

November 10, 2022

To our Shareholders:

CoastalSouth Bancshares, Inc. (the "Company") is pleased to announce net income of \$5.3 million, or \$0.60 per diluted share, for the third quarter of 2022, compared to \$3.7 million net income, or \$0.42 per diluted share, for the second quarter of 2022.

"This quarter was the most profitable quarter in the Company's history," said Steve Stone, President and Chief Executive Officer of the Company and its wholly owned subsidiary, Coastal States Bank ("CSB" or the "Bank"). "Our continued focus on generating strong banking relationships from both a lending and deposit perspective, in combination with our asset sensitive balance sheet, has helped us achieve this outstanding quarterly performance."

### Highlights for the Third Quarter of 2022

- **Net income of \$5.3 million, and \$0.60 diluted earnings per share ("Diluted EPS")**
- **Total assets grew \$9.7 million, a 0.6% increase from June 30, 2022**
- **Core loans held for investment grew \$89.0 million, a 9.0% increase from June 30, 2022**
- **Total deposits grew \$33.3 million, a 2.2% increase from June 30, 2022**
- **Efficiency ratio was 51.85% compared to 58.01% and 62.66% in the second and third quarters of 2022 and 2021, respectively**
- **Net interest margin was 3.72% compared to 3.45% and 3.28% in the second and third quarters of 2022 and 2021, respectively**

During the third quarter, core loans held for investment ("LHFI") grew by \$89.0 million, excluding acquired loans. While each of the Bank's community banking regions and specialty lines of businesses contributed to the growth, CSB's correspondent marine division led the way with \$50.5 million of new loans originated during the third quarter. This line of business is focused on financing high-end yachts and sport fishing vessels for experienced borrowers and is helping to further diversify the Bank's loan portfolio.

The Company's deposits increased by \$33.3 million to \$1.54 billion from approximately \$1.51 billion in the second quarter of 2022. To keep pace with loan demand, and in response to recent increases in interest rates, CSB launched several competitively priced deposit products early in the third quarter of 2022 to help acquire new deposit customers. Additionally, in October 2022, the company hired an experienced correspondent banker to lead our newly created financial institutions group, which will focus on banking community banks across the Southeast.

As a result of continued inflationary pressure, the Federal Reserve increased the federal funds interest rate target by an additional 150 basis points during the third quarter of 2022, following the 150 basis point increase during the first half of 2022. The rate setting Federal Open Market Committee ("FOMC") members have indicated that rate increases are likely to continue throughout 2022 and into 2023 to help reduce inflation. Like many other institutions during this same time period, the Company's available-for-sale ("AFS") investment portfolio experienced a decline in fair value driven by these rising interest rates, which reduced tangible book value. The Company's investment portfolio as structured at the end of the third quarter of 2022 has approximately 43% invested in floating rate securities and the overall yield will benefit from this mix as rates increase.

Notwithstanding net income of \$5.3 million, or \$0.60 per share, for the quarter, tangible book value per share decreased from \$12.12 at June 30, 2022 to \$11.79 at September 30, 2022. This decrease is entirely attributable to the decline in fair value of the Company's investment portfolio.

Unrealized losses are expected to decrease as securities approach maturity, which will increase tangible book value over the remaining life of investment portfolio. However, additional interest rate increases or changes to the expectations about the FOMC's actions around rate increases could cause additional unrealized losses to be generated. The Company reviews its AFS securities portfolio quarterly for other-than-temporary impairment, and none was recognized during the third quarter. Management believes that these decreases in value are driven by the market interest rate movements and are not indicative of credit or other performance issues within the securities portfolio.

The Company's credit metrics remained strong throughout the third quarter as the Non-Performing Assets ("NPA") ratio increased modestly to 0.31% compared to 0.28% at the end of the second quarter of 2022. Nonaccrual loans decreased by approximately \$1.6 million due to the full pay-off of one non-performing loan. This was offset by an increase of \$2.1 million in loans that were 90 days past due and still accruing; however, these past due loans primarily consist of Paycheck Protection Program loans that are 100% guaranteed by the United States government. The Company's net charge-offs to total LHFI ratio remained low at 0.08% for the third quarter of 2022.

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

	Quarterly Trends					3Q22 change vs	
	3Q22	2Q22	1Q22	4Q21	3Q21	2Q22	3Q21
<b>Selected Balance Sheet Data</b>							
Total assets	\$ 1,722,915	\$ 1,713,183	\$ 1,669,622	\$ 1,611,657	\$ 1,333,349	\$ 9,732	\$ 389,566
Total gross loans (LHFS + LHFI)	1,231,779	1,171,467	1,052,917	1,019,569	855,738	60,312	376,041
Total deposits	1,540,143	1,506,808	1,489,263	1,424,117	1,168,370	33,335	371,773
<b>Earnings Highlights</b>							
Net income	\$ 5,260	\$ 3,681	\$ 3,745	\$ 2,723	\$ 3,251	\$ 1,579	\$ 2,009
Diluted earnings per share (EPS)	\$ 0.60	\$ 0.42	\$ 0.42	\$ 0.31	\$ 0.39	\$ 0.18	\$ 0.21
Net interest income	\$ 15,181	\$ 13,661	\$ 11,824	\$ 11,739	\$ 10,105	\$ 1,520	\$ 5,076
<b>Performance Ratios</b>							
Net interest margin	3.72%	3.45%	3.09%	3.03%	3.28%	0.27%	0.44%
Net interest spread	3.46%	3.30%	2.94%	2.87%	3.11%	0.16%	0.35%
Cost of total deposits	0.52%	0.28%	0.25%	0.26%	0.29%	0.24%	0.23%
Cost of total funding	0.64%	0.37%	0.34%	0.34%	0.38%	0.27%	0.26%
Efficiency ratio	51.85%	58.01%	55.52%	77.45%	62.66%	-6.16%	-10.81%
Loan-to-deposit ratio	79.98%	77.74%	70.70%	71.59%	73.24%	2.23%	6.74%
<b>Return on (annualized):</b>							
Average assets (ROAA) <sup>2</sup>	1.22%	0.89%	0.93%	0.68%	1.01%	0.33%	0.21%
Average tangible assets (ROTA) <sup>2</sup>	1.22%	0.89%	0.94%	0.68%	1.01%	0.33%	0.20%
Average tangible common equity (ROTCE) <sup>2</sup>	19.02%	13.44%	12.83%	9.10%	12.01%	5.58%	7.01%
Tangible common equity to tangible assets <sup>(2)</sup>	6.10%	6.11%	6.60%	7.42%	8.16%	-0.01%	-2.06%
Tangible book value per share <sup>2</sup>	\$ 11.79	\$ 12.12	\$ 12.77	\$ 13.84	\$ 13.52	\$ (0.33)	\$ (1.73)
<b>Other Operating Measures<sup>1</sup>:</b>							
Pre-tax pre-provision net revenue (PPNR)	\$ 8,021	\$ 6,639	\$ 6,327	\$ 3,482	\$ 4,851	\$ 1,382	\$ 3,170
PPNR ROAA	1.85%	1.60%	1.58%	0.86%	1.51%	0.26%	0.35%
Net interest margin excluding PPP income	3.67%	3.39%	3.00%	2.86%	2.98%	0.28%	0.69%
Adjusted net income	\$ 5,260	\$ 3,693	\$ 3,838	\$ 2,795	\$ 3,346	\$ 1,567	\$ 1,914
Adjusted diluted EPS	\$ 0.60	\$ 0.43	\$ 0.45	\$ 0.33	\$ 0.42	\$ 0.17	\$ 0.18
Adjusted ROTA	1.22%	0.89%	0.96%	0.70%	1.04%	0.33%	0.18%
Adjusted ROTCE	19.02%	13.49%	13.14%	9.34%	12.36%	5.53%	6.66%
Adjusted efficiency ratio	51.85%	57.91%	54.65%	74.07%	61.69%	-6.06%	-9.84%
Adjusted noninterest expense to avg. assets	2.00%	2.20%	1.94%	2.53%	2.49%	-0.21%	-0.49%

