



May 5, 2022

To our Shareholders:

CoastalSouth Bancshares, Inc. (the "Company") is pleased to announce net income of \$3.7 million, or \$0.42 per diluted share, for the first quarter of 2022, as compared to \$2.7 million net income, or \$0.31 per diluted share, for the fourth quarter of 2021.

"The Company's strong first quarter results set the stage for another year of high performance," said Steve Stone, President and Chief Executive Officer of the Company and its wholly owned subsidiary, Coastal States Bank ("CSB" or the "Bank"). "With \$83.3 million in core loan growth during the quarter, our bankers are laser focused on generating high quality new loan production. Additionally, as substantially all synergies have been realized from our merger with Cornerstone Bancshares, Inc. ("Cornerstone"), we are pleased with the performance of the combined entity following this integration."

Highlights for the First Quarter of 2022

- **Net income of \$3.7 million, and \$0.42 diluted earnings per share ("Diluted EPS")**
- **Total assets grew \$58.0 million, a 3.6% increase from December 31, 2021**
- **Total deposits grew \$65.1 million, a 4.6% increase from December 31, 2021**
- **Core loans held for investment grew \$83.3 million, a 10.9% increase from December 31, 2021**
- **Efficiency ratio was 55.52% compared to 77.45% and 64.85% in the fourth and first quarters of 2021**
- **Return on average assets increased by 0.26% to 0.93% for the quarter ended March 31, 2022**

During the first quarter, the Company's positive growth trajectory continued as deposits increased by \$65.1 million to \$1.49 billion from \$1.42 billion in the fourth quarter of 2021. During the first quarter, our bankers continued to see strong loan demand and we expect this trend to continue into the second quarter of 2022. The Company has continued to recruit and hire talented bankers within our markets to attract new customers and help fuel this growth. The Company continues to manage excess liquidity by deploying liquid assets into earning assets. Core loans held for investment ("LHFI") grew by \$83.3 million, excluding acquired loans, and the Company's investment portfolio grew by \$74.0 million during the first quarter.

During the quarter, as a result of continued inflation, the Federal Reserve signaled a larger increase to the the federal funds rate and in 2022 and 2023 than originally forecasted. Like many other institutions during this same time period, the Company's available-for-sale ("AFS") investment portfolio experienced

a decline in fair value driven by these rising interest rates, which reduced tangible book value. The Company reviews its AFS securities portfolio quarterly for other-than-temporary impairment, and none was recognized. Management believes that the decreases in value are driven by these interest rate movements and are not indicative of credit or other performance issues within the securities portfolio. As these securities move towards maturity, the unrealized losses should be reduced. Tangible book value per share at March 31, 2022 was \$12.77, a decrease from \$13.84 at December 31, 2021.

The Company's credit metrics remained strong throughout the first quarter. The Company's NPA ratio continues to decline and was down to 0.18% at the end of the first quarter of 2022 as compared to 0.20% at the end of the fourth quarter of 2021. The Company's net charge-offs to total LHF ratio remains low as well, at 0.25% for the first quarter of 2022. The increase in charge-offs was due to the repurchase of a legacy Cornerstone SBA loan, for which the guarantee was denied. Management had reserved for this potential loss in the SBA contingency reserve. When the loan was repurchased, the contingency reserve was released, economically offsetting the charge-off recognized through the Allowance for loan losses.

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

	Quarterly Trends					1Q22 change vs	
	1Q22	4Q21	3Q21	2Q21	1Q21	4Q21	1Q21
Selected Balance Sheet Data							
Total assets	\$ 1,669,622	\$ 1,611,657	\$ 1,333,349	\$ 1,261,987	\$ 1,180,621	\$ 57,965	\$ 489,001
Total gross loans (LHFS + LHFI)	1,052,917	1,019,569	855,738	865,664	870,271	33,348	182,646
Total deposits	1,489,263	1,424,117	1,168,370	1,109,913	1,020,496	65,146	468,767
Earnings Highlights							
Net income	\$ 3,745	\$ 2,723	\$ 3,251	\$ 3,274	\$ 3,074	\$ 1,022	\$ 671
Diluted earnings per share (EPS)	\$ 0.42	\$ 0.31	\$ 0.39	\$ 0.40	\$ 0.38	\$ 0.11	\$ 0.04
Net interest income	\$ 11,824	\$ 11,739	\$ 10,105	\$ 9,678	\$ 9,723	\$ 85	\$ 2,101
Performance Ratios							
Net interest margin	3.09%	3.03%	3.28%	3.36%	3.53%	0.06%	-0.44%
Net interest spread	2.94%	2.87%	3.11%	3.18%	3.35%	0.07%	-0.41%
Cost of total deposits	0.25%	0.26%	0.29%	0.32%	0.41%	-0.01%	-0.16%
Cost of total funding	0.34%	0.34%	0.38%	0.41%	0.50%	0.00%	-0.16%
Efficiency ratio	55.52%	77.45%	62.66%	64.69%	64.85%	-21.93%	-9.33%
Loan-to-deposit ratio	70.70%	71.59%	73.24%	77.99%	85.28%	-0.89%	-14.58%
Return on (annualized):							
Average assets (ROAA) ²	0.93%	0.68%	1.01%	1.08%	1.07%	0.26%	-0.13%
Average tangible assets (ROTA) ²	0.94%	0.68%	1.01%	1.09%	1.07%	0.26%	-0.13%
Average tangible common equity (ROTCE) ²	12.83%	9.10%	12.01%	12.77%	12.61%	3.72%	0.21%
Tangible common equity to tangible assets ²	7.32%	7.44%	8.44%	8.53%	8.49%	-0.12%	-1.17%
Tangible book value per share ²	\$ 12.77	\$ 13.84	\$ 13.52	\$ 13.07	\$ 12.56	\$ (1.07)	\$ 0.21
Other Operating Measures¹:							
Pre-tax pre-provision net revenue (PPNR)	\$ 6,327	\$ 3,482	\$ 4,851	\$ 4,414	\$ 4,045	\$ 2,845	\$ 2,282
PPNR ROAA	1.58%	0.86%	1.51%	1.46%	1.40%	0.72%	0.18%
Net interest margin excluding PPP income	3.00%	2.86%	2.98%	3.22%	3.37%	0.15%	-0.37%
Adjusted net income	\$ 3,838	\$ 2,795	\$ 3,346	\$ 3,468	\$ 3,102	\$ 1,043	\$ 736
Adjusted diluted EPS	\$ 0.45	\$ 0.33	\$ 0.42	\$ 0.43	\$ 0.39	\$ 0.12	\$ 0.06
Adjusted ROTA	0.96%	0.70%	1.04%	1.15%	1.08%	0.27%	-0.12%
Adjusted ROTCE	13.14%	9.34%	12.36%	13.53%	12.73%	3.80%	0.41%
Adjusted efficiency ratio	54.65%	74.07%	61.69%	62.64%	64.53%	-19.42%	-9.88%
Adjusted noninterest expense to avg. assets	1.94%	2.53%	2.49%	2.59%	2.57%	-0.59%	-0.63%

