



March 19, 2019

Dear Fellow Shareholders,

On behalf of your Board of Directors, I am pleased to invite you to attend the 2019 Annual Meeting of Shareholders of CoastalSouth Bancshares, Inc. at 8:00 a.m. on April 24, 2019 at the Sea Pines Community Center in Hilton Head Island. Enclosed you will find our 2019 Annual Proxy Statement and our Q4 2018 Financial Results. Copies of our 2018 Audited Financial Statements are available online at www.edocumentview.com/COSO.

At CoastalSouth Bancshares, Inc. and CoastalStates Bank, we are passionate about community banking. We believe that community banking is essential to support growing, thriving communities. Our mission is simple – to strengthen our communities by serving the businesses and individuals that are the economic engine of those markets. How do we get there? We maintain an unwavering commitment to hiring the best local bankers in each of the markets we serve. We value our culture and make sure that our daily actions are aligned with our vision and values. We execute a thoughtful strategy. We measure our progress and remain accountable. We believe that by focusing on five Core Values (Community, Commitment, Strength, Service, Character) we will create a meaningful experience for our team members, our customers, and our communities, all of which will result in strong financial returns for our shareholders.

2018 Important Milestones

In 2018 CoastalStates Bank achieved a number of important milestones, including:

- ✓ Organized and funded the CoastalStates Bank Community Commitment, a donor advised fund focused on supporting charitable organizations in each of our market areas. The Community Commitment was funded in 2018 through the generous support of our current and former Board members. Today, the Community Commitment has raised over \$150,000 and is supported by contributions from our Board of Directors and fellow team members.
- ✓ Completed our first depository M&A transaction with the acquisition of First Citizens Financial Corporation and its subsidiary, Foothills Community Bank, in July, 2018. This transaction provided us with access to strong community banking markets North of Atlanta and an outstanding team of bankers.
- ✓ Opened Commercial Banking Centers in Atlanta and Savannah, taking advantage of market dislocation caused by the significant amount of consolidation within the banking industry over the last two years.
- ✓ And we made significant progress in a range of areas — from talent acquisition to customer experience — that will make us even stronger in the future.

2019 Priorities

For 2019, your Board of Directors and Management Team are focused on five key priorities:

- ✓ **Profitability** – the significant investments we made during 2018 in talent acquisition will result in enhanced profitability in 2019.

- ✓ **Customer Service** – we must be nimble and responsive as we work to find innovative solutions to customer needs.
- ✓ **Disciplined Approach to Credit** – our significant growth is accompanied by a strong adherence to sound credit principles and risk selection.
- ✓ **Efficiency** – we must deliver efficient and timely solutions to our internal and external customers to remain competitive.
- ✓ **Risk Management** – we remain focused on mitigating risks and ensuring safe and sound operations.

Upcoming Enhancements

Over the coming months, shareholders and customers will see several changes designed to enhance our customer experience. These include a redesigned website with enhanced functionality, greater ease of use, and, importantly, an Investor Relations page with access to important news, financial statements, and shareholder information. We will also mail our quarterly financial results to shareholders during 2019 in an effort to further enhance shareholder communications. Finally, we will be rebranding our North Georgia locations from Foothills Community Bank to CoastalStates Bank (CSB). In connection with this change and the launch of our new website, we will also be enhancing our logo and signage at our other locations in order to create a consistent image across the entire franchise, because no matter where you may find CoastalStates Bank, we will be LOCAL. And proud of it.

Thank you for your continued support of CoastalSouth and CoastalStates Bank. We sincerely appreciate your commitment as shareholders and customers and we look forward to seeing you at the Annual Meeting.

Sincerely,



Stephen R. Stone
Chief Executive Officer



**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 24, 2019**

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders (the "Annual Meeting") of CoastalSouth Bancshares, Inc. (the "Company"), which will be held at 8:00 a.m. at Sea Pines Community Center, Suite 120, located at 71 Lighthouse Road, Hilton Head Island, South Carolina 29928, for the following purposes:

- (1) To elect nine directors, each to serve for a one-year term ending at the Annual Meeting of Shareholders in 2020;
- (2) To ratify Amendment No. 1 to the CoastalSouth 2017 Incentive Plan reserving additional shares of common stock thereunder for options granted under the plan to qualify as incentive stock options; and
- (3) To transact any other business that may properly come before the Annual Meeting or any adjournments thereof.

The enclosed Proxy Statement describes in more detail the matters which are to be considered at the Annual Meeting. We urge you to read these materials carefully. Any action may be taken on the foregoing proposals at the Annual Meeting on the date specified or on any date or dates to which, by original or later adjournments, the Annual Meeting may be adjourned.

The Board of Directors set the close of business on February 28, 2019 as the record date for determining the shareholders who are entitled to notice of and/or entitled to vote at the Annual Meeting.

The Board of Directors supports the proposal set forth in Item (1) and Item (2) above and urges you to vote **FOR** these proposals.

We hope that you will be able to attend the meeting. **Whether or not you plan to attend, please complete your proxy so that your shares will be represented at the Annual Meeting.** We encourage you to vote by internet or telephone by following the instructions which are provided on the enclosed Proxy Card. You may also vote by completing the enclosed proxy card and promptly returning it in the postage paid return envelope. You may revoke your proxy at any time before the proxy is exercised.