<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 \$5.3 million for the third quarter of 2022 compared to a net income of \$3.7 million in the second quarter of 2022, and up from a \$3.3 million net income in the third quarter of 2021. Compared to the second quarter of 2022, the increase in net income was primarily attributable to an overall increase in net interest income. Compared to the third quarter of 2021, the increase in net income was primarily attributable to an overall increase in net interest income, offset by higher provision for credit losses, noninterest expense, and income tax expense due to growth, coupled with a decline in noninterest income.

**Interest income** was \$17.7 million during the third quarter of 2022, compared to \$15.1 million during the second quarter of 2022, and \$11.2 million in the third quarter of 2021. The increase during the third quarter of 2022 compared to the second quarter of 2022 was primarily in interest income on LHFI due to a combination of loan growth and increased interest rates on floating rate loans. Additionally, the rising interest rate environment and tightening housing inventory has slowed the pace of activity in the Mortgage Banker Finance division, resulting in overall lower LHFS volume, but with a higher yield per unit. The increase during the third quarter of 2022 compared to the third quarter of 2021 is due to growth in the loan portfolio coupled with the expansion of the investment portfolio throughout 2021 and into 2022 as well as the acquisition of Cornerstone Bank in October 2021.

The components of interest income are presented below:

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

	Quarterly Trends						3Q22 change vs	
	3Q22	2Q22	1Q22	4Q21	3Q21	2Q22	3Q21	
Interest on cash and due from banks	\$ 13	\$ 6	\$ 5	\$ 19	\$ 2	\$ 7	\$ 11	
Interest on federal funds sold and resell agreements	321	261	197	286	282	60	39	
Interest and dividends on investment securities	2,455	2,174	1,640	1,181	865	281	1,590	
Interest and fees on LHFS	837	1,166	1,027	1,172	1,309	(329)	(472)	
Interest and fees on LHFI excluding PPP loans	13,956	11,038	9,583	9,264	7,017	2,918	6,939	
Interest and fees on PPP loans	107	433	621	1,054	1,736	(326)	(1,629)	
<b>Interest income</b>	<b>\$ 17,689</b>	<b>\$ 15,078</b>	<b>\$ 13,073</b>	<b>\$ 12,976</b>	<b>\$ 11,211</b>	<b>\$ 2,611</b>	<b>\$ 6,478</b>	

**Interest expense** was \$2.5 million during the third quarter of 2022 compared to \$1.4 million during the second quarter of 2022, and \$1.1 million during the third quarter of 2021. Compared to the second quarter of 2022, the increase in interest expense is due to a combination of an increase in average balance as well as a 33 basis points increase in costs of interest-bearing deposits. 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 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, as needed. The Company has repriced certain interest-bearing deposits interest rates in light of the rising interest rate environment and has created some acquisition specials to attract new customers.

**Net interest margin** for the third quarter of 2022 was 3.72%, compared to 3.45% for the second quarter of 2022 and 3.28% for the third quarter of 2021. Compared to the second quarter of 2022, net interest margin increased by 27 basis points, which is related to increased total earning assets balances, primarily and LHFI, coupled with a rising interest rate environment. Compared to the same quarter last year, net interest margin increased by 44 basis points and is attributable to investment securities and LHFI growth as well as rising interest rates on floating rate instruments, offset with increases in deposit costs.

**The cost of funds** for the third quarter of 2022 was 64 basis points compared to 37 basis points during the second quarter of 2022, and 38 basis points during the third quarter of 2021. The cost of funds increase from the second quarter of 2022 is primarily due the current rising interest rate environment as deposits rates are adjusted to align with the current market prices to retain current customers and attract new customers. The cost of funds increase compared to the third quarter of 2021 is primarily driven by the growth of interest-bearing deposits as well as the current rising interest rate environment.

**The cost of deposits** was 52 basis points in the third quarter of 2022 compared to 28 and 29 basis points in the second and third quarters of 2022 and 2021, respectively. Compared to the second quarter of 2022, the increase is attributable to the current interest rate rising environment. Compared to the third quarter of 2021, the increase is attributable to the growth of interest-bearing deposits coupled with the current rising interest rate environment.

**Provision for credit losses** was \$1.3 million during the third quarter of 2022, compared to \$1.7 million and \$700 thousand during the second and third quarters of 2022 and 2021, respectively. Compared to the second quarter of 2022, the decrease is primarily related to a nonrecurring allowance provision related to purchased credit-impaired ("PCI") loans from Cornerstone acquisition during the prior quarter. Compared to the third quarter of 2021, the increase is primarily attributable to the growth of LHFI. Net charge-offs were \$248 thousand during the third quarter of 2022, compared to \$14 thousand in the second quarter of 2022.

**Noninterest income** was \$1.5 million during the third quarter of 2022, compared to \$2.2 million and \$2.9 million during the second and third quarters of 2022 and 2021, respectively. Compared to the second quarter of 2022, the decrease is primarily in gain on sale of government guaranteed loans as there were no sales of these loans during the current quarter. Compared to the third quarter of 2021, the decrease in noninterest income of \$1.4 million was primarily driven by a decrease in gain on sale of government guaranteed loans of \$1.1 million and a decrease of mortgage banking related income of

\$468 thousand, offset by an increase in interchange income of \$309 thousand. As interest rates have risen, the market premium on government guaranteed loans has fallen. As a result, the Bank is holding more of its guaranteed loan balances in its portfolio, thus reducing gain on sale income in the future but increasing interest income. Additionally, as mortgage rates and housing prices have risen, demand for mortgage loans has slowed.

