COASTALSOUTH BANCSHARES, INC.

May 11, 2023

To our Shareholders:

CoastalSouth Bancshares, Inc. (the “Company”) is pleased to announce net income of $6.8 million, or $0.74 per diluted share, for the first quarter of 2023, compared to $5.5 million net income, or $0.61 per diluted share, for the fourth quarter of 2023, and $3.7 million net income, or $0.42 per diluted share for comparable quarter last year.

“Despite the market challenges presented in the first quarter of 2023, we demonstrated resilience and achieved our most profitable quarter in the Company's history,” said Steve Stone, President and Chief Executive Officer of the Company and its wholly owned subsidiary, Coastal States Bank (“CSB” or the "Bank"). "Our Company has a stable and well-diversified core deposit base, built upon strong relationships and innovative deposit solutions. Our customer relationships are built upon trust, commitment, and service. By cultivating deep relationships with our customers, we are able to help them achieve their financial goals and navigate challenging times.”

Highlights for the First Quarter of 2023

- **Net income of $6.8 million, and $0.74 diluted earnings per share (“Diluted EPS”)**
- **Total assets grew $187.4 million, a 10.2% increase from December 31, 2022**
- **Core loans held for investment grew $37.6 million, a 3.1% increase from December 31, 2022**
- **Total deposits grew $183.9 million, a 11.9% increase from December 31, 2022**
- **Total deposits excluding brokered CD's increased $5.4 million to $1.479 billion at March 31, 2023**
- **Efficiency ratio was 49.94% compared to 54.62% and 55.52% in the fourth and first quarters of 2022, respectively**
- **Net interest margin was 3.56% compared to 3.86% and 3.09% in the fourth and first quarters of 2022, respectively**

The Company responded rapidly to ensure the strength of the Bank in light of recent market challenges. Following the failures of Silicon Valley Bank and Signature Bank in mid-March 2023, management responded swiftly by obtaining additional liquidity in the form of borrowings and brokered CD's to temporarily increase available cash at the Bank. The Bank also enrolled in and tested the ability to obtain additional liquidity from the new Bank Term Funding Program ("BTFP"), which was created by the Federal Reserve Bank on March 12, 2023. Further, the Bank pledged additional collateral to the Federal Home Loan Bank of Atlanta (the “FHLB”) and now has over $540 million in immediately available liquidity between the FHLB and BTFP. Finally, on March 31, 2023, the Company closed a private placement of

$8.9 million of common stock in order to further enhance the Company's capital position given the continued organic growth of the Bank.

The Company recognized net income of $6.8 million, or $0.74 per share, for the quarter, and tangible book value per share increased from $12.64 at December 31, 2022 to $13.43 at March 31, 2023. The Company's continued strong earnings also serves to support the Company's regulatory capital position. During the quarter, the Company focused on monetizing non-interest income revenue streams, such as sales of government guaranteed loans, to help combat margin compression caused by rising deposit costs and expects to continue to sell USDA and SBA guaranteed loans throughout 2023 provided that it can achieve certain gain on sale hurdles.

Despite a very competitive deposit environment, the Bank was able to modestly increase core deposits in the first quarter from $1.474 billion to $1.479 billion. For the quarter ended March 31, 2023, the Bank estimates that approximately $617.0 million, or 35.6% of total deposits, excluding accrued interest, were uninsured. Of the uninsured deposits, 68.2% of these uninsured deposits are business accounts, while 31.8% are personal accounts. As the Company competes for new loan relationships, winning the entire relationship, including deposits will be essential to a successful growth strategy. Our bankers are focused on ensuring that we win the entire relationship, including operating accounts, so that we can preserve our attractive mix of deposits.

As a result of continued inflationary pressure, the Federal Reserve increased the federal funds interest rate target by an additional 50 basis points during the first quarter of 2023, followed by a 25 basis points hike in May 2023. That is, in addition to the 425 basis points increase during 2022. The rate setting Federal Open Market Committee ("FOMC") members indicated that FOMC will closely monitor incoming information and assess the implications for monetary policy and that in determining the extent to which additional policy firming may be appropriate to return inflation to 2% over time, the Committee will take into account its rate hikes so far, the lags with which they affect the economy and inflation, and economic and financial developments. Like many other institutions during this same time period, the Company's available-for-sale ("AFS") investment portfolio experienced a decline in fair value driven by these rising interest rates, which reduced tangible book value during the last year. The Company does not hold any securities in Held-to-Maturity status. The Company's investment portfolio as structured at the end of the first quarter of 2023 had approximately 39% invested in floating rate securities and the overall yield will benefit from this mix as rates continue to increase.

During the first quarter, core loans held for investment ("LHFI") grew by $37.6 million. Our Senior Housing and Marine lines of business contributed to this growth with net new loans originations of $22.6 million and $17.2 million, respectively, offset by a net decline in other categories of $5.7 million during the first quarter. Overall, core LHFI grew by $391.2 million year over year as of March 31, 2023. The

Company's deposits increased by $183.9 million during the first quarter to $1.733 billion from approximately $1.549 billion in the fourth quarter of 2023.

On January 1, 2023, the Company adopted Accounting Standards Codification ("ASC") 326, *Financial Instruments—Credit Losses*, which provides for an expected credit loss model, referred to as the "Current Expected Credit Loss" ("CECL") model. The adoption of CECL resulted in a $6.2 million increase of the opening balances for the allowance for credit losses ("ACL") and shareholders' equity decreasing $4.3 million due to the cumulative adjustment to retained earnings.

The following table presents the components of the ACL under CECL as of March 31, 2023:

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

The Company's credit metrics remained strong during the first quarter of 2023, notwithstanding an increase in Non-Performing Assets ("NPA") ratio to 0.58% compared to 0.45% at the end of the fourth quarter of 2022. Nonaccrual loans increased by approximately $4.3 million primarily due to the change in accounting method associated with the adoption of CECL. These new nonaccrual loans are primarily Purchased Credit Deteriorated ("PCD") assets that were previously presented as accruing loans under the legacy Purchased Credit Impaired ("PCI") accounting used in the Cornerstone Bank acquisition in 2021. Upon the adoption of CECL, the Company's accounting for these loans changed and they are now required to be reported as nonaccrual assets. This change is not indicative of an increase in credit risk for the Company. The Company's net charge-offs to total LHFI ratio was 0.16% for the first quarter of 2023.

COASTALSOUTH BANCSHARES, INC.

