



**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 30, 2020**

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 the Heritage Room of the Harbour Town Clubhouse, located at 11 Lighthouse Lane, 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 2021; and
- (2) To ratify Amendment No. 2 to the CoastalSouth 2017 Incentive Plan reserving additional shares of common stock thereunder in order 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 proposal 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 21, 2020 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 2019 Annual 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 annual report, 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, appearing to read "James S. MacLeod", is written over a white background.

James S. MacLeod
Chairman

March 13, 2020

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 30, 2020 at 8:00 a.m. at the Heritage Room of the Harbour Town Clubhouse, located at 11 Lighthouse Lane, Hilton Head Island, South Carolina 29928.

Record Date and Mailing Date

The close of business on February 21, 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 13, 2020.

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 6,202,746 shares of Voting Common Stock were outstanding, held by 499 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. 2 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.

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.

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 those 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.

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)

Highlights	Director Candidate
<p>Age: 66</p> <p>Director since 2003</p> <p>Committees: Audit; Nominating & Governance</p> <p>Director Qualification Highlights: Financial Services Leadership of a large complex organization Management Risk management</p>	<p>Ernst W. Bruderer <i>Chief Executive Officer of Overterra AG/Overterra USA Corporation</i></p> <p>Mr. Bruderer is an experienced multinational entrepreneur with an extensive background serving in executive roles for various industries and cultural environments. He is a founder of CoastalSouth Bancshares and Coastal States Bank.</p> <p>Career Highlights</p> <ul style="list-style-type: none"> ▪ Executive Vice President for Jacobs-Suchard AG (Between 1980 and 1989) ▪ Corporate Secretary for Jacobs-Suchard AG (Between 1980 and 1989) ▪ Head of Trademarks & Patents for Jacobs-Suchard AG (Between 1980 and 1989) ▪ Member of the Legal and Finance Departments for Jacobs-Suchard AG (Between 1980 and 1989) <p>Other Directorships</p> <ul style="list-style-type: none"> ▪ Chairman of the Board of Directors of Lowcountry Motors (Current) ▪ Member of the Board of Directors of SYNCO Properties (Current)

	<p>Education</p> <ul style="list-style-type: none"> ▪ Graduate of the University of St. Gall ▪ Juris Doctor, University of Zurich
<p>Age: 68</p> <p>Director since 2017</p> <p>Committees: Compensation; Credit & Risk</p> <p>Director Qualification Highlights: Financial services Leadership of a large complex organization Management Mergers & Acquisitions Regulatory experience Risk management</p>	<p>Patrick M. Frawley <i>Retired Chief Executive Officer of Community & Southern Bank</i></p> <p>Mr. Frawley’s commitment to the financial industry dates back to the early 1970s. He has served in a variety of key regulatory roles with the Comptroller of the Currency and has held numerous positions with multinational banks. As the CEO of two troubled community banks in the early 2000s, he earned a reputation as a turnaround specialist. Mr. Frawley was a founder of Community & Southern Bank.</p> <p>Career Highlights</p> <ul style="list-style-type: none"> ▪ Chief Executive Officer for Community & Southern Bank (2010-2016) ▪ Chief Executive Officer for Integrity Bank (2007-2008) ▪ Chief Executive Officer for The Community Bank (2001 – 2007) ▪ Various Executive Officer Roles, Citizens & Southern National Bank, C&S/Sovran, NationsBank, and Bank of America (1986 and 2001) ▪ Key Regulatory Roles, Comptroller of the Currency (Early 1970s – 1986) <p>Other Directorships</p> <ul style="list-style-type: none"> ▪ Former Member of the Board of Directors of Community & Southern Holdings, Inc. and Community & Southern Bank <p>Education</p> <ul style="list-style-type: none"> ▪ Graduate of Campbell University ▪ Graduate of Louisiana State University’s School of Banking
<p>Age: 63</p> <p>Director since 2012</p> <p>Committees: Audit; Credit & Risk</p> <p>Director Qualification Highlights: Financial & accounting Leadership of a large complex organization Management</p>	<p>Mark A. Griffith <i>Retired Managing Director of LNR Partners Europe Ltd.</i></p> <p>Mr. Griffith has extensive experience in real estate equity and debt investment. As Managing Director of LNR Partners Europe Ltd., he was responsible for operations and directing investment strategies across the U.K. and Western Europe. Mr. Griffith also served as Vice President of three U.S. commercial real estate companies specializing in retail shopping centers and office building ownership, development and management.</p> <p>Career Highlights</p> <ul style="list-style-type: none"> ▪ Managing Director for LNR Partners Europe Ltd. (Between 2002 and 2009) ▪ Director of Real Estate for LNR Partners Europe Ltd. (Between 2002 and 2009) ▪ U.S. Eastern Region President for LNR Property Corporation (Between 1997 and 2002) ▪ Vice President for LNR Property Corporation (Between 1997 and 2009) ▪ Director of Commercial Real Estate for Lennar Corporation (Between 1990-1997) ▪ Vice President for three U.S. commercial real estate companies (1978-1990) <p>Other Directorships</p> <ul style="list-style-type: none"> ▪ Member of the Board of Directors of BeHome 247 (Current) <p>Education</p> <ul style="list-style-type: none"> ▪ Attended Ohio University

