

August 8, 2024

To our Shareholders:

CoastalSouth Bancshares, Inc. (the “Company”) is pleased to announce net income of \$5.9 million, or \$0.56 per diluted share, for the second quarter of 2024, compared to \$2.4 million net income, or \$0.24 per diluted share, for the first quarter of 2024, and \$5.8 million net income, or \$0.60 per diluted share for the comparable quarter last year. For the six months ended June 30, 2024, net income was \$8.3 million, or \$0.80 per diluted share, compared to net income of \$12.5 million, or \$1.34 per diluted share for the six months ended June 30, 2023. The decrease in net income during the six months ended June 30, 2024 compared to the six months ended June 30, 2023 was primarily attributable to previously reported loss of available-for-sale (“AFS”) securities of approximately \$2.7 million, net of tax, during the first quarter of 2024, coupled with higher deposit costs.

“The Company has picked up momentum during the second quarter of 2024. While many peer banks are experiencing balance sheet contraction, we have grown our core deposits over \$47.1 million since the first quarter of 2024 and over \$120.0 million since the second quarter of 2023,” said Steve Stone, President and Chief Executive Officer of the Company and its wholly owned subsidiary, Coastal States Bank (“CSB” or the “Bank”). “We also saw strong growth in our loan portfolio as well. Our Mortgage Banker Finance (“MBF”) division has grown approximately \$43.9 million in loans held-for-sale since the prior quarter. This scalable line of business allows us to earn strong yields on first mortgage loans that we hold for a short time, typically 7-10 days, without tying up funding or taking the interest rate risk for the full term of a mortgage. Our loans held-for-investment portfolio has also grown by approximately \$38.5 million during the quarter and pipelines are showing more depth as the year continues.”

### Highlights for the Second Quarter of 2024

- **Net income of \$5.9 million, or \$0.56 diluted earnings per share (“diluted EPS”)**
- **Quarterly ROAA of 1.15%, compared to 0.48% for the first quarter of 2024**
- **Quarterly Adjusted ROAA of 1.15%, compared to 1.00% for the first quarter of 2024**
- **Net interest margin was 3.43%, compared to 3.21% for the first quarter of 2024**
- **Total assets grew \$64.6 million, an annualized 12.7% increase from March 31, 2024**
- **Total loans held-for-investment grew \$38.5 million, an annualized 11.0% increase from March 31, 2024**
- **Total deposits, excluding brokered certificate of deposits, grew \$47.1 million, an annualized 11.8% increase from March 31, 2024**

The Company recognized net income of \$5.9 million, or \$0.56 per share, for the quarter, and tangible book value per share increased from \$16.39 at March 31, 2024 to \$17.07 at June 30, 2024. The earnings during the quarter reflects the Company's strong net interest income run-rate. The second quarter results included \$35 thousand gain on sale income from the sale of government guaranteed lending ("GGL") loans. The Company anticipates selling more GGL loans during the second half of the year as loan pipelines from bankers hired in the first half of 2024 move through the origination process.

The Bank's total deposits excluding brokered CDs, otherwise referred to as core deposits, increased during the second quarter from \$1.604 billion at March 31, 2024 to \$1.651 billion at June 30, 2024. For the quarter ended June 30, 2024, the Bank estimates that approximately \$734.2 million, or 40.7% of total deposits, excluding accrued interest, were uninsured. Of the uninsured deposits, approximately 68.4% were business accounts and 31.6% were personal accounts.

During the second quarter, loans held-for-investment ("LHFI") increased by \$38.5 million. This increase was principally in retail loans of \$21.9 million, primarily marine vessel loans, and various types of commercial loans of \$16.7 million. Overall, LHFI grew by \$89.5 million, or 6.6% year over year as of June 30, 2024.

In June 2024, the Federal Open Market Committee ("FOMC" or the "Committee") kept the federal funds rate unchanged at 5.25% – 5.50% for the seventh straight meeting. The FOMC stated that "it will not be appropriate to reduce the federal funds target range until inflation moves sustainably toward 2%." The Federal Reserve (the "Fed") continues reducing its holdings of U.S. Treasury securities and agency mortgage-backed securities through its quantitative tightening initiative. The FOMC recent indicators suggest that economic activity has continued to expand at a solid pace; however, the Bureau of Labor Statistics information published in early August noted that July job gains of 114,000 were lower than forecasted and meaningfully lower than the 179,000 jobs gained in June. The US unemployment rate has also ticked up to 4.3% from 4.1% in June, which is at its highest level since October 2021. Inflation has eased over the past year but remains elevated from targeted levels.

The FOMC indicated that the risks to achieving its employment and inflation goals have moved into better balance, but the economic outlook is uncertain, and the Committee remains highly attentive to inflation risks. In considering any adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. In July 2024, the FOMC continued to hold interest rates steady but also hinted that it is nearer to easing monetary policy as it cited "some further" progress on inflation and a September 2024 cut "could be on the table." The July jobs report noted above underscores that the labor market is moderating, which might make a September interest rate cut from the Fed even more likely. However, the July inflation report and Personal Consumption Expenditures deflator to be released in later August will likely play a large part in the Fed's decision marking at their September meeting.