**Noninterest expense** was \$8.6 million during the third quarter of 2022, compared to \$9.2 million and \$8.1 million during the second and third quarters of 2022 and 2021, respectively. Compared to the second quarter of 2022, the decrease of \$535 thousand is primarily due to a reduction in non-interest expense related to contingent consideration related to the Cornerstone Bancshares, Inc. acquisition and SBA contingency reserve adjustments during the current quarter. Compared to the third quarter of 2021, the increase of \$498 thousand is primarily in salaries and employee benefits of \$507 thousand, offset by a net of various other expense categories.

**Income tax expense** was \$1.5 million in the third quarter of 2022, compared to \$1.3 million and \$900 thousand in the second and third quarters of 2022 and 2021, respectively. Compared to the second quarter of 2022, the increase is attributable to an increase in taxable income. Compared to the third quarter of 2021, the increase in income tax expense is 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 September 30, 2022 were \$1.723 billion, grew from \$1.713 billion at June 30, 2022, and \$1.333 billion at September 30, 2021. The increase of \$9.7 million as compared to the prior quarter was attributable to continued deployment of liquid funds into LHFI.

**Cash and cash equivalents** at September 30, 2022 was \$32 million, compared to \$86 million at June 30, 2022, and down from \$206 million at September 30, 2021. The decrease in cash and cash equivalents as compared to the prior quarter is primarily attributable to a decrease in federal funds sold and resell agreements as the Company continues to deploy liquidity into higher interest-earning assets in the LHFI.

**Investment securities** at September 30, 2022 were \$372 million, compared to \$374 million at June 30, 2022, and up from \$215 million at September 30, 2021. Compared to June 30, 2022, investment securities remained mostly flat. Compared to September 30, 2021, the increase in investment securities portfolio is due to securities purchases.

**Total gross loans** held for investment at September 30, 2022 were \$1.179 billion, compared to \$1.102 billion at June 30, 2022, and up from \$774 million at September 30, 2021. Loans held for investment grew during the quarter as core LHFI increased by \$89.0 million, offset by forgiveness and paydowns of

Paycheck Protection Program ("PPP") loans of \$4.2 million, and a decrease in acquired LHFIs by \$8.0 million. Compared to September 30, 2021, core LHFIs increased by \$399.8 million and acquired LHFIs grew by \$71.6 million, offset by lower PPP balances due to forgiveness and paydowns of \$67.1 million. Total loans held for sale at September 30, 2022 were \$53.0 million, compared to \$69.5 million at June 30, 2022 and a \$81.3 million at September 30, 2021.

**Allowance for loan losses ("ALL")** at September 30, 2022 was \$11.6 million, compared to \$10.6 million at June 30, 2022, and \$7.7 million at September 30, 2021. The increase in the third quarter of 2022 compared to the second quarter of 2022 and third quarter of 2021, was primarily due to growth in the loan portfolio. Total ALL to total LHFIs excluding PPP was 0.99% at September 30, 2022 as compared to 0.97% and 1.10% at June 30, 2022, and September 30, 2021, respectively. A discount on acquired loans is also recorded through accounting for business combinations, and was \$4.0 million at September 30, 2022, which can be used to absorb future credit losses on acquired loans.

**Nonaccrual loans** decreased by \$1.6 million to approximately \$2.3 million at September 30, 2022 from \$3.8 million at June 30, 2022. Troubled debt restructures ("TDRs") were \$390 thousand compared to \$391 thousand at June 30, 2022 and increased by \$165 thousand compared to September 30, 2021. Total nonperforming loans to gross LHFIs outstanding was 0.41% at September 30, 2022, compared to 0.39% and 0.62% at June 30, 2022, and September 30, 2021, respectively.

**Nonperforming assets** to total assets increased by 3 basis points to 0.31% at September 30, 2022, compared to 0.28% at June 30, 2022, and increased by 10 basis points compared to 0.41% at September 30, 2021. Other real estate owned ("OREO") was \$571 thousand in the third quarter of 2022 compared to \$573 thousand in the second quarter of 2022. Compared to the third quarter of 2021, the decrease of \$45 thousand is due to liquidation of OREO properties.

**Total deposits** at September 30, 2022 were \$1.540 billion, an increase from \$1.507 billion at June 30, 2022, and from \$1.168 billion at September 30, 2021. The increase in total deposits from June 30, 2022 is attributable to continued new customer acquisition across the franchise. Noninterest-bearing deposits accounted for 27.6% of total deposits, compared to 28.9% of total deposits at June 30, 2022, and 28.5% at September 30, 2021. 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.

**Subordinated debt**, net of debt issuance costs, remained at approximately \$14.6 million at September 30, 2022, June 30, 2022, and September 30, 2021.

**Federal Home Loan Bank (“FHLB”) advances** were \$25.0 million at September 30, 2022, compared to \$50.0 million and \$20.0 million at June 30, 2022 and September 30, 2021, respectively. The decrease from June 30, 2022 is due to paydown of the advances.

**Revolving commercial line of credit (“LOC”)** remained the same at \$10.0 million at September 30, 2022 and June 30, 2022. This LOC did not exist at September 30, 2021. 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.

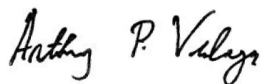
**Accumulated other comprehensive income/(loss)** was \$(28.4) million at September 30, 2022, compared to \$(20.0) million and \$4.0 million at June 30, 2022 and September 30, 2021, respectively. This has been negatively affected by increased unrealized losses on the Company's available-for-sale ("AFS") securities attributed to the rising interest rate environment as discussed above.

**Tangible book value** per share at September 30, 2022 was \$11.79. The decrease of the tangible book value from \$12.12 at June 30, 2022 is due to increased unrealized losses on AFS securities attributed to the rising interest rate environment, offset by current earnings and the impact of the derivative instruments. CSB is currently well capitalized with a leverage ratio of 8.50%, a common equity tier 1 capital ratio of 9.80%, and a total risk-based capital ratio of 10.58%.