<p>Age: 44</p> <p>Director since 2017</p> <p>Committees: Audit; Credit & Risk</p> <p>Director Qualification Highlights: Financial & accounting Financial services Mergers & Acquisitions Public Company Governance</p>	<p>Boris M. Gutin <i>Managing Director and Partner of GCP Capital Partners</i></p> <p>Mr. Gutin has over 20 years of private equity investment and finance experience, with 18 years in private equity principal investing. He focuses and leads the majority of GCP's financial services and financial technology investments and has led all of GCP's community bank investments.</p> <p>Career Highlights</p> <ul style="list-style-type: none"> ▪ Joined Greenhill Capital Partners, the predecessor fund to GCP Capital (2003) ▪ Associate at American Securities Capital Partners (1999-2001) ▪ Associate at Goldman Sachs (1996-1999) <p>Other Directorships</p> <ul style="list-style-type: none"> ▪ Member of the Board of Directors of Radius Bank (Current) ▪ Member of the Board of Directors of Maplemark Bank (Current) ▪ Member of the Board of Directors of Geoforce (Current) ▪ Member of the Board of Directors of Mobilewalla (Current) ▪ Former Member of the Board of Directors of Transfast ▪ Former Member of the Board of Directors of Eastern Virginia Bank ▪ Former Member of the Board of Directors of Continental Bank ▪ Former Member of the Board of Directors of First Mariner Bank ▪ Former Member of the Board of Directors of Clearview Risk ▪ Former Member of the Board of Directors of Acrisure Insurance ▪ Former Member of the Board of Directors of Ironshore ▪ Former Member of the Board of Directors of Hercules Offshore <p>Education</p> <ul style="list-style-type: none"> ▪ Graduate of Johns Hopkins University ▪ Graduate of Harvard Business School
<p>Age: 71</p> <p>Director since 2017</p> <p>Committees: Audit; Compensation</p> <p>Director Qualification Highlights: Financial & accounting Financial services Management Mergers & Acquisitions Regulatory experience Risk management Technology</p>	<p>Michael B. High <i>Partner of Patriot Financial Partners L.P.</i></p> <p>Mr. High has more than 40 years of banking experience with significant experience in the areas of finance, asset/liability management, mergers and acquisitions, investor relations, operations, risk management, facilities, and human resources. He is a Certified Public Accountant in the State of Pennsylvania (inactive).</p> <p>Career Highlights</p> <ul style="list-style-type: none"> ▪ Executive Vice President and Chief Operating Officer for Harleysville National Corporation (2005-2008) ▪ Chief Financial Officer for Harleysville National Corporation (2004) ▪ Chief Operating Officer and Chief Financial Officer for Progress Financial Corporation (1998-2004) ▪ Senior Vice President of Finance for CoreStates Financial Corp. (Beginning in 1996) ▪ Senior Vice President of Finance for Meridian Bancorp (Until 1996) ▪ Executive Vice President and Chief Financial Officer for Meritor Savings Bank ▪ Began his career with PricewaterhouseCoopers (formerly Coopers & Lybrand) <p>Other Directorships</p> <ul style="list-style-type: none"> ▪ Member of the Board of Directors of Howard Bancorp Inc. (Current) ▪ Member of the Board of Directors of Elderlife Financial Services (Current) ▪ Member of the Board of Directors of DR Bank (Current) ▪ Former Director of the Pennsylvania Economy League