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

	Quarterly Trends					1Q23 change vs	
	1Q23	**4Q22**	**3Q22**	**2Q22**	**1Q22**	**4Q22**	**1Q22**
Selected Balance Sheet Data							
Total assets	$ 2,022,876	$ 1,835,478	$ 1,722,915	$ 1,713,183	$ 1,669,622	$ 187,398	$ 353,254
Total gross loans (LHFS + LHFI)	1,388,646	1,343,103	1,231,779	1,171,467	1,052,917	45,543	335,729
Total deposits	1,732,512	1,548,646	1,540,143	1,506,808	1,489,263	183,866	243,249
Total deposits excluding brokered CDs	1,479,082	1,473,655	1,493,217	1,459,893	1,489,263	5,427	(10,181)
Earnings Highlights							
Net income	$ 6,760	$ 5,504	$ 5,260	$ 3,681	$ 3,745	$ 1,256	$ 3,015
Diluted earnings per share (EPS)	$ 0.74	$ 0.61	$ 0.60	$ 0.42	$ 0.42	$ 0.13	$ 0.32
Net interest income	$ 15,552	$ 16,295	$ 15,181	$ 13,661	$ 11,824	$ (743)	$ 3,728
Performance Ratios							
Net interest margin	3.56%	3.86%	3.68%	3.45%	3.09%	-0.30%	0.47%
Net interest spread	2.96%	3.44%	3.42%	3.30%	2.94%	-0.48%	0.02%
Cost of total deposits	1.63%	0.90%	0.51%	0.28%	0.25%	0.73%	1.38%
Cost of total funding	1.83%	1.09%	0.63%	0.37%	0.34%	0.74%	1.49%
Efficiency ratio	49.94%	54.62%	51.85%	58.01%	55.52%	-4.68%	-5.58%
Loan-to-deposit ratio	80.15%	86.73%	79.98%	77.74%	70.70%	-6.58%	9.45%
Return on (annualized):							
Average assets (ROAA)[2]	1.47%	1.24%	1.22%	0.89%	0.93%	0.23%	0.54%
Average tangible assets (ROTA)[2]	1.48%	1.24%	1.22%	0.89%	0.94%	0.24%	0.54%
Average tangible common equity (ROTCE)[2]	23.83%	20.05%	19.02%	13.44%	12.83%	3.78%	11.00%
Tangible common equity to tangible assets[(2)]	6.33%	6.19%	6.10%	6.11%	6.60%	0.15%	-0.27%
Tangible book value per share[2]	$ 13.43	$ 12.64	$ 11.79	$ 12.12	$ 12.77	$ 0.79	$ 0.66
Other Operating Measures[1]:							
Pre-tax pre-provision net revenue (PPNR)	$ 9,055	$ 7,923	$ 8,021	$ 6,639	$ 6,327	$ 1,132	$ 2,728
PPNR ROAA	1.97%	1.78%	1.85%	1.60%	1.58%	0.19%	0.39%
Net interest margin excluding PPP income	3.56%	3.86%	3.67%	3.39%	3.00%	-0.30%	0.56%
Adjusted net income	$ 6,760	$ 5,504	$ 5,260	$ 3,693	$ 3,838	$ 1,256	$ 2,922
Adjusted diluted EPS	$ 0.74	$ 0.61	$ 0.60	$ 0.42	$ 0.43	$ 0.13	$ 0.31
Adjusted ROTA	1.48%	1.24%	1.22%	0.89%	0.96%	0.24%	0.52%
Adjusted ROTCE	23.83%	20.05%	19.02%	13.49%	13.14%	3.78%	10.69%
Adjusted efficiency ratio	49.94%	54.62%	51.85%	57.91%	54.65%	-4.68%	-4.71%
Adjusted noninterest expense to avg. assets	1.97%	2.15%	2.00%	2.20%	1.94%	-0.18%	0.03%

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

Financial Results

Income Statement

Net income was $6.8 million for the first quarter of 2023 compared to a net income of $5.5 million and $3.7 million during the fourth and first quarters of 2022, respectively. Compared to the fourth quarter of 2022, the increase in net income was attributable to an increase in noninterest income, specifically gain on sale of government guaranteed loans and other noninterest income. Compared to the first quarter of 2022, the increase in net income was primarily attributable to an overall increase in net interest income, offset by higher noninterest expense and income tax expense due to growth in taxable income.

Interest income was $23.3 million during the first quarter of 2023 compared to $20.7 million and $13.1 million during the fourth and first quarters in 2022, respectively. The increase during the first quarter of 2023 compared to the fourth quarter of 2022 was primarily in interest income on LHFI due to a combination of loan growth and increased interest rates on floating rate loans. Additionally, the rising interest rate environment and tightening housing inventory has slowed the pace of activity in the Mortgage Banker Finance division, resulting in overall lower LHFS volume, but with a higher yield per unit. The increase during the first quarter of 2023 compared to the first quarter of 2022 is attributable to growth of the loan portfolio coupled with better yields in the investments portfolio.

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

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

	Quarterly Trends					1Q23 change vs	
	1Q23	4Q22	3Q22	2Q22	1Q22	4Q22	1Q22
Interest on cash and due from banks	$ 16	$ 16	$ 13	$ 6	$ 5	$ -	$ 11
Interest on federal funds sold and resell agreements	619	312	321	261	197	307	422
Interest and dividends on investment securities	2,699	2,818	2,455	2,174	1,640	(119)	1,059
Interest and fees on LHFS	825	749	837	1,166	1,027	76	(202)
Interest and fees on LHFI excluding PPP loans	19,076	16,813	13,956	11,038	9,583	2,263	9,493
Interest and fees on PPP loans	16	35	107	433	621	(19)	(605)
Interest income	$ 23,251	$ 20,743	$ 17,689	$ 15,078	$ 13,073	$ 2,508	$ 10,178

Interest expense was $7.7 million during the first quarter of 2023 compared to $4.4 million and $1.2 million during the fourth and first quarters of 2022, respectively. Compared to the fourth quarter of 2022, the increase in interest expense is due to a combination of an increase in average balance as well as a 91 basis points increase in costs of interest-bearing deposits, coupled with increases of borrowing costs in other interest-bearing liabilities categories due to the rising interest rate environment. Compared to the same quarter last year, the increase in interest expense is due to an increase in average balance of interest-bearing deposits due to deposits growth, an increase in the Company's revolving commercial line of credit and FHLB advances, coupled with higher interest rates associated with these borrowings. The Company has repriced certain interest-bearing deposits interest rates in light of the rising interest rate environment and has created deposit retention programs and acquisition specials to attract new customers.

Net interest income was $15.6 million during the first quarter of 2023 compared to $16.3 million and $11.8 million during the fourth and first quarters of 2022, respectively. Compared to the fourth quarter of 2022, the decrease in net interest income was due to higher cost of funds, primarily the cost of deposits which rose by a much higher rate compared the growth of interest income. Compared to the first quarter of 2022, the increase in net interest income was attributable to growth in interest income as discussed above.