### **Detailed Results**

Supplementary unaudited financial statements are included for the third quarter of 2022 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)*

	3Q22		2Q22		1Q22		4Q21		3Q21		3Q22 change vs			
											2Q22	3Q21		
<b>Assets</b>														
Cash and due from banks	\$	7,249	\$	12,414	\$	3,545	\$	15,348	\$	1,542	\$	(5,165)	\$	5,707
Federal funds sold and resell agreements		24,984		73,285		165,936		209,011		204,314		(48,301)		(179,330)
Investment securities		372,383		373,706		368,766		294,754		214,842		(1,323)		157,541
Loans held for sale (LHFS)		53,049		69,533		63,685		81,453		81,257		(16,484)		(28,208)
Loans held for investment (LHFI)		1,178,730		1,101,934		989,232		938,116		774,481		76,796		404,249
Allowance for loan losses		(11,625)		(10,599)		(8,946)		(8,148)		(7,715)		(1,026)		(3,910)
Loans held for investment, net		1,167,105		1,091,335		980,286		929,968		766,766		75,770		400,339
Bank-owned life insurance		29,587		29,402		29,213		29,039		18,918		185		10,669
Premises, furniture and equipment, net		18,056		17,517		17,514		17,650		17,726		539		330
Deferred tax asset		21,223		19,355		17,012		14,498		10,472		1,868		10,751
Goodwill & intangible assets <sup>(1)</sup>		7,173		7,389		7,455		7,564		6,437		(216)		736
Other real estate owned		571		573		573		640		616		(2)		(45)
Other assets		21,535		18,674		15,637		11,732		10,459		2,861		11,076
<b>Total assets</b>	<b>\$</b>	<b>1,722,915</b>	<b>\$</b>	<b>1,713,183</b>	<b>\$</b>	<b>1,669,622</b>	<b>\$</b>	<b>1,611,657</b>	<b>\$</b>	<b>1,333,349</b>	<b>\$</b>	<b>9,732</b>	<b>\$</b>	<b>389,566</b>
<b>Liabilities and stockholders' equity</b>														
<b>Liabilities</b>														
Deposits														
Noninterest bearing DDA	\$	424,848	\$	435,145	\$	417,306	\$	432,631	\$	332,701	\$	(10,297)	\$	92,147
Interest bearing DDA		181,302		181,818		217,308		178,614		171,574		(516)		9,728
Savings and money market		653,631		657,726		678,217		629,974		539,563		(4,095)		114,068
Certificates of deposit		280,362		232,119		176,432		182,898		124,532		48,243		155,830
<b>Total deposits</b>		<b>1,540,143</b>		<b>1,506,808</b>		<b>1,489,263</b>		<b>1,424,117</b>		<b>1,168,370</b>		<b>33,335</b>		<b>371,773</b>
Federal Home Loan Bank advances		25,000		50,000		20,000		20,000		20,000		(25,000)		5,000
Subordinated debt, net		14,622		14,610		14,599		14,587		14,575		12		47
Revolving commercial line of credit		10,000		10,000		10,000		10,000		-		-		10,000
SBA contingency reserve		2,852		3,029		4,229		5,323		-		(177)		2,852
Other liabilities		19,832		18,709		15,876		12,696		16,680		1,123		3,152
<b>Total liabilities</b>		<b>1,612,449</b>		<b>1,603,156</b>		<b>1,553,967</b>		<b>1,486,723</b>		<b>1,219,625</b>		<b>9,293</b>		<b>392,824</b>
<b>Stockholders' equity</b>														
Voting common stock		6,828		6,619		6,615		6,614		6,031		209		797
Nonvoting common stock		2,065		1,991		1,991		1,991		1,991		74		74
Capital surplus		135,592		132,263		132,017		131,792		122,732		3,329		12,860
Accumulated deficit		(5,590)		(10,850)		(14,531)		(18,276)		(20,998)		5,260		15,408
Accumulated other comprehensive (loss) income		(28,429)		(19,996)		(10,437)		2,813		3,968		(8,433)		(32,397)
<b>Total stockholders' equity</b>		<b>110,466</b>		<b>110,027</b>		<b>115,655</b>		<b>124,934</b>		<b>113,724</b>		<b>439</b>		<b>(3,258)</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$</b>	<b>1,722,915</b>	<b>\$</b>	<b>1,713,183</b>	<b>\$</b>	<b>1,669,622</b>	<b>\$</b>	<b>1,611,657</b>	<b>\$</b>	<b>1,333,349</b>	<b>\$</b>	<b>9,732</b>	<b>\$</b>	<b>389,566</b>
<b>Capital ratios <sup>(2)</sup></b>														
Leverage ratio		8.50%		8.46%		8.43%		8.25%		8.18%		0.04%		0.32%
CET1 risk-based capital ratio		9.80		9.95		10.81		10.94		10.92		-0.15		-1.12
Tier 1 risk-based capital ratio		9.80		9.95		10.81		10.94		10.92		-0.15		-1.12
Total risk-based capital ratio		10.58		10.70		11.52		11.63		11.74		-0.12		-1.16

<sup>(1)</sup> Includes commercial mortgage servicing assets of \$1,546, \$1,698, \$1,697, \$1,736, and \$1,147 for 3Q22, 2Q22, 1Q22, 4Q21, and 3Q21, 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)*