	<ul style="list-style-type: none"> ▪ Former Finance Director of the Valley Forge Council of Boy Scouts <p>Education</p> <ul style="list-style-type: none"> ▪ Graduate of Pennsylvania State University
<p>Age: 72</p> <p>Director since 2003</p> <p>Committees: N/A</p> <p>Director Qualification Highlights: Financial services Leadership of a large complex organization Management Mergers & Acquisitions Public Company Governance</p>	<p>James S. MacLeod <i>Chairman of CoastalSouth Bancshares, Inc. and Coastal States Bank</i></p> <p>Mr. MacLeod has spent 45 years in the mortgage industry and is a founder of Coastal States Bank, where he has served in various positions since 2003. Prior to his affiliation with Coastal States Bank, Mr. MacLeod held various executive positions with Mortgage Guaranty Insurance Corp. He currently serves as a trustee or director for a number of organizations.</p> <p>Career Highlights</p> <ul style="list-style-type: none"> ▪ Chief Executive Officer of CoastalSouth Bancshares ▪ President and Chief Operating Officer of Coastal States Bank ▪ Executive Vice President of Mortgage Guaranty Insurance Corporation <p>Other Directorships</p> <ul style="list-style-type: none"> ▪ Chairman of the Board of Directors of Sykes Enterprises, Inc. (Current) ▪ Trustee of the Allianz GI Funds and Chairman of the Performance Committee (Current) ▪ Chairman of the Board of the University of Tampa (Current) ▪ Vice Chairman of the Medical University of South Carolina Foundation and Chairman of the Finance Committee (Current) <p>Education</p> <ul style="list-style-type: none"> ▪ Graduate of the University of Tampa ▪ Master of City Planning, Georgia Institute of Technology ▪ Master of Science in Real Estate and Urban Affairs, Georgia State University
<p>Age: 75</p> <p>Director since 2004</p> <p>Committees: Compensation; Nominating & Governance</p> <p>Director Qualification Highlights: Leadership of a large complex organization Management</p>	<p>James N. Richardson, Jr. <i>General and Managing Partner of Coligny Plaza LP; Chief Operating Officer of Windmill Harbour Company; Broker-in-Charge, Manager and Owner of Windmill Harbour Real Estate and The Richardson Group</i></p> <p>Mr. Richardson has extensive experience as a business owner in the Low Country region, particularly in the area of real estate sales and investments. He has served on numerous boards for businesses as well as cultural organizations, and he continues to volunteer in numerous charity positions both locally and statewide.</p> <p>Career Highlights</p> <ul style="list-style-type: none"> ▪ Real Estate Development and Management ▪ Founder of the South Carolina Yacht Club ▪ Long Range Vision Task Force for Town of Hilton Head Island ▪ Member, Young President’s Organization and Chief Executive’s Organization <p>Other Directorships</p> <ul style="list-style-type: none"> ▪ Member of the Board of Directors of the Hilton Head Island Association of Realtors (Current) ▪ Member of the Board of Directors of the Association of Sea Pines Plantation Property Owners (Current) ▪ Member of the Board of Directors of Sea Pines Community Services Associates, Inc. (Current)