Like many other institutions, the Company's AFS securities investment portfolio experienced a decline in fair value driven by rapid rising interest rates. With changes in interest rates throughout 2023 and continuing shifting views on the anticipated future actions of the Fed, the rate of fair value decline has slowed, but there is still volatility with market values given the economic environment which impacts the Company's tangible book value from quarter to quarter. The Company does not hold any securities in Held-to-Maturity status. The Company's investment portfolio at the end of the second quarter of 2024 held approximately 49.0% in floating rate securities.

The Company's credit metrics remained low during the second quarter of 2024 with a Non-Performing Assets ("NPA") ratio of 0.42% compared to 0.19% at the end of first quarter of 2024. Nonaccrual loans increased by \$4.9 million due primarily to the migration of one commercial relationship of \$4.3 million. The new nonaccrual loans have SBA guaranteed balances of approximately \$2.4 million. Of the total \$8.7 million in nonaccrual balances at the end of the quarter, approximately \$4.9 million of the exposure is covered by SBA guarantees. The Company's net charge-offs to total LHF ratio remains very low at 0.03% for the second quarter of 2024.

The following table present the Company's quarterly trends of the consolidated financial highlights (unaudited) for the periods presented:

<b>CoastalSouth Bancshares, Inc. and Subsidiary Consolidated Financial Highlights - Unaudited (dollars in thousands except per share data)</b>							
	<b>Quarterly Trends</b>					<b>2Q24 change vs</b>	
	<b>2Q24</b>	<b>1Q24</b>	<b>4Q23</b>	<b>3Q23</b>	<b>2Q23</b>	<b>1Q24</b>	<b>2Q23</b>
<b>Selected Balance Sheet Data</b>							
Total assets	\$ 2,115,547	\$ 2,050,951	\$ 2,028,599	\$ 1,998,195	\$ 1,963,496	\$ 64,596	\$ 152,051
Total gross loans (LHFS + LHFI)	1,596,962	1,514,571	1,500,550	1,476,102	1,434,279	82,391	162,683
Total deposits	1,805,590	1,749,484	1,750,657	1,789,195	1,758,784	56,106	46,806
Total deposits excluding brokered CDs	1,650,611	1,603,504	1,525,689	1,589,201	1,530,581	47,107	120,030
<b>Earnings Highlights</b>							
Net income	\$ 5,887	\$ 2,429	\$ 7,157	\$ 4,774	\$ 5,787	\$ 3,458	\$ 100
Diluted earnings per share (EPS)	\$ 0.56	\$ 0.24	\$ 0.75	\$ 0.49	\$ 0.60	\$ 0.32	\$ (0.04)
Net interest income	\$ 16,700	\$ 15,385	\$ 16,564	\$ 15,805	\$ 16,373	\$ 1,315	\$ 327
<b>Performance Ratios</b>							
Net interest margin	3.43%	3.21%	3.47%	3.36%	3.47%	0.22%	-0.04%
Net interest spread	2.58%	2.42%	2.68%	2.62%	2.80%	0.16%	-0.22%
Cost of total deposits	2.99%	2.91%	2.69%	2.51%	2.23%	0.08%	0.76%
Cost of total funding	3.13%	3.07%	2.79%	2.61%	2.34%	0.06%	0.79%
Efficiency ratio	58.24%	76.55%	57.90%	58.39%	52.26%	-18.31%	5.98%
Loan-to-deposit ratio	88.45%	86.57%	85.71%	82.50%	81.55%	1.87%	6.90%
<b>Return on (annualized):</b>							
Average assets (ROAA) <sup>1</sup>	1.15%	0.48%	1.42%	0.97%	1.17%	0.67%	-0.03%
Average tangible assets (ROTA) <sup>1</sup>	1.15%	0.48%	1.43%	0.97%	1.17%	0.67%	-0.03%
Average tangible common equity (ROTCE) <sup>1</sup>	13.94%	6.04%	20.31%	13.92%	17.60%	7.90%	-3.67%
Tangible common equity to tangible assets <sup>(1)</sup>	8.29%	8.21%	7.45%	6.80%	6.83%	0.08%	1.46%
Tangible book value per share <sup>2</sup>	\$ 17.07	\$ 16.39	\$ 15.80	\$ 14.23	\$ 14.05	\$ 0.68	\$ 3.02
<b>Other Operating Measures<sup>2</sup>:</b>							
Pre-tax pre-provision net revenue (PPNR)	\$ 7,637	\$ 3,140	\$ 8,470	\$ 7,095	\$ 8,418	\$ 4,497	\$ (781)
PPNR ROAA	1.49%	0.62%	1.68%	1.44%	1.70%	0.87%	-0.22%
Adjusted net income	\$ 5,887	\$ 5,052	\$ 7,157	\$ 4,774	\$ 5,787	\$ 835	\$ 100
Adjusted diluted EPS	\$ 0.56	\$ 0.49	\$ 0.75	\$ 0.49	\$ 0.60	\$ 0.07	\$ (0.04)
Adjusted ROTA	1.15%	1.00%	1.43%	0.97%	1.17%	0.15%	-0.03%
Adjusted ROTCE	13.94%	12.57%	20.31%	13.92%	17.60%	1.37%	-3.66%
Adjusted efficiency ratio	58.24%	60.82%	57.90%	58.39%	52.26%	-2.57%	5.99%