In an effort to streamline cost and enhance efficiency related to the Annual Meeting, rather than printing and mailing the 2018 Annual Audited Financial Statements, they will be available electronically at the following web address: www.edocumentview.com/COSO. If you would like an unbound printed copy of the 2018 Annual Audited Financial Statements, please request it by email sent to the following email address: bmicolau@coastalstatesbank.com.

By Order of the Board of Directors,

A handwritten signature in black ink that reads "James S. MacLeod".

James S. MacLeod
Chairman

March 19, 2019

COASTALSOUTH BANCSHARES, INC.
5 Bow Circle
Hilton Head Island, South Carolina 29928
(843) 341-9900

PROXY STATEMENT FOR ANNUAL MEETING

INTRODUCTION

General

The Board of Directors is sending this Proxy Statement (this “Proxy Statement”) to our shareholders to solicit proxies from holders of our voting common stock, \$1.00 par value per share (our “Voting Common Stock”), for use at the Annual Meeting of the Shareholders (the “Annual Meeting”). Unless otherwise clearly specified, all references in this Proxy Statement to “CoastalSouth”, “we”, “us”, “our”, and the “Company” refer to CoastalSouth Bancshares, Inc.

Time and Place of Meeting

The Annual Meeting will be held on Wednesday, April 24, 2019 at 8:00 a.m. at Sea Pines Community Center, Suite 120 located at 71 Lighthouse Road, Hilton Head Island, South Carolina 29928.

Record Date and Mailing Date

The close of business on February 28, 2019 is the record date (the “Record Date”) for the determination of shareholders entitled to notice of and to vote at the Annual Meeting. Only the holders of our outstanding Voting Common Stock as of the close of business on the Record Date will be entitled to notice of and to vote at the Annual Meeting. This Proxy Statement and the accompanying proxy card are being mailed to such shareholders on March 22, 2019.

Number of Shares Outstanding

As of the close of business on the Record Date, CoastalSouth had 50,000,000 shares of common stock authorized, of which 4,950,602 shares of Voting Common Stock were outstanding, held by 504 holders of record.

Summary of Proposals

The proposals to be considered at the meeting are summarized as follows:

Proposal One. To elect nine directors each to serve a for one-year term ending at the Annual Meeting of Shareholders in 2020 (the “Director Election Proposal”); and

Proposal Two. To ratify Amendment No. 1 to the CoastalSouth Bancshares, Inc. 2017 Incentive Plan reserving additional shares of common stock thereunder in order for options granted under the plan to qualify as incentive stock options (the “Incentive Plan Proposal”).

VOTING AT THE ANNUAL MEETING

Requirements for Shareholder Approval

To hold a vote on any proposal, other than to adjourn the Annual Meeting for the lack of a quorum, a quorum must be present with respect to the proposal. A quorum will be present at the Annual Meeting if a majority of the outstanding shares of Voting Common Stock entitled to vote at the Annual Meeting is represented in person or by valid proxy. We will count abstentions and broker non-votes, which are described below, as present in determining whether a quorum exists.

Abstentions. A shareholder who is present in person or by proxy at the Annual Meeting and who abstains from voting on any or all proposals will be included in the number of shareholders present at the Annual Meeting for purposes of determining the presence of a quorum. Abstentions do not count as votes for or against a given matter. An abstention will have no effect on the Director Election Proposal but will have the effect of a vote against the Incentive Plan Proposal.

Broker Non-Votes. Brokers who hold shares for the accounts of their clients may vote these shares either as directed by their clients or in their own discretion if permitted by the exchange or other organization of which they are members. Proxies that contain a broker vote on one or more proposals but not on others are referred to as “broker non-votes” with respect to the proposal(s) not voted upon. Broker non-votes are included in determining the presence of a quorum. A broker non-vote does not count as a vote in favor or against a particular proposal for which the broker has no discretionary authority. Broker non-votes will have no effect on the Director Election Proposal but will have the effect of a vote against the Incentive Plan Proposal.

Vote Required. The holders of shares of CoastalSouth’s Voting Common Stock are entitled to one vote per share on all matters presented at the Annual Meeting for action by shareholders. With respect to the Director Election Proposal, for a director nominee to be elected, each director nominee must receive more affirmative votes for his seat on the Board of Directors than any other nominee for such seat. The Board of Directors is not aware of any competing nominees.

Approval of the Incentive Plan Proposal and of any other matter properly presented for shareholder approval will require that the number of shares of Common Stock voted in favor of the proposal exceed the number of shares of Common Stock voted against the proposal, provided a quorum is present.

Procedures for Voting by Proxy

If you properly execute and deliver and do not revoke your proxy, the persons appointed as proxies will vote your shares according to the instructions you have specified on the proxy card. **If you execute your proxy but do not provide your proxies with any voting instructions, then your shares will be voted “FOR” the Director Election Proposal and the Incentive Plan Proposal, and in accordance with the best judgment of the persons appointed as proxies as to all other matters properly brought before the Annual Meeting.** No proxy marked specifically “WITHHOLD” or “ABSTAIN” with respect to any Proposal will be voted in favor of any of the other Proposal unless the proxy is specifically marked “FOR” such other Proposal.