						<b>3Q22 change vs</b>	
	<b>3Q22</b>	<b>2Q22</b>	<b>1Q22</b>	<b>4Q21</b>	<b>3Q21</b>	<b>2Q22</b>	<b>3Q21</b>
<b>Interest income</b>							
Interest on cash and due from banks	\$ 13	\$ 6	\$ 5	\$ 19	\$ 2	\$ 7	\$ 11
Interest on federal funds sold and resell agreements	321	261	197	286	282	60	39
Interest and dividends on investment securities	2,455	2,174	1,640	1,181	865	281	1,590
Interest and fees on LHFS	837	1,166	1,027	1,172	1,309	(329)	(472)
Interest and fees on LHFI	14,063	11,471	10,204	10,318	8,753	2,592	5,310
Total interest income	<u>17,689</u>	<u>15,078</u>	<u>13,073</u>	<u>12,976</u>	<u>11,211</u>	<u>2,611</u>	<u>6,478</u>
<b>Interest expense</b>							
Deposits	1,975	1,037	893	946	827	938	1,148
Other borrowings	533	380	356	291	279	153	254
Total interest expense	<u>2,508</u>	<u>1,417</u>	<u>1,249</u>	<u>1,237</u>	<u>1,106</u>	<u>1,091</u>	<u>1,402</u>
Net interest income	15,181	13,661	11,824	11,739	10,105	1,520	5,076
Provision for credit losses	1,274	1,667	1,418	399	700	(393)	574
Net interest income after provision for credit losses	<u>13,907</u>	<u>11,994</u>	<u>10,406</u>	<u>11,340</u>	<u>9,405</u>	<u>1,913</u>	<u>4,502</u>
<b>Noninterest income</b>							
Interchange and card fee income	545	293	288	248	236	252	309
Mortgage banking related income	317	454	577	709	785	(137)	(468)
Service charges on deposit accounts	197	178	181	209	156	19	41
Bank-owned life insurance	185	190	174	121	384	(5)	(199)
Gain on sale of government guaranteed loans	-	837	943	565	1,132	(837)	(1,132)
Bargain purchase gain	-	-	-	1,649	-	-	-
Other noninterest income	233	198	236	202	192	35	41
Total noninterest income	<u>1,477</u>	<u>2,150</u>	<u>2,399</u>	<u>3,703</u>	<u>2,885</u>	<u>(673)</u>	<u>(1,408)</u>
<b>Noninterest expense</b>							
Salaries and employee benefits	5,765	5,911	5,749	6,898	5,258	(146)	507
Occupancy and equipment	636	611	638	747	535	25	101
Data processing	575	482	515	592	355	93	220
Other professional fees	486	777	404	1,429	485	(291)	1
Software and other technology expense	475	418	499	686	510	57	(35)
Regulatory assessment	308	298	269	331	249	10	59
(Gain) loss on other real estate owned, net	(48)	(213)	(230)	325	25	165	(73)
Other noninterest expense	440	888	52	952	722	(448)	(282)
Total noninterest expense	<u>8,637</u>	<u>9,172</u>	<u>7,896</u>	<u>11,960</u>	<u>8,139</u>	<u>(535)</u>	<u>498</u>
Net income before taxes	6,747	4,972	4,909	3,083	4,151	1,775	2,596
Income tax expense	1,487	1,291	1,164	360	900	196	587
<b>Net income</b>	<u>\$ 5,260</u>	<u>\$ 3,681</u>	<u>\$ 3,745</u>	<u>\$ 2,723</u>	<u>\$ 3,251</u>	<u>\$ 1,579</u>	<u>\$ 2,009</u>
Earnings per share - basic	\$ 0.61	\$ 0.42	\$ 0.44	\$ 0.31	\$ 0.41	\$ 0.19	\$ 0.20
Earnings per share - diluted	\$ 0.60	\$ 0.42	\$ 0.42	\$ 0.31	\$ 0.39	\$ 0.18	\$ 0.21
Tangible book value	\$ 104,839	\$ 104,336	\$ 109,897	\$ 119,106	\$ 108,434	\$ 504	\$ (3,595)
Tangible book value per share	\$ 11.79	\$ 12.12	\$ 12.77	\$ 13.84	\$ 13.52	\$ (0.33)	\$ (1.73)
Shares outstanding	8,893,237	8,609,385	8,605,985	8,604,735	8,021,153	283,852	872,084
Weighted average shares - basic	8,689,740	8,606,546	8,604,860	8,588,600	8,003,709	83,194	686,031
Weighted average shares - diluted	8,839,031	8,838,348	8,889,431	8,826,000	8,230,906	683	608,125

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

	Nine Months Ended September 30,		Change
	2022	2021	
<b>Interest income</b>			
Interest on cash and due from banks	\$ 24	\$ 4	\$ 20
Interest on federal funds sold and resell agreements	779	856	(77)
Interest and dividends on investment securities	6,269	2,415	3,854
Interest and fees on LHFS	3,030	4,352	(1,322)
Interest and fees on LHFI	35,738	25,398	10,340
Total interest income	45,840	33,025	12,815
<b>Interest expense</b>			
Deposits	3,905	2,621	1,284
Other borrowings	1,269	896	373
Total interest expense	5,174	3,517	1,657
Net interest income	40,666	29,508	11,158
Provision for credit losses	4,359	927	3,432
Net interest income after provision for credit losses	36,307	28,581	7,726
<b>Noninterest income</b>			
Gain on sale of government guaranteed loans	1,780	2,355	(575)
Mortgage banking related income	1,348	2,306	(958)
Interchange and card fee income	1,126	754	372
Service charges on deposit accounts	556	434	122
Bank-owned life insurance	549	810	(261)
Other noninterest income	667	832	(165)
Total noninterest income	6,026	7,491	(1,465)
<b>Noninterest expense</b>			
Salaries and employee benefits	17,425	15,338	2,087
Occupancy and equipment	1,885	1,565	320
Other professional fees	1,667	1,510	157
Data processing	1,572	1,039	533
Software and other technology expense	1,392	1,399	(7)
Regulatory assessment	875	681	194
(Gain) loss on other real estate owned, net	(491)	57	(548)
Other noninterest expense	1,380	2,100	(720)
Total noninterest expense	25,705	23,689	2,016
Net income before taxes	16,628	12,383	4,245
Income tax expense	3,942	2,784	1,158
<b>Net income</b>	<b>\$ 12,686</b>	<b>\$ 9,599</b>	<b>\$ 3,087</b>
Earnings per share - basic	\$ 1.47	\$ 1.21	\$ 0.26
Earnings per share - diluted	\$ 1.44	\$ 1.19	\$ 0.26
Shares outstanding	8,893,237	8,021,153	872,084
Weighted average shares - basic	8,634,026	7,934,733	699,293
Weighted average shares - diluted	8,789,287	8,098,158	691,129