⁽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 \$3.7 million for the first quarter of 2022 compared to net income of \$2.7 million in the fourth quarter of 2021 and a net income of \$3.1 million in the first quarter of 2021. Compared to the fourth quarter of 2021, the increase is attributable to stabilization following the Cornerstone acquisition integration during the fourth quarter of 2021, where there majority of merger costs were included in non-interest expense and offset with the bargain purchase gain, as well as increases in noninterest income and other reductions in noninterest expense. Compared to the first quarter of 2021, the increase in net income was primarily attributable to an increase in net interest income; offset by an increase in provision for credit losses.

Interest income was \$13.1 million in the first quarter of 2022, compared to \$13.0 million in the fourth quarter of 2021 and \$11.0 million in the first quarter of 2021. The modest increase in the first quarter of 2022 compared to the fourth quarter of 2021 was primarily in interest and dividends on investment securities and increased interest income on LHFI excluding PPP, offset by decreases in PPP loan related income and decreases in LHFS income. The PPP loan program continues to wind down into 2022 as loans are forgiven or paid off. Additionally, the rising interest rate environment and tightened housing inventory has slowed the pace of activity in the Mortgage Banker Finance division, resulting in lower LHFS volumes, but with a higher yield. The increase in the first quarter of 2022 compared to the first quarter of 2021 is due to growth in the loan portfolio coupled with the expansion of the investment portfolio throughout 2021 and into 2022 and the acquisition of Cornerstone. The components of interest income are presented below:

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

	Quarterly Trends					1Q22 change vs	
	1Q22	4Q21	3Q21	2Q21	1Q21	4Q21	1Q21
Interest on cash and due from banks	\$ 5	\$ 19	\$ 2	\$ 2	\$ 1	\$ (14)	\$ 4
Interest on federal funds sold and resell agreements	197	286	282	288	285	(89)	(88)
Interest and dividends on investment securities	1,640	1,181	865	806	744	459	896
Interest and fees on LHFS	1,027	1,172	1,309	1,448	1,595	(145)	(568)
Interest and fees on LHFI excluding PPP loans	9,583	9,264	7,017	6,671	6,776	319	2,807
Interest and fees on PPP loans	621	1,054	1,736	1,579	1,617	(433)	(996)
Interest income	\$ 13,073	\$ 12,976	\$ 11,211	\$ 10,794	\$ 11,018	\$ 97	\$ 2,055

Interest expense remained steady at \$1.2 million in the first quarter of 2022 compared to a similar amount in the fourth quarter of 2021, and a modest decrease compared to a \$1.3 million in the first quarter of 2021. Compared to the same quarter last year, the decrease in interest expense is due to a 20 basis point decrease in costs of interest-bearing deposits, partially offset by costs the Company's revolving commercial line of credit, which was added during the fourth quarter of 2021 to provide the

ability to downstream additional capital to the Bank. No significant changes to the Bank's deposit costs occurred during the quarter.

Net interest margin for the first quarter of 2022 was 3.09%, compared to 3.03% for the fourth quarter of 2021 and 3.53% for the first quarter of 2021. Compared to the fourth quarter of 2021, net interest margin increased by 6 basis points, which is related to increased total earning assets balances, primarily investment securities and loans held for investment. Compared to the same quarter last year, net interest margin compressed by 44 basis points and is attributable to increased federal funds sold balances in the first quarter of 2022 that earn only a nominal yield, decreased income on PPP loans as loans continue to be forgiven, decreased yield on the investment securities portfolio, and contraction in loan portfolio yields attributable to significant competition in our markets for strong commercial credits.

The cost of funds remained steady for the first quarter of 2022 from the fourth quarter of 2021 at 34 basis points, compared to 50 basis points for the first quarter of 2021. Cost of funds decline compared to the first quarter of 2021 is primarily driven by a decrease in costs of interest-bearing deposits, offset by the cost of the new revolving commercial line of credit.

The cost of deposits was 25 basis points in the first quarter of 2022 compared to 26 and 41 basis points in the fourth and first quarters of 2021, respectively. Over the last year, higher priced deposits have continued to repriced into lower cost deposits.