A shareholder who has given a proxy may revoke it at any time prior to its exercise at the Annual Meeting by:

- giving written notice of revocation to CoastalSouth;
- properly submitting to CoastalSouth a duly executed proxy bearing a later date; or
- attending the Annual Meeting and voting in person.

All written notices of revocation and other communications concerning proxies should be addressed to Stephen R. Stone, Chief Executive Officer of CoastalSouth Bancshares, Inc., at P.O. Box 4800, Hilton Head Island, South Carolina 29938.

Solicitation of Proxies

CoastalSouth will pay the cost of proxy solicitation, if necessary. Our directors, officers and employees may, without additional compensation, solicit proxies by personal interview, telephone, fax or otherwise. We will direct brokerage firms or other custodians, nominees or fiduciaries to forward our proxy solicitation materials to the beneficial owners of Voting Common Stock held of record by these institutions. We will reimburse these firms, custodians, nominees and fiduciaries for the reasonable out-of-pocket expenses that they incur in connection with this process.

PROPOSALS TO BE CONSIDERED

PROPOSAL ONE: THE DIRECTOR ELECTION PROPOSAL

Our current Board of Directors consists of nine members. The Board of Directors unanimously recommends that the shareholders elect Ernst W. Bruderer, Mark Griffith, James S. MacLeod, Patrick W. Frawley, Stephen R. Stone, James N. Richardson, Jr., Michael B. High, Boris M. Gutin and Joseph V. Topper, Jr. as director nominees each to serve as a director for a one-year term expiring in 2020, in accordance with our Articles of Incorporation and our Bylaws.

Director Nominees

(For a One-Year Term Expiring 2020)

<u>Name (Age)</u>	<u>Director Since</u>	<u>Position(s) and Business Experience</u>
Ernst W. Bruderer (65)	2003	Mr. Bruderer has served as a member of CoastalSouth’s Board of Directors since 2003, as a member of the Bank’s Board of Directors since 2004 and is one of our founders. Since 1989, Mr. Bruderer has served as the Chief Executive Officer of Overterra AG/Overterra USA Corporation, a real estate investment and consulting firm and since 1996 as chairman of Lowcountry Motors in Bluffton, South Carolina. Prior to joining Overterra, he worked for Jacobs-Suchard AG, a public company in Zurich, Switzerland, conducting business in the United States, Europe, and Africa from 1980 to 1989, where he served in such roles as Executive Vice President, Corporate Secretary, head of Trademarks & Patents and as a member of the Legal and Finance departments. Additionally, Mr. Bruderer is a director of SYNCO Properties, where he serves as the Chairman of the Executive Committee. Mr. Bruderer received his Bachelor of Business Administration from the University of St. Gall in Switzerland and a Juris Doctor from the University of Zurich.
Patrick M. Frawley (67) -Vice Chairman	2017	Mr. Frawley founded Community & Southern Holdings, Inc. and its wholly-owned subsidiary, Community & Southern Bank in 2010, with the goal of creating a strong community bank focused on serving Georgia and attractive markets in contiguous states. In 2010, Community & Southern raised approximately \$370 million in equity and, over a five-year period, completed 14 acquisitions and grew the bank to approximately \$4.5 billion in total assets. On July 20, 2016, Community & Southern successfully completed its merger with Bank of the Ozarks, Inc. From 2010 through 2016, Mr. Frawley served as the Chief

<u>Name (Age)</u>	<u>Director Since</u>	<u>Position(s) and Business Experience</u>
		<p>Executive Officer and a member of the Board of Directors of Community & Southern. Mr. Frawley's commitment to the financial industry dates back to the early 1970s. He began his career working for the Comptroller of the Currency in a variety of key regulatory roles, including Director of Bank Supervision for the Southeast U.S. In 1986, Mr. Frawley moved to the private sector at Citizens & Southern National Bank, then C&S/Sovran, NationsBank and Bank of America. After 15 years with multinational banks, Mr. Frawley became CEO of two troubled community banks and earned a reputation as a turnaround specialist. In 2008, Mr. Frawley began the process of forming Community & Southern Bank, culminating in its first acquisition in 2010. Mr. Frawley earned a Bachelor of Business Administration degree from Campbell University in North Carolina and graduated from LSU's School of Banking.</p>
Mark A. Griffith (62)	2012	<p>Mr. Griffith has served on the Board of Directors of CoastalSouth and CoastalStates Bank since 2012. He is Chairman of the Board of Directors for the Sea Pines Community Service Association and Director of The Association of Sea Pines Plantation Property Owners. Prior to his retirement in March 2009, Mr. Griffith was Managing Director of LNR Partners Europe Ltd. He was responsible for the operations and directing the investment strategies across the U.K. and Western Europe. During the European portion of his career he raised and invested over \$2.0 billion in real estate and real estate related debt products across the U.K. and Western Europe. Mr. Griffith has had extensive experience in real estate equity and debt investment during his 19 years with the company in roles ranging from the U.S. Eastern Region President to Director of Real Estate. Mr. Griffith was also Vice President of LNR Property Corporation, the parent company of its' European subsidiaries. Prior to joining the company, Mr. Griffith was Vice President of three U.S. commercial real estate companies (1978 to 1990) specializing in retail shopping centers and office building ownership, development and management. Mr. Griffith attended Ohio University.</p>
Boris M. Gutin (44)	2017	<p>Mr. Gutin is a Managing Director and Partner of GCP Capital Partners and has been a member of the</p>

