3.37%</b>	<b>3.41%</b>
Average assets	\$ 1,600,143	\$ 1,277,139	\$ 1,211,513	\$ 1,169,944	\$ 1,120,677
Average goodwill & intangible assets	(6,567)	(6,341)	(6,285)	(6,293)	(6,285)
Average commercial mortgage servicing rights	1,728	1,029	929	891	836
<b>Average tangible assets</b>	<b>\$ 1,595,304</b>	<b>\$ 1,271,827</b>	<b>\$ 1,206,157</b>	<b>\$ 1,164,542</b>	<b>\$ 1,115,228</b>
Average stockholders' equity	\$ 123,530	\$ 112,685	\$ 108,183	\$ 104,228	\$ 100,805
Average goodwill & intangible assets	(6,567)	(6,341)	(6,285)	(6,293)	(6,285)
Average commercial mortgage servicing rights	1,728	1,029	929	891	836
<b>Average tangible equity</b>	<b>\$ 118,691</b>	<b>\$ 107,373</b>	<b>\$ 102,827</b>	<b>\$ 98,826</b>	<b>\$ 95,356</b>