Provision for credit losses was \$1.4 million during the first quarter of 2022, compared to \$399 thousand and \$5 thousand in the fourth and first quarters of 2021, respectively. Net charge-offs were \$620 thousand during the first quarter of 2022. The increase in provision is due to a \$861 thousand charge-off of a legacy Cornerstone SBA loan, as well as an increase to reserves to cover loan growth, offset by \$241 thousand of loan recoveries. The Company repurchased the sold portion of this SBA loan and subsequently charged-off the loan upon denial of the guarantee. However, the earnings impact of this charge-off was almost entirely offset by the SBA contingency reserve recorded by the Company in connection with the Cornerstone acquisition. When the loan was repurchased, a portion of the SBA contingency reserve was released, resulting in a decrease in noninterest expense.

Noninterest income was \$2.4 million in the first quarter of 2022, compared to \$3.7 million and \$1.8 million in the fourth and first quarters of 2021, respectively. Compared to the fourth quarter of 2021, the decrease is primarily related to a bargain purchase gain of \$1.6 million related to the Cornerstone acquisition recognized in the fourth quarter of 2021, offset by increases in gain on sale of government guaranteed loans of \$378 thousand in the first quarter of 2022, and a combination of other categories. Compared to the first quarter of 2021, the increase in noninterest income of \$613 thousand was primarily attributable to the gain on sale of government guaranteed loans of \$697 thousand.

Noninterest expense was \$7.9 million during the first quarter of 2022, compared to \$12.0 million and \$7.5 million during the fourth and first quarters of 2021, respectively. Compared to the fourth quarter of 2021, the decrease of \$4.1 million is primarily due to one-time merger costs related to the Cornerstone acquisition across various noninterest expense categories during the fourth quarter of 2021 coupled with a reduction of the SBA contingency reserve during the first quarter of 2022 which reduced other noninterest expense by approximately \$1.1 million. The reduction to the SBA contingency reserve was driven by the repurchase of one SBA loan from the secondary market, as well as other paydowns during the quarter which reduces CSB's off-balance sheet exposure should SBA guarantees related to legacy Cornerstone loans be denied. Compared to the first quarter of 2021, the increase of \$432 thousand is primarily in salaries and employee benefits, offset by other categories, primarily other noninterest expense.

Income tax expense was \$1.2 million in the first quarter of 2022, compared to \$360 thousand and \$966 thousand in the fourth and first quarters of 2021, respectively. Compared to the fourth quarter of 2021, the increase is attributable to an increase of taxable income, as the bargain purchase gain from the acquisition of Cornerstone in the fourth quarter of 2021 is non-taxable income. Compared to the first quarter of 2021, the increase in income tax expense is primarily attributable to higher earnings.

Balance Sheet

Total assets as of March 31, 2022 were \$1.670 billion, grew from \$1.612 billion at December 31, 2021 and \$1.181 billion at March 31, 2021. The increase of \$58.0 million as compared to the prior quarter was attributable to continued deployment of liquid funds into loans held for investment and investment securities.

Cash and cash equivalents at March 31, 2022 was \$169 million, compared to \$224 million at December 31, 2021, and down from \$124 million at March 31, 2021. The decrease in cash and cash equivalents as compared to the prior quarter is primarily attributable to a decrease in cash and due from banks as well as a decrease in federal funds sold as the Company continues to deploy liquidity into higher interest-earning assets in the loans held for investment and investment securities.

Investment securities at March 31, 2022 were \$369 million, compared to \$295 million at December 31, 2021, and up from \$130 million at March 31, 2021. The increase in investment securities for both periods is related to securities purchases.

Total gross loans held for investment at March 31, 2022 were \$989 million, compared to \$938 million at December 31, 2021, and up from \$754 million at March 31, 2021. Loans held for investment grew during the quarter as core LHFI increased by \$83.3 million; offset by forgiveness and paydowns of PPP loans of

\$21.7 million, and a decrease in acquired LHFI by \$10.5 million. As compared to March 31, 2021, core LHFI increased by \$290.4 million and acquired LHFI grew by \$78.8 million; offset by lower PPP balances due to forgiveness and paydowns of \$133.8 million. Total loans held for sale at March 31, 2022 were approximately \$64 million, compared to \$81 million at December 31, 2021 and a \$116 million at March 31, 2021.

Allowance for loan losses (“ALL”) at March 31, 2022 was \$8.9 million, compared to \$8.1 million at December 31, 2021, and from \$7.1 million at March 31, 2021. The increase in the first quarter of 2022 compared to the fourth quarter of 2021 and first quarter of 2021, was primarily due to growth in the loan portfolio. Total ALL to total LHFI excluding PPP was 0.93% at March 31, 2022 as compared to 0.92% and 1.19% at December 31, 2021 and March 31, 2021, respectively. A discount on acquired loans is also recorded through accounting for business combinations, and was \$4.7 million at March 31, 2022, which can be used to absorb future credit losses on acquired loans.

Nonaccrual loans decreased by \$192 thousand to approximately \$2.0 million at March 31, 2022 from \$2.2 million at December 31, 2021. Troubled debt restructures (“TDRs”) remained similar at \$393 thousand compared to December 31, 2021, and increased by \$159 thousand compared to March 31, 2021, related to one loan from the Cornerstone acquisition that did not qualify for accounting under the guidance for purchased credit-impaired loans. Total nonperforming loans to gross LHFI outstanding were 0.24% at March 31, 2022, compared to 0.27% and 0.39% at December 31, 2021, and March 31, 2021, respectively.