<u>Name (Age)</u>	<u>Director Since</u>	<u>Position(s) and Business Experience</u>
		<p>GCP Investment Committee since December 2009. Mr. Gutin joined Greenhill Capital Partners, the predecessor fund to GCP Capital, in 2003. Mr. Gutin has over 20 years of private equity investment and finance experience, with approximately 17 years in private equity principal investing. Prior to joining GCP, from 1999 to 2001, Mr. Gutin was an Associate at American Securities Capital Partners, a New York-based middle-market private equity fund. From 1996 to 1999, Mr. Gutin was in the principal investment area (private equity fund) and leveraged finance group of Goldman, Sachs & Co. Mr. Gutin focuses and leads the majority of GCP's financial services and financial technology investments and has led all of GCP's community bank investments. GCP has completed eight community bank investments. Mr. Gutin is currently a Director of Radius Bank, Maplemark Bank, TransFast and Mobilewalla. He was formerly a director of Eastern Virginia Bank, Continental Bank, First Mariner Bank, Acrisure Insurance, Ironshore and Hercules Offshore. Mr. Gutin is a graduate of Johns Hopkins University and Harvard Business School.</p>
Michael B. High (70)	2017	<p>Mr. High has more than 40 years of banking experience. He currently serves as Partner of Patriot Financial Partners L.P., a \$700 million private equity firm that primarily invests in Banks and Bank Holding Companies. Prior to joining Patriot Financial Partners LP, Mr. High served as Executive Vice President and Chief Operating Officer for Harleystown National Corporation from 2005 through 2008 and Chief Financial Officer during 2004 his initial year at Harleystown. From 1998 through 2004, Mr. High was Chief Operating Officer and Chief Financial Officer at Progress Financial Corporation. In these capacities, he was responsible for Finance, Asset/Liability Management, Mergers and Acquisitions, Investor Relations, Operations, Risk Management, Facilities and Human Resources. Prior to joining Progress, Mr. High was Senior Vice President of Finance at CoreStates Financial Corp. following the merger in 1996 between CoreStates Financial Corp. and Meridian Bancorp where he was Senior Vice President of Finance. In a prior position, Mr. High was Executive Vice President and Chief Financial Officer with Meritor Savings Bank. He began his</p>

<u>Name (Age)</u>	<u>Director Since</u>	<u>Position(s) and Business Experience</u>
		<p>career in the Philadelphia office of PriceWaterhouseCoopers (formerly Coopers & Lybrand).</p> <p>Mr. High is a Certified Public Accountant (CPA) in the State of Pennsylvania (currently inactive) and holds a Bachelor of Science degree in Accounting from the Smeal College of Business Administration at The Pennsylvania State University, University Park, Pennsylvania.</p> <p>Mr. High's professional affiliations and activities include: member of the American Institute of Certified Public Accountants; Board member of Howard Bancorp Inc., Baltimore, MD; Elderlife Financial Services, Rock Hall, MD; and Laurel Road Bank, Darien, CT; member of the Penn State Great Valley Advisory Board; member and past President of the Perkiomen Valley Optimist Club, Collegeville, PA; former Director of the Pennsylvania Economy League, Philadelphia; and former Finance Director of the Valley Forge Council of Boy Scouts, Valley Forge, PA.</p>
<p>James S. MacLeod (71) -Chairman</p>	<p>2003</p>	<p>Mr. MacLeod is the non-executive Chairman of CoastalSouth, and previously served as the Chief Executive Officer of CoastalSouth and as the President and Chief Operating Officer of CoastalStates Bank. Mr. MacLeod serves on the Board of Directors of CoastalSouth and CoastalStates and has done so since 2003. Before joining CoastalSouth, Mr. MacLeod worked for Mortgage Guaranty Insurance Corporation for 22 years, where he served as Executive Vice President in Milwaukee, Wisconsin. Mr. MacLeod is non-executive Chairman of the Board of Directors of Sykes Enterprises, Inc. (SYKE), where he serves on the Audit Committee. Mr. MacLeod is a trustee of the Allianz GI Funds where he serves on the Performance, Audit, Contracts, Compliance and Valuation Committees and is Chairman of the Governance Committee. Mr. MacLeod is a Trustee of the University of Tampa, where he serves as Vice Chairman of the Board, on the Executive Committee, and as Chairman of the Development Committee. Mr. MacLeod also serves as a Director of the Mortgage Bankers Association of America and as a member of the Board of Directors of the Medical University of South Carolina (MUSC)</p>