<sup>(1)</sup> The Company defines tangible assets as total assets less intangible assets (excluding commercial mortgage servicing assets), and tangible common equity as total shareholders' equity less intangible assets (excluding commercial mortgage servicing assets).

<sup>(2)</sup> Non-GAAP measure, see "GAAP to Non-GAAP Reconciliation" schedule.

## Financial Results

### ***Income Statement***

**Net income** was \$5.9 million for the second quarter of 2024, compared to net income of \$2.4 million and \$5.8 million for the first and second quarters of 2024 and 2023, respectively. Compared to the first quarter of 2024, the increase in net income was principally attributable to the previously disclosed AFS securities loss on sale of \$3.5 million in the first quarter. Compared to the second quarter of 2023, net income remained relatively flat.

**Interest income** was \$31.2 million during the second quarter of 2024, compared to \$29.4 million and \$26.9 million for the first and second quarters of 2024 and 2023, respectively. The increase during the second quarter of 2024 compared to the first quarter of 2024 was principally due to a combination of growth in average LHFI and loans-held-for-sale ("LHFS") coupled with higher yields across earning assets. The increase during the second quarter of 2024 compared to the second quarter of 2023 was principally attributable to growth of the loan portfolio as well as higher yields, coupled with better yields for all other interest-earning assets categories.

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

	Quarterly Trends					2Q24 change vs	
	2Q24	1Q24	4Q23	3Q23	2Q23	1Q24	2Q23
Interest on cash and due from banks	\$ 140	\$ 141	\$ 113	\$ 100	\$ 67	\$ (1)	\$ 73
Interest on federal funds sold	842	994	833	1,028	1,603	(152)	(761)
Interest and dividends on investment securities	4,220	3,661	3,128	2,874	2,602	559	1,618
Interest and fees on LHFS	2,335	1,540	1,548	1,380	1,334	795	1,001
Interest and fees on LHFI	23,633	23,052	23,724	22,113	21,319	581	2,314
<b>Interest income</b>	<b>\$ 31,170</b>	<b>\$ 29,388</b>	<b>\$ 29,346</b>	<b>\$ 27,495</b>	<b>\$ 26,925</b>	<b>\$ 1,782</b>	<b>\$ 4,245</b>

**Interest expense** was \$14.5 million during the second quarter of 2024, compared to \$14.0 million and \$10.6 million for the first and second quarters of 2024 and 2023, respectively. Compared to the first quarter of 2024, the increase in interest expense was principally attributable to a 12 basis points increase in cost of interest-bearing deposits. Compared to the same quarter last year, the increase in interest expense is principally due to an increase in higher deposit costs of 90 basis points, coupled with an increase in average balance of interest-bearing deposits. Higher funding costs have been driven by the migration toward time deposits away from noninterest-bearing deposits, which helped mitigate deposit outflows industry-wide as the monetary policy tightening has had a meaningful effect on deposit mix, cost and flows in the banking industry. Competitive pressures have continued to drive costs on interest-bearing transaction and money market accounts higher, albeit at a slower pace than the previous four quarters.

**Net interest income** was \$16.7 million during the second quarter of 2024, compared to \$15.4 million and \$16.4 million for the first and second quarters of 2024 and 2023, respectively. Compared to the first quarter of 2024, the increase in net interest income was attributable to higher costs in interest-bearing deposits as discussed above. Compared to the second quarter of 2023, the increase in net interest income was attributable to higher costs in interest-bearing deposits as discussed above.

**Net interest margin** for the second quarter of 2024 was 3.43%, compared to 3.21% and 3.47% for the first and second quarters of 2024 and 2023, respectively. Compared to the first quarter of 2024, net interest margin increased by 22 basis points principally driven by improved yield on interest-earning assets in comparison the increase in interest-bearing deposits cost. Compared to the same quarter last year, net interest margin compressed by 4 basis points principally attributable to yield on interest-bearing liabilities growing at a much higher rate compared to total earning assets yields growth despite significant growth of total earning assets.

**The cost of funds** for the second quarter of 2024 was 313 basis points, compared to 307 and 234 basis points during the first and second quarters of 2024 and 2023, respectively. The cost of funds increase from the first quarter of 2024 was primarily due to higher interest-bearing deposits costs per discussed above as deposits rates are adjusted to align with the current competitive market prices. The cost of funds increase compared to the second quarter of 2023 was primarily driven by the growth of interest-bearing deposits and higher interest rates throughout 2023 and into 2024.