	<ul style="list-style-type: none"> ▪ Chairman of the Board of Directors of the Sea Pines Architectural Review Board (Current) ▪ Former Member of the Board of Directors of the Medical University of South Carolina Foundation ▪ Former Member of the Board of Directors of Spoleto Festival USA ▪ Commissioner of South Island Public Service District (2007-Present) ▪ Former Chairman of Young President’s Organization Gold for Southern Seven States ▪ Past President of the Hilton Head Multiple List Service <p>Education</p> <ul style="list-style-type: none"> ▪ Graduate of Mars Hill College
<p>Age: 44</p> <p>Director since 2017</p> <p>Committees: N/A</p> <p>Director Qualification Highlights: Financial services Management Mergers & Acquisitions Regulatory experience Risk management</p>	<p>Stephen R. Stone <i>President and Chief Executive Officer of CoastalSouth Bancshares, Inc. and Coastal States Bank</i></p> <p>Mr. Stone is an experienced leader in the community banking industry. He has significant experience in financial services, mergers & acquisition, strategic planning, and banking operations. As President and CEO, he is knowledgeable about all aspects of the Company’s business activities. Mr. Stone lead the recapitalization of the Company in 2017.</p> <p>Career Highlights</p> <ul style="list-style-type: none"> ▪ Chief Strategy Officer and General Counsel of Community & Southern Bank (2012-2016) ▪ Chief Administrative Officer and General Counsel of Community & Southern Bank (2011-2012) ▪ General Counsel of Community & Southern Bank (2009-2012) ▪ Attorney, Alston & Bird LLP (2003-2009) <p>Education</p> <ul style="list-style-type: none"> ▪ Graduate of the University of Virginia ▪ Juris Doctor, Washington College of Law – American University
<p>Age: 64</p> <p>Director since 2017</p> <p>Committees: Compensation; Nominating & Governance</p> <p>Director Qualification Highlights: Financial services Leadership of a large complex organization Management</p>	<p>Joseph V. Topper, Jr. <i>Chief Executive Officer of Dunne Manning Inc. and Affiliates</i></p> <p>Mr. Topper has 32 years of management experience in the wholesale and retail fuel distribution business. In 1987, he purchased his family’s retail fuel business and five years later founded Lehigh Gas Corporation, the predecessor to CrossAmerica Partners LP and Dunne Manning Inc., where he has been the Chief Executive Officer since 1992.</p> <p>Career Highlights</p> <ul style="list-style-type: none"> ▪ Chief Executive Officer of Dunne Manning Inc. and Affiliates (1992-Present) ▪ President and Chief Executive Officer of the General Partner of Cross America Partners LP (formerly Lehigh Gas Partners LP) (2012-2015) ▪ Co-Founder of City Center Investment Corporation ▪ Founder of Lehigh Gas Corporation (1992) <p>Other Directorships</p> <ul style="list-style-type: none"> ▪ Chairman of the Board of CrossAmerica Partners LP (2019-Present) ▪ Chairman of the Board of Trustees for Villanova University (Current) ▪ Member of the Board of Directors for United Way of the Greater Lehigh Valley (Current)

	<ul style="list-style-type: none"> ▪ Chairman of the Board of the General Partner of Cross America Partners LP (2012-2014) ▪ Past President of the Board of Directors for Lehigh Valley PBS and the Lehigh Valley PBS Foundation ▪ Former Member of the Board of Directors for Good Shepherd Rehabilitation Hospital ▪ Former Member of the Managing Board of Directors for Team Capital Bank <p>Education</p> <ul style="list-style-type: none"> ▪ Graduate of Villanova University ▪ Master of Business Administration, Lehigh University
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Director independence, recruitment and nomination

CoastalSouth seeks director candidates who uphold the highest standards, are committed to the Company’s values and are strong independent stewards of the long-term interests of shareholders. The Company’s Nominating and Corporate Governance Committee (the “NCGC”) considers Board composition on an ongoing basis, with a focus on establishing a Board of Directors with the skills and experience required to effectively oversee the Company’s present and future operations and strategy. The NCGC and the Board seek a diverse group of directors with experience in banking and other aspects of business that are relevant to the Company’s businesses and operations.