Net interest margin for the first quarter of 2023 was 3.56% compared to 3.86% and 3.09% for the fourth and first quarters of 2022, respectively. Compared to the fourth quarter of 2022, net interest margin compressed by 30 basis points, which was primarily driven by higher costs of deposits as the money market and certificates of deposits rates rose, coupled with a decline in noninterest-bearing deposits and a shift in mix towards higher cost certificates of deposit. Compared to the same quarter last year, net interest margin increased by 47 basis points primarily attributable to higher earning assets due to growth, coupled with higher yields due to the rising interest rates; offset by increases in deposit costs.

The cost of funds for the first quarter of 2023 was 183 basis points compared to 109 and 34 basis points during the fourth and first quarters of 2022, respectively. The cost of funds increase from the fourth quarter of 2022 is primarily due an increase of new brokered CDs during the period coupled with the current rising interest rate environment as deposits rates are adjusted to align with the current market prices to retain current customers and attract new customers. The cost of funds increase compared to the first quarter of 2022 is primarily driven by the growth of the interest-bearing deposits and the current rising interest rate environment as well.

The cost of deposits was 163 basis points in the first quarter of 2023 compared to 90 and 25 basis points in the fourth and first quarters of 2022, respectively. Compared to the fourth quarter of 2022, the increase is attributable to an increase in certificates of deposits, primarily brokered CDs, coupled with the current interest rate rising environment. Compared to the first quarter of 2022, the increase is attributable to the growth of interest-bearing deposits coupled with the current rising interest rate environment.

Provision for credit losses was $210 thousand during the first quarter of 2023 compared to $719 thousand and $1.4 million during the fourth and first quarters of 2022, respectively. As discussed above, the Company adopted CECL during the period which now includes provision for credit losses for the unfunded commitments and other assets. During the period, the allowance for loan losses was $518 thousand, offset by $308 thousand in recapture of ACL for unfunded commitments. Compared to the fourth quarter of 2022, the decrease is primarily related to the recapture of ACL for unfunded commitments. Compared to the first quarter of 2022, the decrease is primarily attributable to a previously reported large charge-off of a legacy Cornerstone SBA loan in the first quarter of 2022 and the aforementioned recapture of ACL for unfunded commitments in the current period. Net charge-offs were $517 thousand during the first quarter of 2023, compared to net recoveries of $18 thousand in the fourth quarter of 2022. These charge-offs during the first quarter of 2023 were largely attributed to SBA guarantee repairs on legacy Cornerstone SBA loans. These repairs were accrued for in the SBA Contingency Reserve, which was simultaneously released and reduced Noninterest expense for the quarter.

Noninterest income was $2.5 million during the first quarter of 2023 compared to $1.2 million and $2.4 million during the fourth and first quarters of 2022, respectively. Compared to the fourth quarter of 2022, the increase was primarily in gains in government guaranteed loans of $833 thousand and other noninterest income of $629 thousand, offset by declines in mortgage banking related income and service charges on deposit accounts. The increase in noninterest income was due to the opportunistic sale of securities and simultaneous termination of fair value hedges on these securities, which resulted in a net gain of $475 thousand. Compared to the first quarter of 2022, the modest increase in noninterest income of $136 thousand was primarily in other noninterest income $492 thousand, offset by a decline in mortgage banking related income $345 thousand. As the mortgage rates and housing prices have risen, demand for mortgage loans has slowed.

Noninterest expense was $9.0 million during the first quarter of 2023 compared to $9.5 million and $7.9 million during the fourth and first quarters of 2022, respectively. Compared to the fourth quarter of 2022, the decrease of $504 thousand was primarily in other noninterest expense, due to an $892 thousand release of the SBA Contingency Reserve compared to a release of $244 thousand in the fourth quarter of 2022, and no activity for other real estate owned ("OREO") in the current quarter. Compared to the first quarter of 2022, the increase of $1.1 million was due to a larger SBA contingency reserve release during the first quarter of 2022, as well as a net gain in OREO during the same period, coupled with increases across all the other categories of noninterest expense due to continued growth.

Income tax expense was $2.1 million in the first quarter of 2023 compared to $1.7 million and $1.2 million in the fourth and first quarters of 2022, respectively. Compared to the fourth quarter of 2022, the increase was attributable to an increase in taxable income. Compared to the first quarter of 2022, the increase in income tax expense was primarily attributable to higher earnings due to growth, coupled with increased net interest income due to rising interest rates.

Balance Sheet

Total assets as of March 31, 2023 were $2.023 billion, grew from $1.835 billion at December 31, 2022, and $1.670 billion at March 31, 2022. The increase of $187.4 million as compared to the prior quarter was attributable to the additional liquidity obtained through brokered CD's and other borrowings in response to market challenges in the aftermath of the Silicon Valley Bank and Signature Bank failures.

Cash and cash equivalents at March 31, 2023 was $188.9 million, compared to $29.0 million at December 31, 2022, and up from $169.5 million at March 31, 2022. The increase in cash and cash equivalents as compared to the prior quarter is primarily attributable to an increase in FHLB advances and brokered deposits during the quarter.

Investment securities at March 31, 2023 were $356.1 million, compared to $371.5 million at December 31, 2022, and $368.8 million at March 31, 2022. Compared to December 31, 2022 and March 31, 2022, investment securities decreased by $15.5 million and $12.7 million, respectively.

Total gross loans held for investment at March 31, 2023 were $1.333 billion, compared to $1.299 billion at December 31, 2022, and up from $989.2 million at March 31, 2022. Loans held for investment grew during the quarter as core LHFI increased by $37.6 million, offset by a decrease in acquired LHFI of $3.1 million, and forgiveness and paydowns of Paycheck Protection Program ("PPP") loans of $427 thousand. Compared to March 31, 2022, core LHFI increased by $391.2 million, offset by lower PPP balances due to forgiveness and paydowns of $23.3 million and a decrease in acquired LHFI by $24.5 million. Total loans held for sale at March 31, 2023 were approximately $56.0 million, compared to $44.5 million at December 31, 2022 and $63.7 million at March 31, 2022. The general decrease from the comparable quarter for the LHFS balances was due to changes in demand for mortgage loans in light of rising interest rates.

Allowance for credit losses (“ACL”) and allowance for loan losses ("ALL") at March 31, 2023 was $18.2 million of ACL under the CECL methodology compared to an ALL of $12.4 million at December 31, 2022, and $8.9 million at March 31, 2022. At March 31, 2023, the ACL was impacted by the adoption of CECL during the quarter which was comprised of $14.0 million in allowance for loan credit losses and $4.2 million in allowance for unfunded commitments credit losses, which is included in other liabilities on the balance sheet. The increase in the first quarter of 2023 compared to the fourth and first quarter of 2022 was primarily attributable to the change of methodology for measuring expected losses from incurred loss model to CECL model and the continued growth in the loan portfolio. Total ALL to total LHFI, excluding PPP, was 1.05% at March 31, 2023 compared to 0.95% and 0.93% at December 31, 2022, and March 31, 2022, respectively.