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

	Quarterly trend					3Q22 change vs	
	3Q22	2Q22	1Q22	4Q21	3Q21	2Q22	3Q21
<b>Average balances</b>							
Cash and cash equivalents	\$ 10,948	\$ 10,960	\$ 16,052	\$ 48,922	\$ 10,011	\$ (12)	\$ 937
Federal funds sold and resell agreements	58,300	105,072	168,300	240,282	173,329	(46,772)	(115,029)
Investment securities	382,784	381,681	348,815	258,622	175,617	1,103	207,167
Loans held for sale	41,585	63,342	62,817	80,700	90,672	(21,757)	(49,087)
Loans held for investment	1,143,023	1,025,822	953,467	909,314	772,205	117,201	370,818
Total earning assets	1,636,640	1,586,877	1,549,451	1,537,840	1,221,834	49,763	414,806
Total nonearning assets	80,915	79,895	75,060	62,303	55,305	1,020	25,610
Total assets	<u>\$ 1,717,555</u>	<u>\$ 1,666,772</u>	<u>\$ 1,624,511</u>	<u>\$ 1,600,143</u>	<u>\$ 1,277,139</u>	<u>\$ 50,783</u>	<u>\$ 440,416</u>
Interest-bearing deposits	\$ 1,092,985	\$ 1,062,591	\$ 1,020,031	\$ 994,414	\$ 797,603	\$ 30,394	\$ 295,382
Other borrowings	55,377	42,625	44,592	36,626	34,677	12,752	20,700
Total interest bearing liabilities	1,148,362	1,105,216	1,064,623	1,031,040	832,280	43,146	316,082
Noninterest-bearing deposits	432,798	426,199	417,430	429,186	325,732	6,599	107,066
Other liabilities	21,025	19,816	18,244	16,387	6,442	1,209	14,583
Stockholders' equity	115,370	115,541	124,214	123,530	112,685	(171)	2,685
Total liabilities and stockholders' equity	<u>\$ 1,717,555</u>	<u>\$ 1,666,772</u>	<u>\$ 1,624,511</u>	<u>\$ 1,600,143</u>	<u>\$ 1,277,139</u>	<u>\$ 50,783</u>	<u>\$ 440,416</u>
<b>Interest margins</b>							
Cash and due from banks	0.48%	0.22%	0.13%	0.15%	0.08%	0.26%	0.40%
Federal funds sold and resell agreements	2.21%	1.00%	0.47%	0.47%	0.65%	1.21%	1.56%
Investment securities	2.57%	2.28%	1.91%	1.81%	1.95%	0.29%	0.62%
LHFS	8.07%	7.38%	6.63%	5.76%	5.73%	0.69%	2.34%
LHFI	4.93%	4.49%	4.34%	4.50%	4.50%	0.44%	0.43%
Total earning assets	<u>4.34%</u>	<u>3.81%</u>	<u>3.42%</u>	<u>3.35%</u>	<u>3.64%</u>	<u>0.53%</u>	<u>0.70%</u>
Interest-bearing deposits	0.72%	0.39%	0.36%	0.38%	0.41%	0.33%	0.31%
Other borrowings	3.86%	3.58%	3.24%	3.15%	3.19%	0.28%	0.67%
Total interest-bearing liabilities	<u>0.88%</u>	<u>0.51%</u>	<u>0.48%</u>	<u>0.48%</u>	<u>0.53%</u>	<u>0.37%</u>	<u>0.35%</u>
Cost of total deposits <sup>(1)</sup>	0.52%	0.28%	0.25%	0.26%	0.29%	0.24%	0.23%
Cost of total funding <sup>(1)</sup>	0.64%	0.37%	0.34%	0.34%	0.38%	0.27%	0.26%
Net interest spread	3.46%	3.30%	2.94%	2.87%	3.11%	0.16%	0.35%
Net interest margin	3.72%	3.45%	3.09%	3.03%	3.28%	0.27%	0.44%
Yield on total loans	5.05%	4.65%	4.48%	4.60%	4.63%	0.40%	0.42%
Yield on loans excluding PPP <sup>(2)</sup>	4.98%	4.58%	4.40%	4.43%	4.37%	0.40%	0.60%
Yield on LHFI excluding PPP <sup>(2)</sup>	4.87%	4.40%	4.24%	4.30%	4.19%	0.46%	0.68%
Net interest margin excluding PPP <sup>(2)</sup>	3.67%	3.39%	3.00%	2.86%	2.98%	0.28%	0.69%
Efficiency ratio	51.85%	58.01%	55.52%	77.45%	62.66%	-6.16%	-10.81%

<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)*

	3Q22			2Q22			3Q21		
	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	\$ 10,948	\$ 13	0.47%	\$ 10,960	\$ 6	0.22%	\$ 10,011	\$ 1	0.04%
Federal funds sold and resell agreements	58,300	321	2.18%	105,072	261	1.00%	173,329	283	0.65%
Investment securities	382,784	2,455	2.54%	381,681	2,174	2.28%	175,617	865	1.95%
Loans held for sale	41,585	837	7.99%	63,342	1,166	7.38%	90,672	1,309	5.73%
Loans held for investment	1,143,023	14,063	4.88%	1,025,822	11,471	4.49%	772,205	8,753	4.50%
Total earning assets	1,636,640	17,689	4.29%	1,586,877	15,078	3.81%	1,221,834	11,211	3.64%
Allowance for loan losses	(10,845)			(9,228)			(7,212)		
Bank-owned life insurance	29,467			29,275			18,795		
Premises, furniture and equipment, net	17,877			17,555			17,678		
Deferred tax asset	19,011			17,627			10,448		
Goodwill & intangible assets	7,313			7,400			6,341		
Other real estate owned	572			573			718		
Other assets	17,520			16,693			8,537		
Total assets	<u>\$ 1,717,555</u>			<u>\$ 1,666,772</u>			<u>\$ 1,277,139</u>		
Interest-bearing deposits	1,092,985	1,975	0.72%	1,062,591	1,037	0.39%	797,603	826	0.41%
Federal Reserve Bank advances	-	-	0.00%	-	-	0.00%	109	-	0.00%
Federal Home Loan Bank advances	30,762	158	2.04%	18,022	41	0.91%	20,000	38	0.75%
Revolving commercial line of credit	10,000	140	5.55%	10,000	104	4.17%	-	-	0.00%
Subordinated debt, net	14,615	235	6.38%	14,603	235	6.45%	14,568	240	6.54%
Total interest-bearing liabilities	1,148,362	2,508	0.87%	1,105,216	1,417	0.51%	832,280	1,104	0.53%
Noninterest-bearing deposits	432,798			426,199			325,732		
Other liabilities	21,025			19,816			6,442		
Stockholders' equity	115,370			115,541			112,685		
Total liabilities and stockholders' equity	<u>\$ 1,717,555</u>			<u>\$ 1,666,772</u>			<u>\$ 1,277,139</u>		

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

	Nine Months Ended September 30, 2022			Nine Months Ended September 30, 2021		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
<b>Assets</b>						
<b>Earning assets:</b>						
Cash and due from banks	\$ 12,635	\$ 24	0.25%	\$ 8,316	\$ 4	0.06%
Federal funds sold and resell agreements	110,154	779	0.95%	152,186	856	0.75%
Investment securities	371,218	6,269	2.26%	148,170	2,415	2.18%
Loans held for sale	55,837	3,030	7.26%	106,207	4,351	5.48%
Loans held for investment	1,041,465	35,738	4.59%	750,073	25,396	4.53%
Total earning assets	1,591,309	45,840	3.85%	1,164,952	33,022	3.79%
Allowance for loan losses	(9,376)			(7,106)		
Bank-owned life insurance	29,282			18,968		
Premises, furniture and equipment, net	17,681			17,106		
Deferred tax asset	17,353			10,098		
Goodwill & intangible assets	7,424			6,306		
Other real estate owned	591			776		
Other assets	15,689			8,824		
Total assets	<b>\$ 1,669,953</b>			<b>\$ 1,219,924</b>		
Interest-bearing deposits	1,058,802	3,905	0.49%	746,740	2,621	0.47%
Federal Reserve Bank advances	-	-	0.00%	26,555	70	0.35%
Federal Home Loan Bank advances	22,967	236	1.37%	21,099	116	0.74%
Revolving commercial line of credit	10,000	328	4.39%	-	-	0.00%
Subordinated debt, net	14,604	705	6.45%	14,556	710	6.52%
Total interest-bearing liabilities	1,106,373	5,174	0.63%	808,950	3,517	0.58%
Noninterest bearing deposits	425,532			295,601		
Other liabilities	19,705			6,977		
Stockholders' equity	118,343			108,396		
Total liabilities and stockholders' equity	<b>\$ 1,669,953</b>			<b>\$ 1,219,924</b>		
<b>Interest margins</b>						
Cost of total deposits <sup>(1)</sup>		0.35%			0.34%	
Cost of total funding <sup>(1)</sup>		0.45%			0.43%	
Net interest spread		3.23%			3.21%	
Net interest margin		3.42%			3.39%	
Efficiency ratio		55.05%			64.03%	