Nonperforming assets to total assets decreased by 2 basis points to 0.18% at March 31, 2022, compared to 0.20% at December 31, 2021, and decreased by 14 basis points compared to 0.32% at March 31, 2021. Other real estate owned (“OREO”) decreased slightly by \$67 thousand in the first quarter to \$573 thousand from \$640 thousand in the fourth quarter of 2022 due to a valuation write-down. A decrease of \$237 thousand occurred from the first quarter of 2021 to the first quarter of 2022 due to liquidation of properties and valuation write-downs as well.

Total deposits at March 31, 2022 were \$1.489 billion, an increase from \$1.424 billion at December 31, 2021 and from \$1.020 billion at March 31, 2021. The increase in total deposits from December 31, 2021 is attributable to continued new customer acquisition across the franchise. Noninterest bearing deposits accounted for 28.0% of total deposits as compared to 30.4% of total deposits at December 31, 2021 and 27.9% at March 31, 2021. As the Company wins new loan customers and targets new deposit relationships with competitive rates on interest bearing accounts, our bankers are focused on ensuring that we win the entire relationship, including operating accounts, so that we can preserve our attractive mix of deposits.

Federal Reserve Bank advances associated with the Paycheck Protection Program Liquidity Facility (“PPPLF”) at both March 31, 2022 and December 31, 2021 was nil compared to \$11 million at March 31, 2021. The decrease from March 31, 2021 is attributable to payoff of those advances due to the inflow of customer deposits during 2021.

Subordinated debt, net of debt issuance costs, remained at approximately \$14.6 million at March 31, 2022, December 31, 2021 and March 31, 2021.

Federal Home Loan Bank advances (“FHLB”) remained consistent at \$20 million at March 31, 2022, and December 31, 2021, and March 31, 2021. These FHLB advances are structured advances with 3-month call options, and depending on changes in interest rates, may be called prior to maturity.

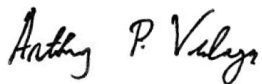
Revolving commercial line of credit (“LOC”) remained the same at \$10.0 million at March 31, 2022 and December 31, 2021. This LOC did not exist at March 31, 2021. The LOC was opened to provide the Company with the ability to downstream additional capital to the Bank and has total capacity of \$18.0 million.

Tangible book value per share at March 31, 2022 was \$12.77. The decrease of the tangible book value from \$13.84 at December 31, 2021 is due to increased unrealized losses on available-for-sale securities attributed to the rising interest rate environment, offset by current earnings and the impact of derivative instruments. CSB is currently well capitalized with a leverage ratio of 8.43%, a common equity tier 1 capital ratio of 10.81%, and a total risk-based capital ratio of 11.52%.

Detailed Results

Supplementary unaudited financial statements are included for the first quarter of 2022 in the following pages. As always, I encourage you to contact me with any questions or comments.

Sincerely,



Anthony P. Valduga
CFO / COO

FORWARD-LOOKING STATEMENTS

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

Explanation of Certain Unaudited Non-GAAP Financial Measures

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

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

						1Q22 change vs	
	1Q22	4Q21	3Q21	2Q21	1Q21	4Q21	1Q21
Assets							
Cash and due from banks	\$ 3,545	\$ 15,348	\$ 1,542	\$ 10,444	\$ 4,941	\$ (11,803)	\$ (1,396)
Federal funds sold and resell agreements	165,936	209,011	204,314	172,957	119,512	(43,075)	46,424
Investment securities	368,766	294,754	214,842	155,843	129,804	74,012	238,962
Loans held for sale (LHFS)	63,685	81,453	81,257	104,035	116,334	(17,768)	(52,649)
Loans held for investment (LHFI)	989,232	938,116	774,481	761,629	753,937	51,116	235,295
Allowance for loan losses	(8,946)	(8,148)	(7,715)	(7,157)	(7,060)	(798)	(1,886)
Loans held for investment, net	980,286	929,968	766,766	754,472	746,877	50,318	233,409
Bank-owned life insurance	29,213	29,039	18,918	19,030	19,070	174	10,143
Premises, furniture and equipment, net	17,514	17,650	17,726	17,242	16,743	(136)	771
Deferred tax asset	17,012	14,498	10,472	9,820	9,922	2,514	7,090
Goodwill & intangible assets ⁽¹⁾	7,455	7,564	6,437	6,322	6,274	(109)	1,181
Other real estate owned	573	640	616	778	810	(67)	(237)
Other assets	15,637	11,732	10,459	11,044	10,334	3,905	5,303
Total assets	\$ 1,669,622	\$ 1,611,657	\$ 1,333,349	\$ 1,261,987	\$ 1,180,621	\$ 57,965	\$ 489,001
Liabilities and stockholders' equity							
Liabilities							
Deposits							
Noninterest bearing DDA	\$ 417,306	\$ 432,631	\$ 332,701	\$ 324,425	\$ 285,005	\$ (15,325)	\$ 132,301
Interest bearing DDA	217,308	178,614	171,574	184,549	188,964	38,694	28,344
Savings and money market	678,217	629,974	539,563	472,981	409,882	48,243	268,335
Certificates of deposit	176,432	182,898	124,532	127,958	136,645	(6,466)	39,787
Total deposits	1,489,263	1,424,117	1,168,370	1,109,913	1,020,496	65,146	468,767
Federal Home Loan Bank advances	20,000	20,000	20,000	20,000	20,000	-	-
Subordinated debt, net	14,599	14,587	14,575	14,563	14,551	12	48
Revolving commercial line of credit	10,000	10,000	-	-	-	-	10,000
SBA contingency reserve	4,229	5,323	-	-	-	(1,094)	4,229
Federal Reserve Bank PPPLF advances	-	-	-	-	11,145	-	(11,145)
Other liabilities	15,876	12,696	16,680	7,673	8,635	3,180	7,241
Total liabilities	1,553,967	1,486,723	1,219,625	1,152,149	1,074,827	67,244	479,140
Stockholders' equity							
Voting common stock	6,615	6,614	6,031	6,003	6,003	1	612
Nonvoting common stock	1,991	1,991	1,991	1,991	1,991	-	-
Capital surplus	132,017	131,792	122,732	122,411	122,070	225	9,947
Accumulated deficit	(14,531)	(18,276)	(20,998)	(24,249)	(27,525)	3,745	12,994
Accumulated other comprehensive (loss) income	(10,437)	2,813	3,968	3,682	3,255	(13,250)	(13,692)
Total stockholders' equity	115,655	124,934	113,724	109,838	105,794	(9,279)	9,861
Total liabilities and stockholders' equity	\$ 1,669,622	\$ 1,611,657	\$ 1,333,349	\$ 1,261,987	\$ 1,180,621	\$ 57,965	\$ 489,001
Capital ratios ⁽²⁾							
Leverage ratio	8.43%	8.25%	8.18%	8.32%	8.87%	0.18%	-0.44%
CET1 risk-based capital ratio	10.81	10.94	10.92	11.22	11.60	-0.14	-0.79
Tier 1 risk-based capital ratio	10.81	10.94	10.92	11.22	11.60	-0.14	-0.79
Total risk-based capital ratio	11.52	11.63	11.74	12.03	12.45	-0.11	-0.94