<u>Name (Age)</u>	<u>Director Since</u>	<u>Position(s) and Business Experience</u>
		Foundation, where he serves on the Finance Committee. Mr. MacLeod holds a Bachelor of Science in Economics from the University of Tampa, a Masters in City Planning from Georgia Institute of Technology and a Master's of Science in Real Estate and Urban Affairs from Georgia State University.
James N. Richardson, Jr. (74)	2003	Mr. Richardson has served as a member of CoastalSouth's Board of Directors since 2003 and on the Board of Directors of CoastalStates Bank since 2004. Since 1983, Mr. Richardson has served as Chief Operating Officer of Windmill Harbour Company and since 1985 he has served as President and General Managing Partner of Coligny Plaza LP. Mr. Richardson founded South Carolina Yacht Club and is the Chief Executive Officer of The Richardson Group and Broker-in-Charge, Manager and owner of Windmill Harbour Real Estate. Mr. Richardson currently serves on Sea Pines ASPPO and CSA Board of Directors. He is Chairman of the Sea Pines Architectural Review Board, which he has served on since 2004. Mr. Richardson has launched three new businesses in the past two years, opening two <i>Local Pie</i> restaurants and <i>Fish, Seafood and Raw Bar</i> . Mr. Richardson currently serves as Commissioner of South Island Public Service District, where he has served in this appointed position as a member since 2007. Mr. Richardson has served as Director of Hilton Head Island Multiple Listing Board, which he has been a member of since 1985, in addition to being a Board Member of the HHI Association of Realtors. Mr. Richardson served as Chairman of Young President's Organization Gold for Southern Seven States. He volunteers in numerous charity positions both locally and statewide. He holds a Bachelor of Science in Business from Mars Hill College.
Stephen R. Stone (43)	2017	Mr. Stone is the Chief Executive Officer of CoastalSouth and CoastalStates Bank. Prior to joining CoastalSouth in 2017 following its recapitalization, Mr. Stone was a founding executive of Community & Southern Holdings, Inc. and Community & Southern Bank. From 2010 through 2016, Mr. Stone served as Community & Southern's General Counsel. As General Counsel, Mr. Stone advised Mr. Frawley and Community & Southern's Board of Directors with respect to the

<u>Name (Age)</u>	<u>Director Since</u>	<u>Position(s) and Business Experience</u>
		<p>company's business and legal strategies. In particular, Mr. Stone advised the company its initial capital raise of \$255 million in January of 2010 and its follow-on offering of \$115 million in September 2010, as well as each of the company's FDIC-assisted transactions. From 2011 to 2012 Mr. Stone also served as Chief Administrative Officer, overseeing the Branch special assets Division and Human Resources function. From 2012 through 2016, Mr. Stone served as Community & Southern's Chief Strategy Officer. As Chief Strategy Officer, Mr. Stone spearheaded the company's M&A strategy, completing fourteen acquisitions in a five-year period. Prior to joining Community & Southern in 2010, Mr. Stone was an attorney in the Financial Services and Products Group at the law firm of Alston & Bird, LLP in Atlanta, Georgia, where his practice focused primarily on mergers and acquisitions and corporate finance transactions in the financial services industry. Mr. Stone served as an adjunct professor at the Emory University School of Law from 2007-2008, where he taught a course on mergers and acquisitions. He received a Bachelor of Arts degree from the University of Virginia and received his law degree from the Washington College of Law at The American University, <i>cum laude</i>.</p>
Joseph V. Topper, Jr. (63)	2017	<p>Joseph V. Topper, Jr. currently serves as the Chief Executive Officer of Dunne Manning Inc. and its affiliated entities, based in Allentown, PA. Previously, Mr. Topper served as the President and Chief Executive Office of the General Partner of Cross America Partners LP (formerly Lehigh Gas Partners LP) from December 2011 to March 26, 2015, and chairman of the Board from 2011 through 2014. Mr. Topper has 26 years of management experience in the wholesale and retail fuel distribution business. In 1987, Mr. Topper purchased his family's retail fuel business and five years later founded Lehigh Gas Corporation, the predecessor to Cross America Partners LP and Dunne Manning Inc., where he has been the Chief Executive Officer since 1992. He is also the co-founder of City Center Investment Corporation, a real estate development and property management company in Allentown.</p>

<u>Name (Age)</u>	<u>Director Since</u>	<u>Position(s) and Business Experience</u>
		Mr. Topper currently serves on the board of directors of Cross America Partners LP and the board of directors for Lehigh Valley PBS and is currently the Chairman of the Board of Trustees for Villanova University. He is the past President of the board of directors for Lehigh Valley PBS and the Lehigh Valley PBS Foundation, and also served as a board member for the Good Shepherd Rehabilitation Hospital in Allentown and on the Managing Board of Directors for Team Capital Bank. Mr. Topper holds a Master's degree of Business Administration degree from Lehigh University and a Bachelor of Science degree in Accounting from Villanova University.

Vote Required to Elect Directors

To be elected, each of the above directors requires the plurality vote cast by the shares entitled to vote in the election once quorum is present. Accordingly, assuming a quorum is present, each of the above directors must receive more votes in favor of his election than any other nominee. The Board of Directors is not aware of any nominees other than the individuals listed above. Proxies received which contain no instructions to the contrary will be voted "FOR" the election of such Director.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends that you vote **FOR** the election of the director nominees set forth in the Director Election Proposal.

PROPOSAL TWO: THE INCENTIVE PLAN PROPOSAL

On July 25, 2018, the Board of Directors of the Company approved Amendment No. 1 (the "Amendment") to the CoastalSouth Bancshares, Inc. 2017 Incentive Plan (the "Incentive Plan") reserving an additional 76,500 shares of common stock to be available for grant under the Incentive Plan. The Board of Directors directed that the Amendment be submitted to the shareholders of the Company for approval and recommended that the shareholders approve the Amendment so that options issued with respect to such additional shares may be eligible to qualify as Incentive Stock Options pursuant to Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). Shareholders are being asked to approve the Amendment. If the Amendment is not approved by the shareholders, the Incentive Plan and the Amendment will remain in effect, but any options issued with respect to the additional 76,500 shares will not qualify as incentive stock options under the Code.