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

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

	3Q22		2Q22		1Q22		4Q21		3Q21		3Q22 change vs			
											2Q22	3Q21		
<b>Loans held for investment ("LHFI")</b>														
<b>Commercial loans</b>														
Construction and land	\$	96,938	\$	96,331	\$	82,185	\$	76,547	\$	58,297	\$	607	\$	38,641
Commercial real estate		510,040		490,572		437,453		404,797		328,856		19,468		181,184
Commercial and industrial		209,172		197,535		183,262		167,360		137,198		11,637		71,974
Paycheck Protection Program		3,792		7,974		25,958		47,655		70,866		(4,182)		(67,074)
<b>Consumer loans</b>														
Residential real estate		119,304		115,775		105,739		101,198		75,866		3,529		43,438
Other consumer		212,739		162,343		121,352		104,664		103,398		50,396		109,341
<b>Purchased Credit Impaired (PCI) loans</b>														
Construction and land		604		613		688		702		-		(9)		604
Commercial real estate		20,531		24,364		24,308		26,843		-		(3,833)		20,531
Commercial and industrial		4,426		5,231		5,165		5,935		-		(805)		4,426
Residential real estate		1,184		1,195		3,121		2,412		-		(11)		1,184
Other consumer		-		1		1		3		-		(1)		-
<b>Total loans held for investment</b>	<b>\$</b>	<b>1,178,730</b>	<b>\$</b>	<b>1,101,934</b>	<b>\$</b>	<b>989,232</b>	<b>\$</b>	<b>938,116</b>	<b>\$</b>	<b>774,481</b>	<b>\$</b>	<b>76,796</b>	<b>\$</b>	<b>404,249</b>
Core LHFI		1,073,204		984,195		846,689		763,357		673,442		89,009		399,762
Acquired LHFI <sup>(1)</sup>		101,734		109,765		116,585		127,104		30,173		(8,031)		71,561
Paycheck Protection Program		3,792		7,974		25,958		47,655		70,866		(4,182)		(67,074)
<b>Total loans held for investment</b>	<b>\$</b>	<b>1,178,730</b>	<b>\$</b>	<b>1,101,934</b>	<b>\$</b>	<b>989,232</b>	<b>\$</b>	<b>938,116</b>	<b>\$</b>	<b>774,481</b>	<b>\$</b>	<b>76,796</b>	<b>\$</b>	<b>404,249</b>
Total loans held for sale		53,049		69,533		63,685		81,453		81,257		(16,484)		(28,208)
Total allowance for loan losses		11,625		10,599		8,946		8,148		7,715		1,026		3,910
<b>Nonperforming assets</b>														
Nonaccrual loans		2,274		3,843		1,992		2,184		2,412		(1,569)		(138)
Past due loans 90 days and still accruing		2,157		34		1,229		1,389		2,196		2,123		(39)
Troubled debt restructurings		390		391		393		394		225		(1)		165
Total nonperforming loans		4,821		4,268		3,614		3,967		4,833		553		(12)
Other real estate owned		571		573		573		640		616		(2)		(45)
<b>Total nonperforming assets</b>	<b>\$</b>	<b>5,392</b>	<b>\$</b>	<b>4,841</b>	<b>\$</b>	<b>4,187</b>	<b>\$</b>	<b>4,607</b>	<b>\$</b>	<b>5,449</b>	<b>\$</b>	<b>(1,572)</b>	<b>\$</b>	<b>(18)</b>
<b>Credit Analysis</b>														
QTD net charge-offs (recoveries)	\$	248	\$	14	\$	620	\$	(34)	\$	142	\$	234	\$	106
Net charge-offs to total LHFI		0.08%		0.01%		0.25%		-0.01%		0.07%		0.08%		0.01%
Total allowance for loan losses to total LHFI		0.99%		0.96%		0.90%		0.87%		1.00%		0.02%		-0.01%
Total allowance for loan losses to total														
LHFI, excluding PPP loans <sup>(2)</sup>		0.99%		0.97%		0.93%		0.92%		1.10%		0.02%		-0.11%
Nonperforming loans to gross LHFI		0.41%		0.39%		0.37%		0.42%		0.62%		0.02%		-0.22%
Nonperforming assets to total assets		0.31%		0.28%		0.25%		0.29%		0.41%		0.03%		-0.10%