⁽¹⁾ Includes commercial mortgage servicing assets of \$1,697, \$1,736, \$1,147, \$989, and \$897 for 1Q22, 4Q21, 3Q21, 2Q21, and 1Q21, respectively.

⁽²⁾ Ratios are for Coastal States Bank, a wholly-owned subsidiary of CoastalSouth Bancshares, Inc.

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

	1Q22	4Q21	3Q21	2Q21	1Q21	1Q22 change vs	
						4Q21	1Q21
Interest income							
Interest on cash and due from banks	\$ 5	\$ 19	\$ 2	\$ 2	\$ 1	\$ (14)	\$ 4
Interest on federal funds sold and resell agreements	197	286	282	288	285	(89)	(88)
Interest and dividends on investment securities	1,640	1,181	865	806	744	459	896
Interest and fees on LHFS	1,027	1,172	1,309	1,448	1,595	(145)	(568)
Interest and fees on LHFI	10,204	10,318	8,753	8,250	8,393	(114)	1,811
Total interest income	13,073	12,976	11,211	10,794	11,018	97	2,055
Interest expense							
Deposits	893	946	827	838	956	(53)	(63)
Other borrowings	356	291	279	278	339	65	17
Total interest expense	1,249	1,237	1,106	1,116	1,295	12	(46)
Net interest income	11,824	11,739	10,105	9,678	9,723	85	2,101
Provision for credit losses	1,418	399	700	222	5	1,019	1,413
Net interest income after provision for credit losses	10,406	11,340	9,405	9,456	9,718	(934)	688
Noninterest income							
Gain on sale of government guaranteed loans	943	565	1,132	977	246	378	697
Mortgage banking related income	577	709	785	845	676	(132)	(99)
Interchange and card fee income	288	248	236	261	257	40	31
Service charges on deposit accounts	181	209	156	140	138	(28)	43
Bank-owned life insurance	174	121	384	307	119	53	55
Bargain purchase gain	-	1,649	-	-	-	(1,649)	-
Securities (loss) gain, net	-	(65)	-	6	-	65	-
Other noninterest income	236	267	192	286	350	(31)	(114)
Total noninterest income	2,399	3,703	2,885	2,822	1,786	(1,304)	613
Noninterest expense							
Salaries and employee benefits	5,749	6,898	5,258	5,139	4,941	(1,149)	808
Occupancy and equipment	638	747	535	521	509	(109)	129
Data processing	515	592	355	353	331	(77)	184
Software and other technology expense	499	686	510	445	444	(187)	55
Other professional fees	404	1,429	485	638	387	(1,025)	17
Regulatory assessment	269	331	249	223	209	(62)	60
(Gain) loss on other real estate owned, net	(230)	325	25	32	-	(555)	(230)
Other noninterest expense	52	952	722	735	643	(900)	(591)
Total noninterest expense	7,896	11,960	8,139	8,086	7,464	(4,064)	432
Net income before taxes	4,909	3,083	4,151	4,192	4,040	1,826	869
Income tax expense	1,164	360	900	918	966	804	198
Net income	\$ 3,745	\$ 2,723	\$ 3,251	\$ 3,274	\$ 3,074	\$ 1,022	\$ 671
Earnings per share - basic	\$ 0.44	\$ 0.31	\$ 0.41	\$ 0.41	\$ 0.38	\$ 0.13	\$ 0.05
Earnings per share - diluted	\$ 0.42	\$ 0.31	\$ 0.39	\$ 0.40	\$ 0.38	\$ 0.11	\$ 0.04
Tangible book value	\$ 109,897	\$ 119,106	\$ 108,434	\$ 104,505	\$ 100,417	\$ (9,209)	\$ 9,479
Tangible book value per share	\$ 12.77	\$ 13.84	\$ 13.52	\$ 13.07	\$ 12.56	\$ (1.07)	\$ 0.21
Shares outstanding	8,605,985	8,604,735	8,021,153	7,993,653	7,993,653	1,250	612,332
Weighted average shares - basic	8,604,860	8,588,600	8,003,709	7,993,653	7,993,653	16,261	611,207
Weighted average shares - diluted	8,889,431	8,826,000	8,230,906	8,238,909	8,011,481	63,432	877,950