Nonaccrual loans increased by $4.3 million to approximately $9.8 million at March 31, 2023 from $5.5 million at December 31, 2022 primarily due to the PCD loans transferred to nonaccrual loans for accounting purposes following the adoption of CECL during the quarter. Upon adoption of CECL, there was also a transition from the prior reporting of troubled debt restructures (“TDRs”) as a lifetime metric to the reporting of loans to borrowers with financial difficulty, which is reported on a rolling 12-month basis following a restructure. There were no reportable loans to borrowers with financial difficulty as of March 31, 2023.Total nonperforming loans to gross LHFI outstanding was 0.88% at March 31, 2023, compared to 0.64% and 0.37% at December 31, 2022, and March 31, 2022, respectively.

Nonperforming assets to total assets increased by 13 basis points to 0.58% at March 31, 2023, compared to 0.45% at December 31, 2022, and increased by 33 basis points compared to 0.25% at March 31, 2022. There was no other real estate owned ("OREO") outstanding at the end of first quarter of 2023 and the fourth quarter of 2022. Compared to the first quarter of 2022, the decrease of $573 thousand was due to liquidation of OREO properties.

Total deposits at March 31, 2023 were $1.733 billion, an increase from $1.549 billion at December 31, 2022, and from $1.489 billion at March 31, 2022. The increase in total deposits from December 31, 2022 is attributable to continued new customer acquisition across the franchise. Noninterest-bearing deposits accounted for 21.7% of total deposits, compared to 27.4% of total deposits at December 31, 2022, and 28.0% at March 31, 2022. The first quarter of 2023 industry disruption contributed to the decrease in noninterest-bearing deposits but was not meaningful to the overall balance sheet or deposit composition. Noninterest-bearing deposits declined as customers moved their deposits into interest-earning accounts. The Company maintains a diverse and stable funding base that includes a mix of both consumer and business operational related deposits.

Subordinated debt, net of debt issuance costs, remained at approximately $14.6 million at March 31, 2023, December 31, 2022, and March 31, 2022.

Federal Home Loan Bank (“FHLB”) advances were $95.0 million at March 31, 2023, compared to $108.0 million and $20.0 million at December 31, 2022 and March 31, 2022, respectively. The decrease from December 31, 2022 is due to repayment of the advances during the first quarter of 2023. The Company reviewed its securities pledging strategy during the quarter to ensure that it has maximized the Bank's borrowing capacity considering the FHLB and other alternative sources of borrowing, such as the BTFP and Federal Reserve Bank discount window.

Bank Term Funding Program ("BTFP") advances via the Federal Reserve Bank was nil as of March 31, 2023. The Company enrolled in BTFP program when it became available in March 2023.

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

Accumulated other comprehensive (loss) income was ($23.7) million at March 31, 2023, compared to ($26.7) million and $(10.4) million at December 31, 2022 and March 31, 2022, respectively. This has been negatively affected by unrealized losses on the Company's available-for-sale ("AFS") securities attributed to the rising interest rate environment as discussed above. However, the unrealized losses have recently shown signs of a decreasing trend.

Shareholders' equity was $133.3 million as of March 31, 2023 compared to $118.8 million as of December 31, 2022. The increase is attributable to an increase in capital surplus $8.5 million, primarily due to the previously announced capital raise offering, an increase in accumulated income $2.5 million due to generated profits, and a decrease in accumulated other comprehensive loss of $3.0 million. Retained earnings was impacted by a $4.3 million cumulative adjustment pertaining to CECL adoption.

Tangible book value per share at March 31, 2023 was $13.43 compared to $12.64 at December 31, 2022. Tangible book value increased due to current period earnings, accretion related to the capital raise, a reversal of unrealized losses on AFS securities as discussed above, and changes in the fair value of derivatives. CSB is currently well capitalized with a leverage ratio of 9.34%, a common equity tier 1 capital ratio of 10.71%, and a total risk-based capital ratio of 11.50%.

Detailed Results

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

Sincerely,

Anthony P. Valduga

Anthony P. Valduga
CFO / COO

COASTALSOUTH BANCSHARES, INC.

FORWARD-LOOKING STATEMENTS

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

Explanation of Certain Unaudited Non-GAAP Financial Measures

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

COASTALSOUTH BANCSHARES, INC.