**The cost of deposits** was 299 basis points in the second quarter of 2024, compared to 291 and 223 basis points in the first and second quarters of 2024 and 2023, respectively. Compared to the first quarter of 2024, the increase was attributable to an overall increase in interest-bearing deposit costs. Compared to the second quarter of 2023, the increase is attributable to the growth of interest-bearing deposits coupled with higher interest rates throughout 2023 and into 2024.

**Provision for credit losses** was \$173 thousand during the second quarter of 2024, compared to \$163 thousand and \$920 thousand for the first and second quarters of 2024 and 2023, respectively. During the quarter, provision for credit losses was comprised of \$324 thousand of provision for credit losses on LHFI; offset by \$151 thousand in recapture of the allowance for credit losses ("ACL") for unfunded commitments. There was no allowance for credit losses associated with AFS securities during the quarter. Compared to the first quarter of 2024, the modest increase was primarily attributable to loan volume and mix in the ACL calculation. Compared to the second quarter of 2023, the decrease was due to previously disclosed higher allowance for loan credit losses due to growth and risk rating migration of one senior housing loan to special mention in the second quarter of 2023. Net (recoveries) charge-offs were \$96 thousand during the second quarter of 2024, compared to \$(9) thousand in the first quarter of 2024.

**Noninterest income (loss)** was \$1.6 million during the second quarter of 2024, compared to (\$2.0) million and \$1.3 million for the first and second quarters of 2024 and 2023, respectively. Compared to the first quarter of 2024, the increase was principally attributable to securities loss of \$3.5 million during the previous quarter, as previously disclosed. Compared to the second quarter of 2024, the increase in noninterest income of \$330 thousand was principally due to higher bank-owned life insurance ("BOLI") income.

**Noninterest expense** was \$10.7 million during the second quarter of 2024, compared to \$10.3 million and \$9.2 million for the first and second quarters of 2024 and 2023, respectively. Compared to the first quarter of 2024, the increase of \$401 thousand was primarily in salaries and employees benefits of \$607 thousand; offset by a decrease in Other professional fees of \$190 thousand. Compared to the second quarter of 2023, the increase was principally in Other noninterest expense of \$884 thousand due to a large SBA contingency reserve release during the second quarter of 2023, coupled with an increase in other categories salaries and employees benefits of \$701, net of other noninterest expense categories.

The following table depicts the components of *Other noninterest expense* for the quarterly periods presented:

CoastalSouth Bancshares, Inc. and Subsidiary Components of Other Noninterest Expense (dollars in thousands)								
	Quarterly Trends					2Q24 change vs		
	2Q24	1Q24	4Q23	3Q23	2Q23	1Q24	2Q23	
General and administrative	\$ 240	\$ 230	\$ 217	\$ 226	\$ 217	\$ 10	\$ 23	
Marketing and business development	197	179	187	182	201	18	(4)	
Other loan expense	122	110	153	164	3	12	119	
Charitable contributions	26	24	324	8	9	2	17	
Deposit related expenses	81	80	272	137	195	1	(114)	
SBA contingency reserve	(20)	(7)	(217)	(9)	(725)	(13)	705	
Other noninterest expense	632	669	678	574	544	(37)	88	
<b>Other noninterest expense</b>	<b>\$ 1,278</b>	<b>\$ 1,285</b>	<b>\$ 1,614</b>	<b>\$ 1,282</b>	<b>\$ 444</b>	<b>\$ (7)</b>	<b>\$ 834</b>	

**Income tax expense** was \$1.6 million during the second quarter of 2024, compared to \$548 thousand and \$1.7 million for the first and second quarters of 2024 and 2023, respectively. Compared to the first quarter of 2024, the increase was primarily attributable to an increase in taxable income. Compared to the second quarter of 2023, income tax expense was primarily attributable to a modest decrease in taxable income. Effective tax rate was 21.1% for the second quarter of 2024 compared to 18.4% and 22.8% for the first and second quarters of 2024 and 2023, respectively. The increase in effective tax rate from the first quarter of 2024 was due to higher taxable income during the current quarter, coupled with the realization of renewable energy tax credits during the first quarter of 2024.

## ***Balance Sheet***

**Total assets** as of June 30, 2024 were \$2.116 billion, grew from \$2.051 billion at March 31, 2024, and up from \$1.963 billion at June 30, 2023. The increase of \$64.6 million as compared to the prior quarter was primarily attributable to growth in loans held-for-sale ("LHFS") of \$43.9 million and LHFI of \$38.5 million; offset by a net decrease in other categories, primarily in federal funds during the quarter.

**Cash and cash equivalents** at June 30, 2024 was \$63.4 million, down from \$73.7 million at March 31, 2024, and down from \$89.7 million at June 30, 2023. Cash and cash equivalents decreased as the federal funds sold was deployed to higher interest-earning assets during the quarter.