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

	Quarterly trend					1Q22 change vs	
	1Q22	4Q21	3Q21	2Q21	1Q21	4Q21	1Q21
Average balances							
Cash and cash equivalents	\$ 16,052	\$ 48,922	\$ 10,011	\$ 6,585	\$ 8,333	\$ (32,870)	\$ 7,719
Federal funds sold and resell agreements	168,300	240,282	173,329	149,620	133,167	(71,982)	35,133
Investment securities	348,815	258,622	175,617	140,442	127,926	90,193	220,889
Loans held for sale	62,817	80,700	90,672	105,425	122,878	(17,883)	(60,061)
Loans held for investment	953,467	909,314	772,205	753,920	723,559	44,153	229,908
Total earning assets	1,549,451	1,537,840	1,221,834	1,155,992	1,115,863	11,611	433,588
Total nonearning assets	75,060	62,303	55,305	55,521	54,081	12,757	20,979
Total assets	<u>\$ 1,624,511</u>	<u>\$ 1,600,143</u>	<u>\$ 1,277,139</u>	<u>\$ 1,211,513</u>	<u>\$ 1,169,944</u>	<u>\$ 24,368</u>	<u>\$ 454,567</u>
Interest-bearing deposits	\$ 1,020,031	\$ 994,414	\$ 797,603	\$ 754,449	\$ 686,949	\$ 25,617	\$ 333,082
Other borrowings	44,592	36,626	34,677	36,874	115,974	7,966	(71,382)
Total interest bearing liabilities	1,064,623	1,031,040	832,280	791,323	802,923	33,583	261,700
Noninterest-bearing deposits	417,430	429,186	325,732	305,641	254,650	(11,756)	162,780
Other liabilities	18,244	16,387	6,442	6,366	8,143	1,857	10,101
Stockholders' equity	124,214	123,530	112,685	108,183	104,228	684	19,986
Total liabilities and stockholders' equity	<u>\$ 1,624,511</u>	<u>\$ 1,600,143</u>	<u>\$ 1,277,139</u>	<u>\$ 1,211,513</u>	<u>\$ 1,169,944</u>	<u>\$ 24,368</u>	<u>\$ 454,567</u>
Interest margins							
Cash and due from banks	0.13%	0.15%	0.08%	0.12%	0.05%	-0.02%	0.08%
Federal funds sold and resell agreements	0.47%	0.47%	0.65%	0.77%	0.87%	0.00%	-0.40%
Investment securities	1.91%	1.81%	1.95%	2.30%	2.36%	0.10%	-0.45%
LHFS	6.63%	5.76%	5.73%	5.51%	5.26%	0.87%	1.37%
LHFI	4.34%	4.50%	4.50%	4.39%	4.70%	-0.16%	-0.36%
Total earning assets	<u>3.42%</u>	<u>3.35%</u>	<u>3.64%</u>	<u>3.75%</u>	<u>4.00%</u>	<u>0.07%</u>	<u>-0.58%</u>
Interest-bearing deposits	0.36%	0.38%	0.41%	0.45%	0.56%	-0.02%	-0.20%
Other borrowings	3.24%	3.15%	3.19%	3.02%	1.19%	0.09%	2.05%
Total interest-bearing liabilities	<u>0.48%</u>	<u>0.48%</u>	<u>0.53%</u>	<u>0.57%</u>	<u>0.65%</u>	<u>0.00%</u>	<u>-0.17%</u>
Cost of total deposits ⁽¹⁾	0.25%	0.26%	0.29%	0.32%	0.41%	-0.01%	-0.16%
Cost of total funding ⁽¹⁾	0.34%	0.34%	0.38%	0.41%	0.50%	0.00%	-0.16%
Net interest spread	2.94%	2.87%	3.11%	3.18%	3.35%	0.07%	-0.41%
Net interest margin	3.09%	3.03%	3.28%	3.36%	3.53%	0.06%	-0.44%
Yield on total loans	4.48%	4.60%	4.63%	4.53%	4.79%	-0.12%	-0.31%
Yield on loans excluding PPP ⁽²⁾	4.40%	4.43%	4.37%	4.57%	4.81%	-0.03%	-0.42%
Yield on LHFI excluding PPP ⁽²⁾	4.24%	4.30%	4.19%	4.41%	4.72%	-0.06%	-0.48%
Net interest margin excluding PPP ⁽²⁾	3.00%	2.86%	2.98%	3.22%	3.37%	0.15%	-0.37%
Efficiency ratio	55.52%	77.45%	62.66%	64.69%	64.85%	-21.93%	-9.33%

⁽¹⁾ Includes noninterest-bearing deposits.

⁽²⁾ Non-GAAP measure, see "GAAP to Non-GAAP Reconciliation" schedule.