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

	1Q23	4Q22	3Q22	2Q22	1Q22	1Q23 change vs 4Q22	1Q23 change vs 1Q22
Assets							
Cash and due from banks	$ 12,232	$ 19,325	$ 15,366	$ 17,690	$ 8,831	$ (7,093)	$ 3,401
Federal funds sold and resell agreements	176,707	9,639	16,867	68,009	160,650	167,068	16,057
Investment securities (net of allowance for credit losses of $0)	356,058	371,517	372,383	373,706	368,766	(15,459)	(12,708)
Loans held for sale (LHFS)	55,957	44,500	53,049	69,533	63,685	11,457	(7,728)
Loans held for investment (LHFI)	1,332,689	1,298,603	1,178,730	1,101,934	989,232	34,086	343,457
Allowance for credit losses [1]	(14,029)	(12,362)	(11,625)	(10,599)	(8,946)	(1,667)	(5,083)
Loans held for investment, net	1,318,660	1,286,241	1,167,105	1,091,335	980,286	32,419	338,374
Bank-owned life insurance	29,961	29,772	29,587	29,402	29,213	189	748
Premises, furniture and equipment, net	18,500	18,690	18,056	17,517	17,514	(190)	986
Deferred tax asset	21,301	21,800	21,223	19,355	17,012	(499)	4,289
Goodwill & intangible assets [2]	6,996	6,867	7,173	7,389	7,455	129	(459)
Other real estate owned	-	-	571	573	573	-	(573)
Other assets	26,504	27,127	21,535	18,674	15,637	(623)	10,867
Total assets	**$ 2,022,876**	**$ 1,835,478**	**$ 1,722,915**	**$ 1,713,183**	**$ 1,669,622**	**$ 187,398**	**$ 353,254**
Liabilities and stockholders' equity							
Liabilities							
Deposits							
Noninterest bearing DDA	$ 375,992	$ 424,490	$ 424,848	$ 435,145	$ 417,306	$ (48,498)	$ (41,314)
Interest bearing DDA	159,832	163,123	181,302	181,818	217,308	(3,291)	(57,476)
Savings and money market	595,313	576,615	653,631	657,726	678,217	18,698	(82,904)
Certificates of deposit	601,375	384,418	280,362	232,119	176,432	216,957	424,943
Total deposits	1,732,512	1,548,646	1,540,143	1,506,808	1,489,263	183,866	243,249
Federal Home Loan Bank advances	95,000	108,044	25,000	50,000	20,000	(13,044)	75,000
Subordinated debt, net	14,646	14,634	14,622	14,610	14,599	12	47
Revolving commercial line of credit	18,000	18,000	10,000	10,000	10,000	-	8,000
SBA contingency reserve	1,733	2,626	2,852	3,029	4,229	(893)	(2,496)
Other liabilities	27,681	24,731	19,832	18,709	15,876	2,950	11,805
Total liabilities	**1,889,572**	**1,716,681**	**1,612,449**	**1,603,156**	**1,553,967**	**172,891**	**335,605**
Stockholders' equity							
Voting common stock	7,345	6,894	6,828	6,619	6,615	451	730
Nonvoting common stock	2,172	2,065	2,065	1,991	1,991	107	181
Capital surplus	145,074	136,599	135,592	132,263	132,017	8,475	13,057
Accumulated income (deficit)	2,372	(86)	(5,590)	(10,850)	(14,531)	2,458	16,903
Accumulated other comprehensive (loss) income	(23,659)	(26,675)	(28,429)	(19,996)	(10,437)	3,016	(13,222)
Total stockholders' equity	**133,304**	**118,797**	**110,466**	**110,027**	**115,655**	**14,507**	**17,649**
Total liabilities and stockholders' equity	**$ 2,022,876**	**$ 1,835,478**	**$ 1,722,915**	**$ 1,713,183**	**$ 1,669,622**	**$ 187,398**	**$ 353,254**
Capital ratios [3]							
Leverage ratio	9.34%	8.97%	8.50%	8.46%	8.43%	0.36%	0.91%
CET1 risk-based capital ratio	10.71	9.99	9.80	9.95	10.81	0.72	-0.10
Tier 1 risk-based capital ratio	10.71	9.99	9.80	9.95	10.81	0.72	-0.10
Total risk-based capital ratio	11.50	10.77	10.58	10.70	11.52	0.74	-0.01

[1] 1Q23 reflects the impact of adopting the CECL standard and our transition from an incurred loss model for these reserves to an expected credit loss methodology.
[2] Includes commercial mortgage servicing assets of $1,491, $1,302, $1,546, $1,698, and $1,697 for 1Q23, 4Q22, 3Q22, 2Q22, and 1Q22, respectively.
[3] Ratios are for Coastal States Bank, a wholly-owned subsidiary of CoastalSouth Bancshares, Inc.

COASTALSOUTH BANCSHARES, INC.

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

	1Q23	4Q22	3Q22	2Q22	1Q22	1Q23 change vs 4Q22	1Q23 change vs 1Q22
Interest income							
Interest on cash and due from banks	$ 16	$ 16	$ 13	$ 6	$ 5	$ -	$ 11
Interest on federal funds sold and resell agreements	619	312	321	261	197	307	422
Interest and dividends on investment securities	2,699	2,818	2,455	2,174	1,640	(119)	1,059
Interest and fees on LHFS	825	749	837	1,166	1,027	76	(202)
Interest and fees on LHFI	19,092	16,848	14,063	11,471	10,204	2,244	8,888
Total interest income	23,251	20,743	17,689	15,078	13,073	2,508	10,178
Interest expense							
Deposits	6,425	3,476	1,975	1,037	893	2,949	5,532
Other borrowings	1,274	972	533	380	356	302	918
Total interest expense	7,699	4,448	2,508	1,417	1,249	3,251	6,450
Net interest income	15,552	16,295	15,181	13,661	11,824	(743)	3,728
Provision for credit losses	210	719	1,274	1,667	1,418	(509)	(1,208)
Net interest income after provision for credit losses	15,342	15,576	13,907	11,994	10,406	(234)	4,936
Noninterest income							
Mortgage banking related income	232	306	317	454	577	(74)	(345)
Interchange and card fee Income	288	251	545	293	288	37	-
Service charges on deposit accounts	168	227	197	178	181	(59)	(13)
Bank-owned life insurance	189	184	185	190	174	5	15
Gain on sale of government guaranteed loans	930	97	-	837	943	833	(13)
Other noninterest income	728	99	233	198	236	629	492
Total noninterest income	2,535	1,164	1,477	2,150	2,399	1,371	136
Noninterest expense							
Salaries and employee benefits	5,987	5,965	5,765	5,911	5,749	22	238
Occupancy and equipment	748	789	636	611	638	(41)	110
Data processing	531	525	575	482	515	6	16
Other professional fees	561	551	486	777	404	10	157
Software and other technology expense	523	513	475	418	499	10	24
Regulatory assessment	280	282	308	298	269	(2)	11
Loss (gain) on other real estate owned, net	-	103	(48)	(213)	(230)	(103)	230
Other noninterest expense	402	808	440	888	52	(406)	350
Total noninterest expense	9,032	9,536	8,637	9,172	7,896	(504)	1,136
Net income before taxes	8,845	7,204	6,747	4,972	4,909	1,641	3,936
Income tax expense	2,085	1,700	1,487	1,291	1,164	385	921
Net income	**$ 6,760**	**$ 5,504**	**$ 5,260**	**$ 3,681**	**$ 3,745**	**$ 1,256**	**$ 3,015**
Earnings per share - basic	$ 0.75	$ 0.62	$ 0.61	$ 0.42	$ 0.44	$ 0.13	$ 0.31
Earnings per share - diluted	$ 0.74	$ 0.61	$ 0.60	$ 0.42	$ 0.42	$ 0.13	$ 0.32
Tangible book value	$ 127,799	$ 113,232	$ 104,839	$ 104,336	$ 109,897	$ 14,567	$ 17,902
Tangible book value per share	$ 13.43	$ 12.64	$ 11.79	$ 12.12	$ 12.77	$ 0.79	$ 0.66
Shares outstanding	9,517,329	8,959,374	8,893,237	8,609,385	8,605,985	557,955	911,344
Weighted average shares - basic	8,962,444	8,925,490	8,689,740	8,606,546	8,604,860	36,954	357,583
Weighted average shares - diluted	9,120,777	9,039,796	8,839,031	8,838,348	8,889,431	80,981	231,345

COASTALSOUTH BANCSHARES, INC.