The NCGC also oversees the director nomination process. In considering whether to nominate a director for election, the NCGC considers, among other things:

- Whether the director possesses personal and professional integrity, sound judgment, forthrightness and has sufficient time and energy to devote to the affairs of the Company;
- Whether the director possesses a willingness to challenge and stimulate management and the ability to work as part of a team in an environment of trust;
- The extent of the director’s business and financial acumen and experience, especially in the financial services and products areas;
- Whether the director assists in achieving a mix of Board members that represents a diversity of background and experience, including with respect to age, gender, race, place of residence and specialized experience;
- Whether the director would be considered a “financial expert” or “financially literate” as defined in applicable law;
- Whether the director, by virtue of particular technical expertise, experience or specialized skill relevant to the Company’s current or future business, will add specific value as a Board member, including business contacts, reputation, visibility, community involvement, regulatory experience, and independence;
- Whether the director is free from conflicts of interest with the Company; and
- Any factors related to the ability and willingness of a new director to serve, or an existing director to continue his/her service.

Each of our director nominees has been recommended for election by the NCGC and approved for re-nomination by our Board.

Personal and professional attributes and skills of the nominees

In furtherance of the foregoing, the Board considers a wide range of attributes when selecting and recruiting candidates. Our nominees have executive experience and skills that are aligned with our business and strategy as follows:

Financial and Accounting – Knowledge of or experience in accounting, financial reporting or auditing processes and standards is important to effectively oversee the Company’s financial condition and the accurate reporting thereof.

Financial Services – Experience in the financial services industry, in particular, community banking, including consumer and commercial banking, and other related products and services, allows Board members to evaluate the Company’s business model, strategies and the industry in which we compete

Leadership of a Large, Complex Organization – Executive experience managing business operations and strategic planning allows Board members to effectively oversee the Company’s operations

Management – Experience as a senior executive officer allows the Board to effectively oversee the Company’s efforts to recruit, retain and develop key employees and build a cohesive and effective strategy.

Mergers and Acquisitions – Mergers and Acquisitions are an important part of the Company’s strategic focus, and experience in negotiating, executing, and integrating deals allows the Board to effectively oversee this element of the Company’s business strategy.

Public Company Governance – Knowledge of public company governance matters and best practices assists the Board in considering and adopting applicable corporate governance strategies and preparing for the possibility that the Company may be a public company at some point in the future.

Regulatory – Experience with regulated businesses, regulatory requirements and relationships with banking regulators is important because the Company operates in a heavily regulated industry.

Risk Management – Skills and experience in assessment and management of business and financial risk factors allow the Board to effectively oversee risk management and understand the most significant risks facing the Company.

Technology – Experience with or oversight of innovative technology, cybersecurity, information systems/data management, fintech or privacy is important in overseeing the security of the Company’s operations, assets and systems as well as the Company’s ongoing investment in and development of innovative technology.

Board Meetings

The Board conducts its business as a group and through a well-developed committee structure in adherence to strong corporate governance principles. The Board has established practices and processes to actively manage its information flow, set meeting agendas and make sound, well-informed decisions.

Board members have direct access to management and regularly receive information from and engage with management during and outside of formal Board meetings. The full Board met 15 times in 2019. Each director attended 75% or more of the total meetings of the Board and the committees on which he served in 2019.

Committees of the Board

A significant portion of our Board’s oversight responsibilities is carried out through its four standing committees: Audit Committee, Credit and Risk Committee, NCGC, and Compensation Committee. Allocating responsibilities among committees increases the amount of attention that can be devoted to the Board’s oversight of the business and affairs of the Company.

Committees meet regularly in conjunction with scheduled Board meetings and hold additional meetings as needed. Each committee receives reports from senior management and reports their actions to, and discusses their recommendations with, the full Board. Each standing committee operates pursuant to a written charter, which is reviewed annually as part of the Board’s and each respective committee’s self-assessment.