**Investment securities** at June 30, 2024 were \$346.7 million, compared to \$341.5 million at March 31, 2024, and \$350.1 million at June 30, 2023. Compared to March 31, 2024 and June 30, 2023, investment securities increased \$5.2 million compared to March 31, 2024, and decreased \$3.5 million compared to June 30, 2023.

**Total gross loans** held-for-investment at June 30, 2024 were \$1.442 billion, grew from \$1.404 billion at March 31, 2024, and up from \$1.353 billion at June 30, 2023. LHFI increased during the quarter as core LHFI increased by \$41.1 million; offset by a decrease of \$2.6 million in acquired LHFI. Compared to June 30, 2023, core LHFI increased by \$100.2 million; offset by a decrease in acquired LHFI of \$10.7 million. Total LHFS at June 30, 2024 were \$154.9 million, compared to \$111.0 million at March 31, 2024, and \$81.7 million at June 30, 2023. The general increase or decrease for the LHFS balances compared to other periods was due to changes in demand for mortgage loans during the quarter.

**Allowance for credit losses ("ACL")** at June 30, 2024 was approximately \$19.6 million, similar to March 31, 2024 ACL, compared to \$19.9 million at June 30, 2023. At June 30, 2024, the ACL was comprised of \$16.0 million in allowance for loan credit losses and \$3.6 million in allowance for unfunded commitments credit losses, which is included in Other liabilities on the balance sheet. There was no allowance for AFS securities credit losses as of June 30, 2024. Compared to the second quarter of 2023, the increase was principally attributable to the increase in provision for loan credit losses due to growth in the LHFI portfolio; partially offset by recapture of unfunded commitments credit losses. Total allowance for loan credit losses to total LHFI was 1.11% at June 30, 2024, compared to 1.12% and 1.11% at March 31, 2024 and June 30, 2023, respectively.



The following table presents the components of the ACL as of the dates indicated:

<i>Dollars in thousands</i>	2Q24	1Q24	4Q23	3Q23	2Q23
<b>Components of the Allowance for Credit Losses Under CECL</b>					
Loans held-for-investment (LHFI)	\$ 16,002	\$ 15,774	\$ 15,465	\$ 15,352	\$ 15,008
Off-balance sheet credit exposures	3,628	3,779	3,916	4,491	4,091
LHFI and off-balance sheet credit exposures	\$ 19,630	\$ 19,553	\$ 19,381	\$ 19,843	\$ 19,099
Other (other assets and securities)	-	-	-	33	43
Total allowance for credit losses (ACL)	<u>\$ 19,630</u>	<u>\$ 19,553</u>	<u>\$ 19,381</u>	<u>\$ 19,876</u>	<u>\$ 19,142</u>

**Nonaccrual loans** increased by \$4.9 million to \$8.7 million at June 30, 2024 from \$3.8 million at March 31, 2024 primarily due to new additions as nonaccrual loans during the quarter. There were no reportable modified loans to borrowers with financial difficulty as of June 30, 2024. Total nonperforming loans to gross LHFI outstanding was 0.61% at June 30, 2024, compared to 0.28% and 0.53% at March 31, 2024, and June 30, 2023, respectively.

**Nonperforming assets** to total assets was 0.42% as of June 30, 2024, an increase of 23 basis points from 0.19% at March 31, 2024, and increased by 4 basis points compared to 0.38% at June 30, 2023. There was no real estate owned ("OREO") outstanding at the end second and first quarters of 2024.

**Total deposits** at June 30, 2024 were \$1.806 billion, an increase from \$1.749 billion at March 31, 2024, and from \$1.759 billion at June 30, 2023. The increase from March 31, 2024 was attributable to increases in all deposit categories, except for a modest decrease in interest-bearing demand deposit accounts. Noninterest-bearing deposits accounted for 19.1% of total deposits, compared to 18.4% of total deposits at March 31, 2024, and 20.1% at June 30, 2023. The 2023 industry disruption contributed to the decrease in noninterest-bearing deposits but has not been meaningful to the overall balance sheet or deposit composition. Noninterest-bearing deposits has declined as the customers continued to move their deposits into interest-earning accounts but has stabilized. 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, was approximately \$14.7 million at June 30, 2024, March 31, 2024, and June 30, 2023.

**Bank Term Funding Program ("BTFP") advances** via the Federal Reserve Bank was \$70.0 million as of June 30, 2024 and March 31, 2024. The Company enrolled in BTFP program when it became available in March 2023. During the first quarter of 2024, the BTFP was available at interest rates more favorable than alternative forms of borrowings or brokered CD's. The Company paid down more costly types of funding by utilizing BTFP borrowings before the program ended. These borrowings mature in January 2025.

**Revolving commercial line of credit (“LOC”)** net of debt issuance costs was approximately \$12.0 million at June 30, 2024 and March 31, 2024, compared to \$18.0 million at June 30, 2023. The LOC provides the Company with the ability to downstream additional capital to the Bank and had total borrowing capacity of \$24.0 million, with \$12.0 million available for drawdown as needed, as of June 30, 2024.