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

	Quarterly trend					1Q23 change vs	
	1Q23	**4Q22**	**3Q22**	**2Q22**	**1Q22**	**4Q22**	**1Q22**
Average balances							
Cash and cash equivalents	$ 14,727	$ 14,164	$ 15,425	$ 14,058	$ 18,124	$ 563	$ (3,397)
Federal funds sold and resell agreements	51,965	25,966	53,823	101,974	166,228	25,999	(114,263)
Investment securities (net of allowance for credit losses of $0)	360,114	371,670	382,784	381,681	348,815	(11,556)	11,299
Loans held for sale	35,875	31,977	41,585	63,342	62,817	3,898	(26,942)
Loans held for investment	1,307,880	1,230,266	1,143,023	1,025,822	953,467	77,614	354,413
Total earning assets	1,770,561	1,674,043	1,636,640	1,586,877	1,549,451	96,518	221,110
Total nonearning assets	90,175	88,739	80,915	79,895	75,060	1,436	15,115
Total assets	**$ 1,860,736**	**$ 1,762,782**	**$ 1,717,555**	**$ 1,666,772**	**$ 1,624,511**	**$ 97,954**	**$ 236,225**
Interest-bearing deposits	$ 1,203,070	$ 1,093,428	$ 1,092,985	$ 1,062,591	$ 1,020,031	$ 109,642	$ 183,039
Other borrowings	113,399	96,312	55,377	42,625	44,592	17,087	68,807
Total interest bearing liabilities	1,316,469	1,189,740	1,148,362	1,105,216	1,064,623	126,729	251,846
Noninterest-bearing deposits	391,829	432,809	432,798	426,199	417,430	(40,980)	(25,601)
Other liabilities	31,859	25,718	21,025	19,816	18,244	6,141	13,615
Stockholders' equity	120,579	114,515	115,370	115,541	124,214	6,064	(3,635)
Total liabilities and stockholders' equity	**$ 1,860,736**	**$ 1,762,782**	**$ 1,717,555**	**$ 1,666,772**	**$ 1,624,511**	**$ 97,954**	**$ 236,225**
Interest margins							
Cash and due from banks	0.44%	0.45%	0.33%	0.17%	0.11%	-0.01%	0.33%
Federal funds sold and resell agreements	4.83%	4.77%	2.37%	1.03%	0.48%	0.06%	4.35%
Investment securities	3.04%	3.01%	2.54%	2.28%	1.91%	0.03%	1.13%
LHFS	9.33%	9.29%	7.99%	7.38%	6.63%	0.04%	2.70%
LHFI	5.92%	5.43%	4.88%	4.49%	4.34%	0.49%	1.58%
Total earning assets	5.33%	4.92%	4.29%	3.81%	3.42%	0.41%	1.91%
Interest-bearing deposits	2.17%	1.26%	0.72%	0.39%	0.36%	0.91%	1.81%
Other borrowings	4.56%	4.00%	3.82%	3.58%	3.24%	0.56%	1.32%
Total interest-bearing liabilities	2.37%	1.48%	0.87%	0.51%	0.48%	0.89%	1.89%
Cost of total deposits (1)	1.63%	0.90%	0.51%	0.28%	0.25%	0.73%	1.38%
Cost of total funding (1)	1.83%	1.09%	0.63%	0.37%	0.34%	0.74%	1.49%
Net interest spread	2.96%	3.44%	3.42%	3.30%	2.94%	-0.48%	0.02%
Net interest margin	3.56%	3.86%	3.68%	3.45%	3.09%	-0.30%	0.47%
Yield on total loans	6.01%	5.53%	4.99%	4.65%	4.48%	0.48%	1.53%
Yield on loans excluding PPP (2)	6.02%	5.54%	4.98%	4.58%	4.40%	0.48%	1.62%
Yield on LHFI excluding PPP (2)	5.93%	5.44%	4.87%	4.40%	4.24%	0.49%	1.69%
Net interest margin excluding PPP (2)	3.56%	3.86%	3.67%	3.39%	3.00%	-0.30%	0.56%
Efficiency ratio	49.94%	54.62%	51.85%	58.01%	55.52%	-4.68%	-5.58%

(1) Includes noninterest-bearing deposits.
(2) Non-GAAP measure, see “GAAP to Non-GAAP Reconciliation" schedule.

COASTALSOUTH BANCSHARES, INC.

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

	1Q23			4Q22			1Q22		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets									
Earning assets:									
Cash and due from banks	$ 14,727	$ 16	0.44%	$ 14,164	$ 16	0.45%	$ 18,124	$ 5	0.11%
Federal funds sold and resell agreements	51,965	619	4.83%	25,966	312	4.77%	166,228	197	0.48%
Investment securities (net of allowance for credit losses of $0)	360,114	2,699	3.04%	371,670	2,818	3.01%	348,815	1,640	1.91%
Loans held for sale	35,875	825	9.33%	31,977	749	9.29%	62,817	1,027	6.63%
Loans held for investment	1,307,880	19,092	5.92%	1,230,266	16,848	5.43%	953,467	10,204	4.34%
Total earning assets	1,770,561	23,251	5.33%	1,674,043	20,743	4.92%	1,549,451	13,073	3.42%
Allowance for credit losses [1]	(14,245)			(12,067)			(8,025)		
Bank-owned life insurance	29,853			29,668			29,098		
Premises, furniture and equipment, net	18,635			18,504			17,610		
Deferred tax asset	22,574			21,256			15,382		
Goodwill & intangible assets	6,934			7,090			7,562		
Other real estate owned	-			391			628		
Other assets	26,424			23,897			12,805		
Total assets	**$ 1,860,736**			**$ 1,762,782**			**$ 1,624,511**		
Interest-bearing deposits	1,203,070	6,425	2.17%	1,093,428	3,476	1.26%	1,020,031	893	0.36%
Federal Reserve Bank BTFP	1,333	15	4.56%	-	-	0.00%	-	-	0.00%
Federal Home Loan Bank advances	79,425	677	3.46%	71,249	552	3.07%	20,000	37	0.75%
Revolving commercial line of credit	18,000	347	7.82%	10,435	185	7.03%	10,000	84	3.41%
Subordinated debt, net	14,641	235	6.51%	14,628	235	6.37%	14,592	235	6.53%
Total interest-bearing liabilities	1,316,469	7,699	2.37%	1,189,740	4,448	1.48%	1,064,623	1,249	0.48%
Noninterest-bearing deposits	391,829			432,809			417,430		
Other liabilities	31,859			25,718			18,244		
Stockholders' equity	120,579			114,515			124,214		
Total liabilities and stockholders' equity	**$ 1,860,736**			**$ 1,762,782**			**$ 1,624,511**		
Interest margins									
Cost of total deposits [2]	1.63%			0.90%			0.25%		
Cost of total funding [2]	1.83%			1.09%			0.34%		
Net interest spread	2.96%			3.44%			2.94%		
Net interest margin	3.56%			3.86%			3.09%		
Efficiency ratio	49.94%			54.62%			55.52%		

[1] 1Q23 reflects the impact of adopting the CECL standard and our transition from an incurred loss model for these reserves to an expected credit loss methodology.
[2] Includes noninterest bearing deposits.