The following chart summarizes the current Board committee memberships of our Directors:

DIRECTOR	Audit	Credit and Risk	Nominating and Corporate Governance	Compensation
Ernst W. Bruderer	X	-	Chair	-
Patrick M. Frawley	-	Chair	-	X
Mark A. Griffith	Chair	X	-	-
Boris M. Gutin	X	X	-	-
Michael B. High	X	-	-	X
James N. Richardson, Jr.	-	-	X	X
Joseph V. Topper, Jr.	-	-	X	Chair
James S. MacLeod	-	-	-	-
Stephen R. Stone	-	-	-	-

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 January 30, 2020, the Board of Directors of the Company approved Amendment No. 2 (the “Amendment”) to the CoastalSouth Bancshares, Inc. 2017 Incentive Plan (the “Incentive Plan”) reserving an additional 150,943 shares of common stock to be available for grant under the Incentive Plan, following the completion of the Company’s \$20 million common stock offering in July of 2019 . 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 150,943 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 sstone@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 854,943. The maximum number of shares of Common Stock available for grant as incentive stock options pursuant to the Incentive Plan shall not exceed 854,943 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 854,943 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 30, 2020). 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⁾	173,250	2.78%
Stephen R. Stone, Chief Executive Officer ⁽³⁾	107,500	1.72%
Anthony P. Valduga, Chief Financial Officer ⁽⁴⁾	90,968	1.46%
Cameron B. Turner, Chief Credit Officer ⁽⁵⁾	17,925	*
Patrick M. Frawley, Vice Chairman ⁽⁶⁾	66,734	1.07%
Ernst. W. Bruderer ⁽⁷⁾	31,371	*
Mark A. Griffith ⁽⁸⁾	50,885	*
Boris Gutin ⁽⁹⁾	615,870	9.93%
Michael B. High ⁽¹⁰⁾	611,970	9.87%
James N. Richardson, Jr. ⁽¹¹⁾	52,213	*
Joseph V. Topper, Jr. ⁽¹²⁾	280,721	4.53%
All directors and Reg O Executive officers	2,099,407	33.20%

* Less than 1%.

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

(2) Shares beneficially owned include 144,784 shares held by James S. MacLeod and his spouse as joint tenants, 966 shares held by James S. MacLeod individually, and 27,500 vested and unexercised options.

(3) Includes 37,500 vested and unexercised options

(4) Shares beneficially owned include 26,924 shares held by ETrade Financial Corporation as custodian for Anthony P. Valduga IRA, 26,544 shares held by Anthony P. Valduga, and 37,500 vested and unexercised options.

- (5) Shares beneficially owned include 7,925 shares held by ETrade Financial Corporation as custodian for Cameron B. Turner and 10,000 vested and unexercised options.
- (6) Includes 7,500 vested and unexercised options.
- (7) 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; 31,071 shares held by Ernst W. Bruderer.
- (8) Shares beneficially owned include 16,750 shares held by Patricia Ann Griffith as trustee of the Patricia Ann Griffith Revocable Trust, 11,623 shares held by Patricia Ann Griffith as trustee of the Griffith Family Trust, and 22,512 shares held by Mark Allan Griffith as trustee of the Mark Allan Griffith Revocable Trust.
- (9) GCP CoastalSouth LLC (“GCP”), is the holder of record of 611,870 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. Shares beneficially owned also include 4,000 shares held by Boris M. Gutin.
- (10) Patriot Financial Partners II Coastal SPV, LLC (“Patriot Fund II”), is the holder of record of 611,870 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. Shares beneficially owned also include 100 shares held by Michael B. High.
- (11) Shares beneficially owned include 6,800 shares held by First Clearing, LLC as custodian for James N. Richardson, Jr. IRA, 8,000 shares held by Wells Fargo Clearing Services as custodian for James N. Richardson Jr., and 37,413 shares held by James N. Richardson, Jr.
- (12) Shares beneficially owned include 279,721 shares held by Dunne Manning Investments, LP (“DMI”). 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. Shares beneficially owned also include 1,000 shares held by Joseph V. Topper, Jr.

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, 2020