**Accumulated other comprehensive loss** was \$16.6 million at June 30, 2024, compared to \$17.3 million and \$23.8 million at March 31, 2024 and June 30, 2023, respectively. The decrease between the second and first quarter of 2024 was primarily due to movement in long-term interest rates. The decrease from the second quarter of 2023 is due to the securities sale in the first quarter of 2024 coupled with movements in long-term interest rates.

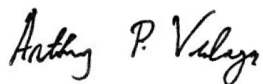
**Shareholders' equity** was \$180.2 million as of June 30, 2024, compared to \$173.2 million as of March 31, 2024. The increase was principally attributable to the period earnings of \$5.9 million, coupled with a reduction in accumulated other comprehensive loss of \$702 thousand, and an increase in capital surplus of \$346 thousand.

**Tangible book value** per share at June 30, 2024 was \$17.07, compared to \$16.39 at March 31, 2024. Tangible book value increased primarily due to the factors discussed above in regard to an increase of shareholders' equity. CSB is currently well capitalized with a leverage ratio of 10.14%, a common equity tier 1 capital ratio of 11.27%, and a total risk-based capital ratio of 12.16%.

### **Detailed Results**

Supplementary unaudited financial statements are included for the second quarter of 2024 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)*

	2Q24		1Q24		4Q23		3Q23		2Q23		2Q24 change vs			
											1Q24	2Q23		
<b>Assets</b>														
Cash and due from banks	\$	21,385	\$	20,747	\$	19,601	\$	14,140	\$	18,124	\$	638	\$	3,261
Federal funds sold		42,057		52,998		28,952		67,347		71,596		(10,941)		(29,539)
Investment securities <sup>(1)</sup>		346,687		341,532		363,404		345,740		350,145		5,155		(3,458)
Loans held for sale (LHFS)		154,885		111,020		82,125		73,251		81,692		43,865		73,193
Loans held for investment (LHFI)		1,442,077		1,403,551		1,418,425		1,402,851		1,352,587		38,526		89,490
Allowance for credit losses - loans		(16,002)		(15,774)		(15,465)		(15,352)		(15,008)		(228)		(994)
Loans held for investment, net		1,426,075		1,387,777		1,402,960		1,387,499		1,337,579		38,298		88,496
Bank-owned life insurance		45,607		45,184		44,887		30,353		30,152		423		15,455
Premises, furniture and equipment, net		17,533		17,550		17,711		18,029		18,325		(17)		(792)
Deferred tax asset		18,641		18,890		21,242		22,487		21,284		(249)		(2,643)
Goodwill & intangible assets <sup>(2)</sup>		6,276		6,409		6,463		6,576		6,804		(133)		(528)
Other real estate owned		-		-		-		243		243		-		(243)
Other assets		36,401		48,844		41,254		32,530		27,552		(12,443)		8,849
<b>Total assets</b>	<b>\$</b>	<b>2,115,547</b>	<b>\$</b>	<b>2,050,951</b>	<b>\$</b>	<b>2,028,599</b>	<b>\$</b>	<b>1,998,195</b>	<b>\$</b>	<b>1,963,496</b>	<b>\$</b>	<b>64,596</b>	<b>\$</b>	<b>152,051</b>
<b>Liabilities and stockholders' equity</b>														
<b>Liabilities</b>														
Deposits														
Noninterest bearing DDA	\$	344,860	\$	321,369	\$	325,400	\$	338,517	\$	353,856	\$	23,491	\$	(8,996)
Interest bearing DDA		179,557		188,256		174,380		196,154		173,792		(8,699)		5,765
Savings and money market		658,542		644,178		608,079		648,243		611,374		14,364		47,168
Certificates of deposit		622,631		595,681		642,798		606,281		619,762		26,950		2,869
Total deposits		1,805,590		1,749,484		1,750,657		1,789,195		1,758,784		56,106		46,806
Federal Home Loan Bank advances		-		-		50,000		-		-		-		-
Subordinated debt, net		14,706		14,694		14,682		14,670		14,658		12		48
Revolving commercial line of credit, net		11,993		11,992		23,990		18,000		18,000		1		(6,007)
Federal Reserve Bank BTFP advances		70,000		70,000		-		-		-		-		70,000
Other liabilities		33,090		31,553		33,227		35,466		32,812		1,537		278
<b>Total liabilities</b>		<b>1,935,379</b>		<b>1,877,723</b>		<b>1,872,556</b>		<b>1,857,331</b>		<b>1,824,254</b>		<b>57,656</b>		<b>111,125</b>
<b>Stockholders' equity</b>														
Voting common stock		8,078		8,073		7,368		7,350		7,350		5		728
Nonvoting common stock		2,172		2,172		2,172		2,172		2,172		-		-
Capital surplus		158,125		157,779		145,944		145,658		145,358		346		12,767
Accumulated income		28,406		22,519		20,090		12,933		8,159		5,887		20,247
Accumulated other comprehensive loss		(16,613)		(17,315)		(19,531)		(27,249)		(23,797)		702		7,184
<b>Total stockholders' equity</b>		<b>180,168</b>		<b>173,228</b>		<b>156,043</b>		<b>140,864</b>		<b>139,242</b>		<b>6,940</b>		<b>40,926</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$</b>	<b>2,115,547</b>	<b>\$</b>	<b>2,050,951</b>	<b>\$</b>	<b>2,028,599</b>	<b>\$</b>	<b>1,998,195</b>	<b>\$</b>	<b>1,963,496</b>	<b>\$</b>	<b>64,596</b>	<b>\$</b>	<b>152,051</b>
<b>Capital ratios <sup>(3)</sup></b>														
Leverage ratio		10.14%		9.97%		9.94%		9.51%		9.08%		0.18%		1.06%
CET1 risk-based capital ratio		11.27		11.51		11.52		11.03		10.99		-0.23		0.28
Tier 1 risk-based capital ratio		11.27		11.51		11.52		11.03		10.99		-0.23		0.28
Total risk-based capital ratio		12.16		12.43		12.36		11.92		11.85		-0.27		0.31