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

	1Q23	4Q22	3Q22	2Q22	1Q22	1Q23 change vs 4Q22	1Q23 change vs 1Q22
Loans held for investment ("LHFI")							
Commercial real estate							
Construction, acquisition and development	$ 98,037	$ 85,283	$ 76,816	$ 84,134	$ 65,965	12,754	32,072
Income producing	233,706	235,855	192,538	206,971	196,357	(2,149)	37,349
Commercial and industrial							
Non-real estate	110,580	109,263	100,152	97,913	100,366	1,317	10,214
Senior housing	272,539	249,974	236,008	212,651	175,349	22,565	97,190
Owner occupied	98,997	105,277	107,353	93,952	91,130	(6,280)	7,867
Retail							
Residential mortgages	135,990	137,035	136,615	131,889	126,491	(1,045)	9,499
Marine vessels	220,626	203,039	163,856	114,093	84,593	17,587	136,033
Cash value life insurance LOC	137,186	146,390	136,499	126,901	107,469	(9,204)	29,717
Other consumer	22,320	23,352	25,101	25,456	15,554	(1,032)	6,766
Paycheck Protection Program	2,708	3,135	3,792	7,974	25,958	(427)	(23,250)
Total loans held for investment	**$ 1,332,689**	**$ 1,298,603**	**$ 1,178,730**	**$ 1,101,934**	**$ 989,232**	**$ 34,086**	**$ 343,457**
Core LHFI	1,237,917	1,200,315	1,073,204	984,195	846,689	37,602	391,228
Acquired LHFI [1]	92,064	95,153	101,734	109,765	116,585	(3,089)	(24,521)
Paycheck Protection Program	2,708	3,135	3,792	7,974	25,958	(427)	(23,250)
Total loans held for investment	**$ 1,332,689**	**$ 1,298,603**	**$ 1,178,730**	**$ 1,101,934**	**$ 989,232**	**$ 34,086**	**$ 343,457**
Total loans held for sale	55,957	44,500	53,049	69,533	63,685	11,457	(7,728)
Total allowance for credit losses [2]	14,029	12,362	11,625	10,599	8,946	1,667	5,083
Nonperforming assets							
Nonaccrual loans	9,757	5,495	2,274	3,843	1,992	4,262	7,765
Past due loans 90 days and still accruing	1,968	2,584	2,157	34	1,229	(616)	739
Troubled debt restructurings [3]	-	194	390	391	393	(194)	(393)
Total nonperforming loans	11,725	8,273	4,821	4,268	3,614	3,452	8,111
Other real estate owned	-	-	571	573	573	-	(573)
Total nonperforming assets	**$ 11,725**	**$ 8,273**	**$ 5,392**	**$ 4,841**	**$ 4,187**	**$ 4,068**	**$ 6,799**
Credit Analysis							
QTD net charge-offs (recoveries)	$ 517	$ (18)	$ 248	$ 14	$ 620	$ 535	$ (103)
Net charge-offs (recoveries) to total LHFI	0.16%	-0.01%	0.08%	0.01%	0.25%	0.16%	-0.10%
Total allowance for loan losses to total LHFI	1.05%	0.95%	0.99%	0.96%	0.90%	0.10%	0.15%
Total allowance for loan credit losses to total LHFI, excluding PPP loans [4]	1.05%	0.95%	0.99%	0.97%	0.93%	0.10%	0.13%
Nonperforming loans to gross LHFI	0.88%	0.64%	0.41%	0.39%	0.37%	0.24%	0.51%
Nonperforming assets to total assets	0.58%	0.45%	0.31%	0.28%	0.25%	0.13%	0.33%

[1] Includes loans acquired through business combinations.
[2] 1Q23 reflects the impact of adopting the CECL standard and our transition from an incurred loss model to an expected credit loss methodology.
[3] Prior to 1/1/2023, the figures reflects cumulative TDRs but now reflects loans to borrowers with financial difficulty under ASU 2022-02 in the last rolling 12 months.
[4] Non-GAAP measure, see "GAAP to Non-GAAP Reconciliation" schedule.

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

	ACL	ALL			
Three months ended - dollars in thousands	1Q23	4Q22	3Q22	2Q22	1Q22
Allowance for Credit Losses (ACL) and Allowance for Loan Losses (ALL)					
Beginning balance	$ 12,362	$ 11,625	$ 10,599	$ 8,946	$ 8,148
Adoption of ASU 2016-03 [1]	1,666				
Charge-offs:					
Commercial and industrial					
Non-real estate	(281)	-	(263)	(50)	(861)
Senior housing	-	-	-	-	-
Owner occupied	-	-	-	-	-
Retail					
Residential mortgages	(194)	-	-	-	-
Marine vessels	-	-	-	-	-
Cash value life insurance LOC	-	-	-	-	-
Other consumer	(57)	(5)	(75)	-	-
Total charge-offs	(532)	(5)	(338)	(50)	(861)
Recoveries:					
Commercial and industrial					
Non-real estate	5	2	77	2	32
Senior housing	-	-	-	-	-
Owner occupied	-	-	-	-	-
Retail					-
Residential mortgages	10	14	12	24	206
Marine vessels	-	-	-	-	-
Cash value life insurance LOC	-	-	-	-	-
Other consumer	-	7	1	10	3
Total recoveries	15	23	90	36	241
Total net (charge-offs)/recoveries:	(517)	18	(248)	(14)	(620)
Provision for loan credit losses	518	719	1,274	1,667	1,418
Ending balance	$ 14,029	$ 12,362	$ 11,625	$ 10,599	$ 8,946
Allowance for credit losses - Off-balance sheet credit exposures					
Beginning balance	$ -				
Adoption of ASU 2016-03 [1]	4,519				
Provision for (recapture of) credit losses [2]	(308)				
Ending balance	$ 4,211				
Allowance for credit losses: loans and off-balance sheet credit exposures	$ 18,240				

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

COASTALSOUTH BANCSHARES, INC.