The Incentive Plan

The following information describes important terms and conditions of the Incentive Plan, after giving effect to the Amendment. This summary is not a complete description of all of the provisions of the Incentive Plan

and may not contain all of the information that is important to you. A copy of the Incentive Plan will be provided to any shareholder free of charge upon request. Requests for such copies should be directed to Stephen R. Stone, Chief Executive Officer of CoastalSouth Bancshares, Inc., at P.O. Box 4800, Hilton Head Island, South Carolina 29938, (843) 341-9937 or via email at ssone@coastalstatesbank.com. Shareholders should read and consider the Incentive Plan before casting a vote with respect to the Incentive Plan.

Purpose. The purpose of the Incentive Plan is to promote the success of and enhance the value of the Company by linking the personal interests of employees, officers, directors and consultants of the Company or any affiliates to those of the Company shareholders and by providing such persons with an incentive for outstanding performance.

Administration. The Incentive Plan will be administered by a committee of at least two directors appointed by the Board of Directors (the “Committee”). The Committee will have the authority to:

- grant awards;
- designate participants;
- determine the type or types of awards to be granted to each participant and the number, terms and conditions thereof;
- prescribe rules and regulations as it may deem necessary or advisable to administer, interpret and carry out the purposes of the Incentive Plan; and
- make all other decisions and determinations that may be required under the Incentive Plan.

The full Board of Directors may at any time administer the Incentive Plan. If it does so, it will have all the powers of the Committee under the Incentive Plan. The Board of Directors may, by resolution, expressly delegate to a special committee, consisting of one or more directors who may but need not be officers of the Company, the authority to (i) designate officers and/or employees of the Company or any of its affiliates to be recipients of awards under the Incentive Plan, and (ii) to determine the number of such awards to be received by any such Participants.

Eligibility. The Incentive Plan permits the grant of awards to employees, officers, directors or consultants of the Company and its affiliates as selected by the Committee.

Shares Available for Awards. Subject to adjustment as provided in the Incentive Plan, the maximum number of shares of Company Common Stock that may be issued under the Incentive Plan is 704,000. The maximum number of shares of Common Stock available for grant as incentive stock options pursuant to the Incentive Plan shall not exceed 704,000 shares. If the Amendment is not approved by the shareholders, the maximum number of shares of Common Stock available for grant as incentive stock options pursuant to the Incentive Plan shall not exceed 704,000 shares.

Term. The Incentive Plan became effective on the date that it was originally adopted by the shareholders (August 28, 2017). If the shareholders approve the Amendment, the Incentive Plan will continue in effect, unless sooner terminated in accordance with the terms of the Incentive Plan, until the tenth anniversary of the date of such approval (April 24, 2029). If the shareholders do not approve the Amendment, the Incentive Plan will continue in effect, unless sooner terminated in accordance with the terms of the Incentive Plan, until August 28, 2027.

Permissible Awards. The Incentive Plan authorizes the granting of awards in any of the following forms: stock options, stock appreciation rights, restricted stock, restricted or deferred stock units, performance awards, dividend equivalents, other stock-based awards in the discretion of the Committee, and cash-based awards. All

awards will be evidenced by a written award certificate, which will include such provisions as may be specified by the Committee.

- Stock Options. The Committee is authorized to grant options to purchase shares of the Company's Common Stock, which may be incentive stock options or nonstatutory stock options. The terms of any incentive stock option must meet the requirements of Section 422 of the Code. No option may have a term of more than 10 years. The exercise price of a stock option may not be less than the fair market value of the Company's Common Stock on the date of grant.
- Stock Appreciation Rights. The Committee may grant stock appreciation rights to participants. Stock appreciation rights represent the right to receive a payment from the Company in cash and/or shares of Common Stock equal to the product of (i) the excess, if any, of the fair market value of one share of Common Stock on the exercise date over a specified base price fixed by the Committee on the grant date, multiplied by (ii) a stated number of shares of Common Stock.
- Restricted Stock. The Committee may make awards of restricted stock, which will be subject to such restrictions on transferability and other restrictions as the Committee may impose. These restrictions may include, without limitation, limitations on the right to vote the restricted stock or the right to receive dividends, if any, on the restricted stock.
- Restricted or Deferred Stock Units. The Committee may make awards of restricted stock units and deferred stock units. Restricted stock units represent a participant's right to receive a stated number of shares of Common Stock or, if provided by the Committee, the equivalent value in cash or other property, under the Incentive Plan in the future, which right is subject to certain restrictions and to risk of forfeiture. Deferred stock unit awards represent a participant's right to receive a stated number of shares of Common Stock or, if provided by the Committee, the equivalent value in cash or other property, under the Incentive Plan at a future time, which right may be subject to certain restrictions but is not subject to risk of forfeiture.
- Performance Awards. The Committee is authorized to grant any award under the Incentive Plan, including cash-based awards, with performance-based vesting criteria, on such terms and conditions as may be selected by the Committee. Any such awards with performance-based vesting criteria are referred to herein as performance awards, but may be called by any other appropriate or more specific name in the applicable award agreement.
- Dividend Equivalents. The Committee is authorized to grant dividend equivalents with respect to awards other than options or stock appreciation rights granted under the Incentive Plan to participants subject to such terms and conditions as may be selected by the Committee. Dividend equivalents entitle the participant to receive payments equal to ordinary cash dividends with respect to all or a portion of the number of shares of Common Stock subject to the applicable award, as determined by the Committee. The Committee may provide that dividend equivalents be paid or distributed when accrued, or credited by the Company to an account for the participant and accumulated without interest until the date upon which the host award becomes vested, or be deemed to have been reinvested in additional shares of Common Stock, or otherwise reinvested. Unless otherwise provided by the Committee, dividend equivalents accruing on unvested awards will, as provided in the award certificate, be credited by the Company to an account for the participant and accumulated without interest until the date upon which the host award becomes vested, and any dividend equivalents accrued with respect to forfeited awards will be reconveyed to the Company without further consideration or any act or action by the participant.