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

	1Q22			4Q21			1Q21		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Assets									
Earning assets:									
Cash and due from banks	\$ 16,052	\$ 5	0.13%	\$ 48,922	\$ 19	0.15%	\$ 8,333	\$ 1	0.05%
Federal funds sold and resell agreements	168,300	197	0.47%	240,282	286	0.47%	133,167	285	0.87%
Investment securities	348,815	1,640	1.91%	258,622	1,181	1.81%	127,926	744	2.36%
Loans held for sale	62,817	1,027	6.63%	80,700	1,172	5.76%	122,878	1,595	5.26%
Loans held for investment	953,467	10,204	4.34%	909,314	10,318	4.50%	723,559	8,393	4.70%
Total earning assets	1,549,451	13,073	3.42%	1,537,840	12,976	3.35%	1,115,863	11,018	4.00%
Allowance for loan losses	(8,025)			(7,820)			(7,029)		
Bank-owned life insurance	29,098			19,937			18,999		
Premises, furniture and equipment, net	17,610			17,781			16,531		
Deferred tax asset	15,382			13,632			9,993		
Goodwill & intangible assets	7,562			6,567			6,293		
Other real estate owned	628			738			810		
Other assets	12,806			11,468			8,484		
Total assets	<u>\$ 1,624,512</u>			<u>\$ 1,600,143</u>			<u>\$ 1,169,944</u>		
Interest-bearing deposits	1,020,031	893	0.36%	994,414	946	0.38%	686,949	956	0.56%
Federal Reserve Bank advances	-	-	0.00%	-	-	0.00%	78,096	67	0.35%
Federal Home Loan Bank advances	20,000	37	0.75%	20,000	38	0.75%	23,333	40	0.70%
Revolving commercial line of credit ⁽¹⁾	10,000	84	3.41%	2,046	18	3.49%	-	-	0.00%
Subordinated debt, net	14,592	235	6.53%	14,580	235	6.39%	14,545	232	6.47%
Total interest-bearing liabilities	1,064,623	1,249	0.48%	1,031,040	1,237	0.48%	802,923	1,295	0.65%
Noninterest-bearing deposits	417,430			429,186			254,650		
Other liabilities	18,245			16,387			8,143		
Stockholders' equity	124,214			123,530			104,228		
Total liabilities and stockholders' equity	<u>\$ 1,624,512</u>			<u>\$ 1,600,143</u>			<u>\$ 1,169,944</u>		

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

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

	1Q22	4Q21	3Q21	2Q21	1Q21	1Q22 change vs	
						4Q21	1Q21
Loans held for investment ("LHFI")							
Commercial loans							
Construction and land	\$ 82,185	\$ 76,547	\$ 58,297	\$ 55,778	\$ 61,075	\$ 5,638	\$ 21,110
Commercial real estate	437,453	404,797	328,856	295,990	275,817	32,656	161,636
Commercial and industrial	183,262	167,360	137,198	113,555	106,616	15,902	76,646
Paycheck Protection Program	25,958	47,655	70,866	119,966	159,806	(21,697)	(133,848)
Consumer loans							
Residential real estate	105,739	101,198	75,866	72,850	67,359	4,541	38,380
Other consumer	121,352	104,664	103,398	103,490	83,264	16,688	38,088
Purchased Credit Impaired (PCI) loans							
Construction and land	688	702	-	-	-	(14)	688
Commercial real estate	24,308	26,843	-	-	-	(2,535)	24,308
Commercial and industrial	5,165	5,935	-	-	-	(770)	5,165
Residential real estate	3,121	2,412	-	-	-	709	3,121
Other consumer	1	3	-	-	-	(2)	1
Total loans held for investment	\$ 989,232	\$ 938,116	\$ 774,481	\$ 761,629	\$ 753,937	\$ 51,116	\$ 235,295
Core LHFI	846,689	763,357	673,442	609,339	556,308	83,332	290,381
Acquired LHFI ⁽¹⁾	116,585	127,104	30,173	32,324	37,823	(10,519)	78,762
Paycheck Protection Program	25,958	47,655	70,866	119,966	159,806	(21,697)	(133,848)
Total loans held for investment	\$ 989,232	\$ 938,116	\$ 774,481	\$ 761,629	\$ 753,937	\$ 51,116	\$ 235,295
Total loans held for sale	63,685	81,453	81,257	104,035	116,334	(17,768)	(52,649)
Total allowance for loan losses	8,946	8,148	7,715	7,157	7,060	798	1,886
Nonperforming assets							
Nonaccrual loans	1,992	2,184	2,412	2,752	2,710	(192)	(718)
Troubled debt restructurings	393	394	225	230	234	(1)	159
Other real estate owned	573	640	616	778	810	(67)	(237)
Total nonperforming assets	\$ 2,958	\$ 3,218	\$ 3,253	\$ 3,760	\$ 3,754	\$ (260)	\$ (796)
Credit Analysis							
QTD net charge-offs (recoveries)	\$ 620	\$ (34)	\$ 142	\$ (28)	\$ 139	\$ 654	\$ 481
Net charge-offs to total LHFI	0.25%	-0.01%	0.07%	-0.01%	0.07%	0.27%	0.18%
Total allowance for loan losses to total LHFI	0.90%	0.87%	1.00%	0.94%	0.94%	0.04%	-0.03%
Total allowance for loan losses to total							
LHFI, excluding PPP loans ⁽²⁾	0.93%	0.92%	1.10%	1.12%	1.19%	0.01%	-0.26%
Nonperforming loans to gross LHFI	0.24%	0.27%	0.34%	0.39%	0.39%	-0.03%	-0.15%
Nonperforming assets to total assets	0.18%	0.20%	0.24%	0.30%	0.32%	-0.02%	-0.14%

⁽¹⁾ Includes loans acquired through business combinations.

⁽²⁾ Non-GAAP measure, see "GAAP to Non-GAAP Reconciliation" schedule.