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

	Quarterly Trends				
	1Q23	4Q22	3Q22	2Q22	1Q22
Net Income	$ 6,760	$ 5,504	$ 5,260	$ 3,681	$ 3,745
Total noninterest income	2,535	1,164	1,477	2,150	2,399
Adjustments to noninterest income *	-	-	-	-	-
Total noninterest expense	9,032	9,536	8,637	9,172	7,896
Adjustments to noninterest expense **	-	-	-	16	123
Income Taxes	2,085	1,700	1,487	1,291	1,164
Tax effect of adjustments	-	-	-	(4)	(30)
Adjusted net income	$ 6,760	$ 5,504	$ 5,260	$ 3,693	$ 3,838
Net Income	6,760	5,504	5,260	3,681	3,745
Provision for credit losses	210	719	1,274	1,667	1,418
Provision for income taxes	2,085	1,700	1,487	1,291	1,164
Pre-tax pre-provision net revenue (PPNR)	$ 9,055	$ 7,923	$ 8,021	$ 6,639	$ 6,327
Adjustments to noninterest income *	-	-	-	-	-
Adjustments to noninterest expense **	-	-	-	16	123
Adjusted Pre-Tax Pre-Provision Income	$ 9,055	$ 7,923	$ 8,021	$ 6,655	$ 6,450
Return on average tangible assets (ROTA)	1.48%	1.24%	1.22%	0.89%	0.94%
Adjustments to net income	0.00%	0.00%	0.00%	0.00%	0.02%
Adjusted ROTA	1.48%	1.24%	1.22%	0.89%	0.96%
Return on Tangible Common Equity (ROTCE)	23.83%	20.05%	19.02%	13.44%	12.83%
Adjustments to net income	0.00%	0.00%	0.01%	0.04%	0.32%
Adjusted ROTCE	23.83%	20.05%	19.02%	13.49%	13.14%
Diluted EPS	$ 0.74	$ 0.61	$ 0.60	$ 0.42	$ 0.42
Adjustments to net income	-	-	-	-	0.01
Adjusted diluted EPS	$ 0.74	$ 0.61	$ 0.60	$ 0.42	$ 0.43
Efficiency ratio	49.94%	54.62%	51.85%	58.01%	55.52%
Adjustments to net income	0.00%	0.00%	0.00%	-0.10%	-0.87%
Adjusted efficiency ratio	49.94%	54.62%	51.85%	57.91%	54.65%
Interest and fees on LHFS	$ 825	$ 749	$ 837	$ 1,166	$ 1,027
Interest and fees on LHFI	19,092	16,848	14,063	11,471	10,204
Interest and fees on PPP loans	(16)	(35)	(107)	(433)	(621)
Loan interest income excluding PPP loans	$ 19,901	$ 17,562	$ 14,793	$ 12,204	$ 10,610
Interest and fees on LHFI	19,092	16,848	14,063	11,471	10,204
Interest and fees on PPP loans	(16)	(35)	(107)	(433)	(621)
LHFI interest income excluding PPP loans	$ 19,076	$ 16,813	$ 13,956	$ 11,038	$ 9,583
Net interest income	15,552	16,295	15,181	13,661	11,824
Interest and fees on PPP loans	(16)	(35)	(107)	(433)	(621)
Net interest income excluding PPP loans	$ 15,536	$ 16,260	$ 15,074	$ 13,228	$ 11,203
Total earning assets	1,770,561	1,674,043	1,636,640	1,586,877	1,549,451
Average PPP loans	(2,933)	(3,677)	(5,376)	(20,146)	(37,288)
Adjusted earning assets	$ 1,767,628	$ 1,670,366	$ 1,631,264	$ 1,566,731	$ 1,512,163
Average loans (LHFI + LHFS)	1,343,755	1,262,243	1,184,608	1,089,164	1,016,284
Average PPP Loans	(2,933)	(3,677)	(5,376)	(20,146)	(37,288)
Average loans excluding PPP	$ 1,340,822	$ 1,258,566	$ 1,179,232	$ 1,069,018	$ 978,996
Average LHFI	1,307,880	1,230,266	1,143,023	1,025,822	953,467
Average PPP Loans	(2,933)	(3,677)	(5,376)	(20,146)	(37,288)
Average LHFI excluding PPP	$ 1,304,947	$ 1,226,589	$ 1,137,647	$ 1,005,676	$ 916,179

(*) Consists of bargain purchase gain as a result of Cornerstone Bancshares, Inc. acquisition.
(**) Consists of merger and acquisition and due diligence costs.

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

	Quarterly Trends				
	1Q23	4Q22	3Q22	2Q22	1Q22
Yield on total loans	6.01%	5.53%	4.99%	4.65%	4.48%
Impact of PPP loans	0.01%	0.01%	-0.01%	-0.07%	-0.08%
Yield on total loans excluding PPP loans	6.02%	5.54%	4.98%	4.58%	4.40%
Yield on LHFI	5.92%	5.43%	4.88%	4.49%	4.34%
Impact of PPP loans	0.01%	0.01%	-0.01%	-0.09%	-0.10%
Yield on LHFI excluding PPP loans	5.93%	5.44%	4.87%	4.40%	4.24%
Net interest margin	3.56%	3.86%	3.68%	3.45%	3.09%
Impact of PPP loans	0.00%	0.00%	-0.01%	-0.06%	-0.09%
Net interest margin excluding PPP loans	3.56%	3.86%	3.67%	3.39%	3.00%
Average assets	$ 1,860,736	$ 1,762,782	$ 1,717,555	$ 1,666,772	$ 1,624,511
Average goodwill & intangible assets	(6,934)	(7,090)	(7,313)	(7,400)	(7,562)
Average commercial mortgage servicing rights	1,401	1,494	1,654	1,676	1,768
Average tangible assets	$ 1,855,203	$ 1,757,186	$ 1,711,896	$ 1,661,048	$ 1,618,717
Average stockholders' equity	$ 120,579	$ 114,515	$ 115,370	$ 115,541	$ 124,214
Average goodwill & intangible assets	(6,934)	(7,090)	(7,313)	(7,400)	(7,562)
Average commercial mortgage servicing rights	1,401	1,494	1,654	1,676	1,768
Average tangible common equity	$ 115,046	$ 108,919	$ 109,711	$ 109,817	$ 118,420
Total assets	$ 2,022,876	$ 1,835,478	$ 1,722,915	$ 1,713,183	$ 1,669,622
Goodwill & intangible assets	(6,996)	(6,867)	(7,173)	(7,389)	(7,455)
Commercial mortgage servicing rights	1,491	1,302	1,546	1,698	1,697
Tangible assets	$ 2,017,371	$ 1,829,913	$ 1,717,288	$ 1,707,492	$ 1,663,864
Stockholders' equity	$ 133,304	$ 118,797	$ 110,466	$ 110,027	$ 115,655
Goodwill & intangible assets	(6,996)	(6,867)	(7,173)	(7,389)	(7,455)
Commercial mortgage servicing rights	1,491	1,302	1,546	1,698	1,697
Tangible common equity	$ 127,799	$ 113,232	$ 104,839	$ 104,336	$ 109,897