- Stock or Other Stock-Based Awards. The Committee is authorized to grant to participants such other awards that are payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of Company Common Stock, including without limitation shares awarded purely as a “bonus” and not subject to any restrictions or conditions, convertible or exchangeable debt securities, other rights convertible or exchangeable into shares, and awards valued by reference to book value of shares or the value of securities of or the performance of specified parents or subsidiaries. The Committee will determine the terms and conditions of such awards.
- Cash-Based Awards. The Committee is also authorized to grant cash-based awards under the Incentive Plan.

Limitations on Transfer; Beneficiaries. No award will be assignable or transferable by a participant other than by will or the laws of descent and distribution or, except in the case of an incentive stock option, pursuant to a domestic relations order that would satisfy section 414(p)(1)(A) of the Code if such section applied to an award under the Incentive Plan; provided, however, that the Committee may permit other transfers (other than transfers for value). A participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the participant and to receive any distribution with respect to any award upon the participant’s death.

Acceleration of Vesting upon Death or Disability. Except as otherwise provided in the award certificate or any special Incentive Plan document governing an award, upon the termination of a participant’s service by reason of death or disability:

- all of such participant’s outstanding options and stock appreciation rights will become fully exercisable;
- the time-based vesting restrictions on outstanding awards will lapse; and
- the payout opportunities attainable under all of that participant’s outstanding performance-based awards will be deemed to have been fully earned as of the date of termination as follows: (i) if the date of termination occurs during the first half of the applicable performance period, all relevant performance goals will be deemed to have been achieved at the “target” level, and (ii) if the date of termination occurs during the second half of the applicable performance period, the actual level of achievement of all relevant performance goals against target will be measured as of the end of the calendar quarter immediately preceding the date of termination, and (iii) in either such case, the awards will payout on a pro-rata basis, based on the length of time within the performance period that has elapsed prior to date of termination.

In addition, the Committee may, in its sole discretion at any time, accelerate the vesting of awards for any reason at any time. The Committee may discriminate among participants or among awards in exercising such discretion.

Adjustments. In the event of a transaction between the Company and its shareholders that causes the per-share value of the Company’s Common Stock to change (including, without limitation, any stock dividend, stock split (such as Proposal Three described in this proxy statement), spin-off, rights offering or large nonrecurring cash dividend), the share authorization limits under the Incentive Plan will be adjusted proportionately, and the Committee will make such adjustments to the Incentive Plan and awards as it deems necessary, in its sole discretion, to prevent dilution or enlargement of rights immediately resulting from such transaction. In the event of a stock split, a stock dividend or a combination or consolidation of the outstanding Common Stock into a lesser number of shares, the authorization limits under the Incentive Plan will automatically be adjusted proportionately,

and the shares then subject to each award will automatically be adjusted proportionately without any change in the aggregate purchase price.

Upon the occurrence or in anticipation of any corporate event or transaction involving the Company (including, without limitation, any merger, reorganization, recapitalization, combination or exchange of shares, or any transaction described above), the Committee may, in its sole discretion, provide (i) that awards will be settled in cash rather than shares of Common Stock, (ii) that awards will become immediately vested and non-forfeitable and exercisable (in whole or in part) and will expire after a designated period of time to the extent not then exercised, (iii) that awards will be assumed by another party to a transaction or otherwise be equitably converted or substituted in connection with such transaction, (iv) that outstanding awards may be settled by payment in cash or cash equivalents equal to the excess of the fair market value of the underlying Common Stock, as of a specified date associated with the transaction, over the exercise or base price of the award, (v) that performance targets and performance periods for performance awards will be modified, or (vi) any combination of the foregoing.

Termination and Amendment. The Board of Directors or the Committee may at any time terminate or amend the Incentive Plan without shareholder approval; provided, however, that if an amendment to the Incentive Plan would, in the reasonable opinion of the Board of Directors or the Committee, constitute a material change requiring shareholder approval under applicable laws, policies or regulation or the applicable listing requirements of a securities exchange, then such amendment will be subject to shareholder approval. No termination or amendment of the Incentive Plan may in any manner adversely affect any outstanding award without the written consent of the participant.