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

	Quarterly Trends				
	1Q22	4Q21	3Q21	2Q21	1Q21
Net Income	\$ 3,745	\$ 2,723	\$ 3,251	\$ 3,274	\$ 3,074
Total noninterest income	2,399	3,703	2,885	2,822	1,786
Adjustments to noninterest income *	-	(1,649)	-	-	-
Total noninterest expense	7,896	11,960	8,139	8,086	7,464
Adjustments to noninterest expense **	123	1,744	125	256	37
Income Taxes	1,164	360	900	918	966
Tax effect of adjustments	(30)	(23)	(30)	(62)	(9)
Adjusted net income	\$ 3,838	\$ 2,795	\$ 3,346	\$ 3,468	\$ 3,102
Net Income	3,745	2,723	3,251	3,274	3,074
Provision for allowance for loan losses	1,418	399	700	222	5
Provision for income taxes	1,164	360	900	918	966
Pre-tax pre-provision net revenue (PPNR)	\$ 6,327	\$ 3,482	\$ 4,851	\$ 4,414	\$ 4,045
Adjustments to noninterest income *	-	(1,649)	-	-	-
Adjustments to noninterest expense **	123	1,744	125	256	37
Adjusted Pre-Tax Pre-Provision Income	\$ 6,450	\$ 3,577	\$ 4,976	\$ 4,670	\$ 4,082
Return on average tangible assets (ROTA)	0.94%	0.68%	1.01%	1.09%	1.07%
Adjustments to net income	0.02%	0.02%	0.03%	0.06%	0.01%
Adjusted ROTA	0.96%	0.70%	1.04%	1.15%	1.08%
Return on Tangible Common Equity (ROTCE)	12.83%	9.10%	12.01%	12.77%	12.61%
Adjustments to net income	0.31%	0.24%	0.35%	0.76%	0.11%
Adjusted ROTCE	13.14%	9.34%	12.36%	13.53%	12.73%
Diluted EPS	\$ 0.42	\$ 0.31	\$ 0.39	\$ 0.40	\$ 0.38
Adjustments to net income	0.03	0.02	0.03	0.03	0.01
Adjusted diluted EPS	\$ 0.45	\$ 0.33	\$ 0.42	\$ 0.43	\$ 0.39
Efficiency ratio	55.52%	77.45%	62.66%	64.69%	64.85%
Adjustments to net income	-0.87%	-3.38%	-0.97%	-2.05%	-0.32%
Adjusted efficiency ratio	54.65%	74.07%	61.69%	62.64%	64.53%
Interest and fees on LHFS	\$ 1,027	\$ 1,172	\$ 1,309	\$ 1,448	\$ 1,595
Interest and fees on LHFI	10,204	10,318	8,753	8,250	8,393
Interest and fees on PPP loans	(621)	(1,054)	(1,736)	(1,579)	(1,617)
Loan interest income excluding PPP loans	\$ 10,610	\$ 10,436	\$ 8,326	\$ 8,119	\$ 8,371
Interest and fees on LHFI	10,204	10,318	8,753	8,250	8,393
Interest and fees on PPP loans	(621)	(1,054)	(1,736)	(1,579)	(1,617)
LHFI interest income excluding PPP loans	\$ 9,583	\$ 9,264	\$ 7,017	\$ 6,671	\$ 6,776
Net interest income	11,824	11,739	10,105	9,678	9,723
Interest and fees on PPP loans	(621)	(1,054)	(1,736)	(1,579)	(1,617)
Net interest income excluding PPP loans	\$ 11,203	\$ 10,685	\$ 8,369	\$ 8,099	\$ 8,106
Total earning assets	1,549,451	1,537,840	1,221,834	1,155,992	1,115,863
Average PPP loans	(37,288)	(55,194)	(107,622)	(146,772)	(141,248)
Adjusted earning assets	\$ 1,512,163	\$ 1,482,646	\$ 1,114,212	\$ 1,009,220	\$ 974,615
Average loans (LHFI + LHFS)	1,016,284	990,014	862,877	859,345	846,437
Average PPP Loans	(37,288)	(55,194)	(107,622)	(146,772)	(141,248)
Average loans excluding PPP	\$ 978,996	\$ 934,820	\$ 755,255	\$ 712,573	\$ 705,189
Average LHFI	953,467	909,314	772,205	753,920	723,559
Average PPP Loans	(37,288)	(55,194)	(107,622)	(146,772)	(141,248)
Average LHFI excluding PPP	\$ 916,179	\$ 854,120	\$ 664,583	\$ 607,148	\$ 582,311

(*) 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				
	1Q22	4Q21	3Q21	2Q21	1Q21
Yield on total loans	4.48%	4.60%	4.63%	4.53%	4.79%
Impact of PPP loans	-0.08%	-0.17%	-0.26%	0.04%	0.02%
Yield on total loans excluding PPP loans	4.40%	4.43%	4.37%	4.57%	4.81%
Yield on LHF1	4.34%	4.50%	4.50%	4.39%	4.70%
Impact of PPP loans	-0.10%	-0.20%	-0.31%	0.02%	0.02%
Yield on LHF1 excluding PPP loans	4.24%	4.30%	4.19%	4.41%	4.72%
Net interest margin	3.09%	3.03%	3.28%	3.36%	3.53%
Impact of PPP loans	-0.09%	-0.17%	-0.30%	-0.14%	-0.16%
Net interest margin excluding PPP loans	3.00%	2.86%	2.98%	3.22%	3.37%
Average assets	\$ 1,624,511	\$ 1,600,143	\$ 1,277,139	\$ 1,211,513	\$ 1,169,944
Average goodwill & intangible assets	(7,562)	(6,567)	(6,341)	(6,285)	(6,293)
Average commercial mortgage servicing rights	1,768	1,728	1,029	929	891
Average tangible assets	\$ 1,618,717	\$ 1,595,304	\$ 1,271,827	\$ 1,206,157	\$ 1,164,542
Average stockholders' equity	\$ 124,214	\$ 123,530	\$ 112,685	\$ 108,183	\$ 104,228
Average goodwill & intangible assets	(7,562)	(6,567)	(6,341)	(6,285)	(6,293)
Average commercial mortgage servicing rights	1,768	1,728	1,029	929	891
Average tangible equity	\$ 118,420	\$ 118,691	\$ 107,373	\$ 102,827	\$ 98,826