<sup>(1)</sup> Net ACL of \$0, \$0, \$0, \$33, and \$43 for 2Q24, 1Q24, 4Q23, 3Q23, and 2Q23, respectively.

<sup>(2)</sup> Includes commercial mortgage servicing assets of \$1,037, \$1,121, \$1,125, \$1,184, and \$1,357 for 2Q24, 1Q24, 4Q23, 3Q23, and 2Q23, respectively.

<sup>(3)</sup> Ratios are for Coastal States Bank, a wholly-owned subsidiary of CoastalSouth Bancshares, Inc.

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

						<b>2Q24 change vs</b>	
	<b>2Q24</b>	<b>1Q24</b>	<b>4Q23</b>	<b>3Q23</b>	<b>2Q23</b>	<b>1Q24</b>	<b>2Q23</b>
<b>Interest income</b>							
Interest on cash and due from banks	\$ 140	\$ 141	\$ 113	\$ 100	\$ 67	\$ (1)	\$ 73
Interest on federal funds sold	842	994	833	1,028	1,603	(152)	(761)
Interest and dividends on investment securities	4,220	3,661	3,128	2,874	2,602	559	1,618
Interest and fees on LHFS	2,335	1,540	1,548	1,380	1,334	795	1,001
Interest and fees on LHFI	23,633	23,052	23,724	22,113	21,319	581	2,314
Total interest income	<u>31,170</u>	<u>29,388</u>	<u>29,346</u>	<u>27,495</u>	<u>26,925</u>	<u>1,782</u>	<u>4,245</u>
<b>Interest expense</b>							
Deposits	13,122	12,593	11,995	11,065	9,815	529	3,307
Other borrowings	1,348	1,410	787	625	737	(62)	611
Total interest expense	<u>14,470</u>	<u>14,003</u>	<u>12,782</u>	<u>11,690</u>	<u>10,552</u>	<u>467</u>	<u>3,918</u>
Net interest income	16,700	15,385	16,564	15,805	16,373	1,315	327
Provision (recovery) for credit losses	173	163	(434)	847	920	10	(747)
Net interest income after provision for credit losses	<u>16,527</u>	<u>15,222</u>	<u>16,998</u>	<u>14,958</u>	<u>15,453</u>	<u>1,305</u>	<u>1,074</u>
<b>Noninterest income</b>							
Mortgage banking related income	299	238	220	224	236	61	63
Interchange and card fee income	226	216	234	256	267	10	(41)
Service charges on deposit accounts	198	211	215	190	182	(13)	16
Bank-owned life insurance	491	296	2,099	201	191	195	300
Gain on sale of government guaranteed loans	35	320	412	-	18	(285)	17
Losses on sale of available-for-sale securities	-	(3,465)	-	-	-	3,465	-
Other noninterest income	340	190	373	376	365	150	(25)
Total noninterest (loss) income	<u>1,589</u>	<u>(1,994)</u>	<u>3,553</u>	<u>1,247</u>	<u>1,259</u>	<u>3,583</u>	<u>330</u>
<b>Noninterest expense</b>							
Salaries and employee benefits	6,654	6,047	6,911	5,722	5,953	607	701
Occupancy and equipment	736	743	692	737	744	(7)	(8)
Data processing	534	526	458	542	549	8	(15)
Other professional fees	501	691	973	695	492	(190)	9
Software and other technology expense	631	666	636	593	582	(35)	49
Regulatory assessment	318	293	363	386	450	25	(132)
Other noninterest expense	1,278	1,285	1,614	1,282	444	(7)	834
Total noninterest expense	<u>10,652</u>	<u>10,251</u>	<u>11,647</u>	<u>9,957</u>	<u>9,214</u>	<u>401</u>	<u>1,438</u>
Net income before taxes	7,464	2,977	8,904	6,248	7,498	4,487	(34)
Income tax expense	1,577	548	1,747	1,474	1,711	1,029	(134)
<b>Net income</b>	<u>\$ 5,887</u>	<u>\$ 2,429</u>	<u>\$ 7,157</u>	<u>\$ 4,774</u>	<u>\$ 5,787</u>	<u>\$ 3,458</u>	<u>\$ 100</u>
Earnings per share - basic	\$ 0.58	\$ 0.24	\$ 0.75	\$ 0.50	\$ 0.61	\$ 0.34	\$ (0.03)
Earnings per share - diluted	\$ 0.56	\$ 0.24	\$ 0.75	\$ 0.49	\$ 0.60	\$ 0.32	\$ (0.04)
Tangible book value	\$ 174,929	\$ 167,940	\$ 150,705	\$ 135,472	\$ 133,795	\$ 6,989	\$ 41,135
Tangible book value per share	\$ 17.07	\$ 16.39	\$ 15.80	\$ 14.23	\$ 14.05	\$ 0.67	\$ 3.01
Shares outstanding	10,250,446	10,245,496	9,539,929	9,522,329	9,522,329	4,950	728,117
Weighted average shares - basic	10,247,201	10,043,951	9,522,712	9,522,329	9,519,069	203,250	728,132
Weighted average shares - diluted	10,445,144	10,222,681	9,642,500	9,607,565	9,624,037	222,463	821,107