<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				
	3Q22	2Q22	1Q22	4Q21	3Q21
<b>Net Income</b>	\$ 5,260	\$ 3,681	\$ 3,745	\$ 2,723	\$ 3,251
Total noninterest income	1,477	2,150	2,399	3,703	2,885
Adjustments to noninterest income *	-	-	-	(1,649)	-
Total noninterest expense	8,637	9,172	7,896	11,960	8,139
Adjustments to noninterest expense **	-	16	123	1,744	125
Income Taxes	1,487	1,291	1,164	360	900
Tax effect of adjustments	-	(4)	(30)	(23)	(30)
<b>Adjusted net income</b>	\$ 5,260	\$ 3,693	\$ 3,838	\$ 2,795	\$ 3,346
Net Income	5,260	3,681	3,745	2,723	3,251
Provision for allowance for loan losses	1,274	1,667	1,418	399	700
Provision for income taxes	1,487	1,291	1,164	360	900
<b>Pre-tax pre-provision net revenue (PPNR)</b>	\$ 8,021	\$ 6,639	\$ 6,327	\$ 3,482	\$ 4,851
Adjustments to noninterest income *	-	-	-	(1,649)	-
Adjustments to noninterest expense **	-	16	123	1,744	125
<b>Adjusted Pre-Tax Pre-Provision Income</b>	\$ 8,021	\$ 6,655	\$ 6,450	\$ 3,577	\$ 4,976
Return on average tangible assets (ROTA)	1.22%	0.89%	0.94%	0.68%	1.01%
Adjustments to net income	0.00%	0.00%	0.02%	0.02%	0.03%
<b>Adjusted ROTA</b>	1.22%	0.89%	0.96%	0.70%	1.04%
Return on Tangible Common Equity (ROTCE)	19.02%	13.44%	12.83%	9.10%	12.01%
Adjustments to net income	0.00%	0.05%	0.32%	0.24%	0.35%
<b>Adjusted ROTCE</b>	19.02%	13.49%	13.14%	9.34%	12.36%
Diluted EPS	\$ 0.60	\$ 0.42	\$ 0.42	\$ 0.31	\$ 0.39
Adjustments to net income	-	0.01	0.03	0.02	0.03
<b>Adjusted diluted EPS</b>	\$ 0.60	\$ 0.43	\$ 0.45	\$ 0.33	\$ 0.42
Efficiency ratio	51.85%	58.01%	55.52%	77.45%	62.66%
Adjustments to net income	0.00%	-0.10%	-0.87%	-3.38%	-0.97%
<b>Adjusted efficiency ratio</b>	51.85%	57.91%	54.65%	74.07%	61.69%
Interest and fees on LHFS	\$ 837	\$ 1,166	\$ 1,027	\$ 1,172	\$ 1,309
Interest and fees on LHFI	14,063	11,471	10,204	10,318	8,753
Interest and fees on PPP loans	(107)	(433)	(621)	(1,054)	(1,736)
<b>Loan interest income excluding PPP loans</b>	\$ 14,793	\$ 12,204	\$ 10,610	\$ 10,436	\$ 8,326
Interest and fees on LHFI	14,063	11,471	10,204	10,318	8,753
Interest and fees on PPP loans	(107)	(433)	(621)	(1,054)	(1,736)
<b>LHFI interest income excluding PPP loans</b>	\$ 13,956	\$ 11,038	\$ 9,583	\$ 9,264	\$ 7,017
Net interest income	15,181	13,661	11,824	11,739	10,105
Interest and fees on PPP loans	(107)	(433)	(621)	(1,054)	(1,736)
<b>Net interest income excluding PPP loans</b>	\$ 15,074	\$ 13,228	\$ 11,203	\$ 10,685	\$ 8,369
Total earning assets	1,636,640	1,586,877	1,549,451	1,537,840	1,221,834
Average PPP loans	(5,376)	(20,146)	(37,288)	(55,194)	(107,622)
<b>Adjusted earning assets</b>	\$ 1,631,264	\$ 1,566,731	\$ 1,512,163	\$ 1,482,646	\$ 1,114,212
Average loans (LHFI + LHFS)	1,184,608	1,089,164	1,016,284	990,014	862,877
Average PPP Loans	(5,376)	(20,146)	(37,288)	(55,194)	(107,622)
<b>Average loans excluding PPP</b>	\$ 1,179,232	\$ 1,069,018	\$ 978,996	\$ 934,820	\$ 755,255
Average LHFI	1,143,023	1,025,822	953,467	909,314	772,205
Average PPP Loans	(5,376)	(20,146)	(37,288)	(55,194)	(107,622)
<b>Average LHFI excluding PPP</b>	\$ 1,137,647	\$ 1,005,676	\$ 916,179	\$ 854,120	\$ 664,583

(\*) 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				
	3Q22	2Q22	1Q22	4Q21	3Q21
Yield on total loans	5.05%	4.65%	4.48%	4.60%	4.63%
Impact of PPP loans	-0.07%	-0.07%	-0.08%	-0.17%	-0.26%
<b>Yield on total loans excluding PPP loans</b>	<b>4.98%</b>	<b>4.58%</b>	<b>4.40%</b>	<b>4.43%</b>	<b>4.37%</b>
Yield on LHFI	4.93%	4.49%	4.34%	4.50%	4.50%
Impact of PPP loans	-0.06%	-0.09%	-0.10%	-0.20%	-0.31%
<b>Yield on LHFI excluding PPP loans</b>	<b>4.87%</b>	<b>4.40%</b>	<b>4.24%</b>	<b>4.30%</b>	<b>4.19%</b>
Net interest margin	3.72%	3.45%	3.09%	3.03%	3.28%
Impact of PPP loans	-0.05%	-0.06%	-0.09%	-0.17%	-0.30%
<b>Net interest margin excluding PPP loans</b>	<b>3.67%</b>	<b>3.39%</b>	<b>3.00%</b>	<b>2.86%</b>	<b>2.98%</b>
Average assets	\$ 1,717,555	\$ 1,666,772	\$ 1,624,511	\$ 1,600,143	\$ 1,277,139
Average goodwill & intangible assets	(7,313)	(7,400)	(7,562)	(6,567)	(6,341)
Average commercial mortgage servicing rights	1,654	1,676	1,768	1,728	1,029
<b>Average tangible assets</b>	<b>\$ 1,711,896</b>	<b>\$ 1,661,048</b>	<b>\$ 1,618,717</b>	<b>\$ 1,595,304</b>	<b>\$ 1,271,827</b>
Average stockholders' equity	\$ 115,370	\$ 115,541	\$ 124,214	\$ 123,530	\$ 112,685
Average goodwill & intangible assets	(7,313)	(7,400)	(7,562)	(6,567)	(6,341)
Average commercial mortgage servicing rights	1,654	1,676	1,768	1,728	1,029
<b>Average tangible common equity</b>	<b>\$ 109,711</b>	<b>\$ 109,817</b>	<b>\$ 118,420</b>	<b>\$ 118,691</b>	<b>\$ 107,373</b>
Total assets	\$ 1,722,915	\$ 1,713,183	\$ 1,669,622	\$ 1,611,657	\$ 1,333,349
Goodwill & intangible assets	(7,173)	(7,389)	(7,455)	(7,564)	(6,437)
Commercial mortgage servicing rights	1,546	1,698	1,697	1,736	1,147
<b>Tangible assets</b>	<b>\$ 1,717,288</b>	<b>\$ 1,707,492</b>	<b>\$ 1,663,864</b>	<b>\$ 1,605,829</b>	<b>\$ 1,328,059</b>
Stockholders' equity	\$ 110,466	\$ 110,027	\$ 115,655	\$ 124,934	\$ 113,724
Goodwill & intangible assets	(7,173)	(7,389)	(7,455)	(7,564)	(6,437)
Commercial mortgage servicing rights	1,546	1,698	1,697	1,736	1,147
<b>Tangible common equity</b>	<b>\$ 104,839</b>	<b>\$ 104,336</b>	<b>\$ 109,897</b>	<b>\$ 119,106</b>	<b>\$ 108,434</b>