Vote Required to Approve the Incentive Plan Proposal

For the Incentive Plan Proposal to be approved by CoastalSouth's shareholders, the number of shares of Common Stock voted in favor of the proposal exceed the number of shares of Common Stock voted against the proposal, provided a quorum is present. All abstentions and broker non-votes on the Incentive Plan Proposal will have the effect of a vote against this proposal. Proxies received which contain no instructions to the contrary will be voted "FOR" the Incentive Plan Proposal.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends that you vote **FOR** the approval of the Amendment.

OTHER INFORMATION

Security Ownership of Certain Beneficial Owners and Management

The following table shows how much of our Voting Common Stock is owned by the directors and executive officers as of the Record Date.

Name of Beneficial Owner	Number of Shares of Voting Common Stock Beneficially Owned	Percentage of Shares of Voting Common Stock Owned
<i>Directors and Executive Officers</i> ⁽¹⁾		
James S. MacLeod, Chairman ⁽²⁾	137,202	2.77%
Stephen R. Stone, Chief Executive Officer	60,000	1.21%
Anthony P. Valduga, Chief Financial Officer ⁽³⁾	47,075	0.95%
Patrick M. Frawley, Vice Chairman	45,377	0.92%
Ernst. W. Bruderer ⁽⁴⁾	27,371	0.55%
Mark A. Griffith ⁽⁵⁾	38,262	0.77%
Boris Gutin ⁽⁶⁾	415,712	8.40%
Michael B. High ⁽⁷⁾	415,712	8.40%
James N. Richardson, Jr. ⁽⁸⁾	43,213	0.87%
Joseph V. Topper, Jr. ⁽⁹⁾	204,249	4.13%
All directors and Reg O Executive officers	1,434,173	28.97%

⁽¹⁾ The address of each director and executive officer is: 5 Bow Circle, Hilton Head Island, South Carolina 29928.

⁽²⁾ Shares beneficially owned include 136,236 shares held by James S. MacLeod and his spouse as joint tenants and 966 shares held by James S. MacLeod.

⁽³⁾ Shares beneficially owned include 26,924 shares held by ETrade Financial Corporation as custodian for Anthony P. Valduga IRA and 20,151 shares held by Anthony P. Valduga.

⁽⁴⁾ Shares beneficially owned include 100 shares held by Ernst Bruderer and his spouse as joint custodians for Kevin Bruderer UTMA; 100 shares held by Ernst Bruderer and his spouse as joint custodians for Simone Bruderer UTMA; 100 shares held by Ernst Bruderer and his spouse as joint custodians for Tania Bruderer UTMA; 27,071 shares held by Ernst W. Bruderer.

⁽⁵⁾ Shares beneficially owned include 16,750 shares held by Patricia Ann Griffith as trustee of the Patricia Ann Griffith Revocable Trust and 21,512 shares held by Mark Allan Griffith.

- (6) GCP CoastalSouth LLC ("GCP"), is the holder of record of 415,712 shares of Voting Common Stock. GCP's voting and dispositive power is held by GCP Managing Partner IV GP, LLC, which is the general partner of GCP. Boris Gutin currently serves as the representative of GCP on our Board of Directors.
- (7) Patriot Financial Partners II Coastal SPV, LLC ("Patriot Fund II"), is the holder of record of 415,712 shares of Voting Common Stock. Patriot Fund II's voting and dispositive power is held by Patriot Financial Partners II GP, L.P. ("Patriot II GP"), which is the general partner of Patriot Fund II, and by Patriot Financial Partners II GP, LLC ("Patriot II LLC"), which is the general partner of Patriot II GP, and by W. Kirk Wycoff, Ira M. Lubert, and James J. Lynch who serve as the general partners of the funds and Patriot II GP and as the members of Patriot II LLC. Mr. Wycoff, Mr. Lubert, and Mr. Lynch each disclaim beneficial ownership of such shares of Voting Common Stock, except to the extent of their respective pecuniary interest in the funds. Michael B. High currently serves as the representative of the Patriot Fund II on our Board of Directors.
- (8) Shares beneficially owned include 6,800 shares held by First Clearing, LLC as custodian for James N. Richardson, Jr. IRA, and 36,413 shares held by James N. Richardson, Jr.
- (9) Dunne Manning Investments, LP ("DMI") is the holder of record of 204,249 shares of Voting Common Stock. DMI's voting and dispositive power is held by Dunne Manning GP, LLC. Joseph V. Topper, Jr. currently serves as the representative of DMI on our Board of Directors.

OTHER MATTERS

The Board of Directors of CoastalSouth Bancshares, Inc. knows of no other matters that may be brought before the Annual Meeting. If, however, any matters other than those described in the Notice of Annual Meeting of the Shareholders should properly come before the Meeting, votes will be cast pursuant to the proxies in accordance with the best judgment of the proxy holders.

IF YOU CANNOT BE PRESENT IN PERSON, YOU ARE REQUESTED TO COMPLETE YOUR PROXY SO THAT YOUR SHARES WILL BE REPRESENTED AT THE ANNUAL MEETING. YOU MAY VOTE YOUR SHARES BY INTERNET OR TELEPHONE BY FOLLOWING THE INSTRUCTIONS PROVIDED ON THE ENCLOSED PROXY CARD. YOU MAY ALSO VOTE BY COMPLETING THE ENCLOSED PROXY CARD AND PROMPTLY RETURNING IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE. YOU MAY REVOKE YOUR PROXY AT ANY TIME BEFORE THE PROXY IS EXERCISED.

March 19, 2019