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

	Six Months Ended June 30,		Change
	2024	2023	
<b>Interest income</b>			
Interest on cash and due from banks	\$ 281	\$ 83	\$ 198
Interest on federal funds sold	1,836	2,222	(386)
Interest and dividends on investment securities	7,881	5,301	2,580
Interest and fees on LHFS	3,875	2,159	1,716
Interest and fees on LHFI	46,685	40,411	6,274
Total interest income	60,558	50,176	10,382
<b>Interest expense</b>			
Deposits	25,715	16,240	9,475
Other borrowings	2,758	2,011	747
Total interest expense	28,473	18,251	10,222
Net interest income	32,085	31,925	160
Provision for credit losses	336	1,130	(794)
Net interest income after provision for credit losses	31,749	30,795	954
<b>Noninterest income</b>			
Mortgage banking related income	537	468	69
Interchange and card fee income	442	555	(113)
Service charges on deposit accounts	409	350	59
Bank-owned life insurance	787	380	407
Gain on sale of government guaranteed loans	355	948	(593)
Gain on hedge termination	-	992	(992)
Securities loss, net	(3,465)	(517)	(2,948)
Other noninterest income	530	618	(88)
Total noninterest income	(405)	3,794	(4,199)
<b>Noninterest expense</b>			
Salaries and employee benefits	12,701	11,940	761
Occupancy and equipment	1,479	1,492	(13)
Data processing	1,060	1,080	(20)
Other professional fees	1,192	1,053	139
Software and other technology expense	1,297	1,105	192
Regulatory assessment	611	730	(119)
Other noninterest expense	2,563	846	1,717
Total noninterest expense	20,903	18,246	2,657
Net income before taxes	10,441	16,343	(5,902)
Income tax expense	2,125	3,796	(1,671)
<b>Net income</b>	<b>\$ 8,316</b>	<b>\$ 12,547</b>	<b>\$ (4,231)</b>
Earnings per share - basic	\$ 0.82	\$ 1.36	\$ (0.54)
Earnings per share - diluted	\$ 0.80	\$ 1.34	\$ (0.53)
Shares outstanding	10,250,446	9,522,329	728,117
Weighted average shares - basic	10,145,576	9,242,294	903,282
Weighted average shares - diluted	10,344,815	9,377,120	967,695

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

	Quarterly trend					2Q24 change vs	
	2Q24	1Q24	4Q23	3Q23	2Q23	1Q24	2Q23
<b>Average balances</b>							
Cash and cash equivalents	\$ 20,839	\$ 21,135	\$ 18,170	\$ 20,945	\$ 17,551	\$ (296)	\$ 3,288
Federal funds sold	60,964	69,554	57,141	64,816	119,318	(8,590)	(58,354)
Investment securities	347,194	354,537	347,037	349,477	351,901	(7,343)	(4,707)
Loans held for sale	107,604	71,239	62,895	61,043	60,970	36,365	46,634
Loans held for investment	1,424,411	1,408,451	1,409,576	1,371,079	1,343,441	15,960	80,970
Total earning assets	1,961,012	1,924,916	1,894,819	1,867,360	1,893,181	36,096	67,831
Total nonearning assets	104,490	109,947	101,977	88,753	87,908	(5,457)	16,582
Total assets	<u>\$ 2,065,502</u>	<u>\$ 2,034,863</u>	<u>\$ 1,996,796</u>	<u>\$ 1,956,113</u>	<u>\$ 1,981,089</u>	<u>\$ 30,639</u>	<u>\$ 84,413</u>
Interest-bearing deposits	\$ 1,431,853	\$ 1,417,157	\$ 1,420,524	\$ 1,407,355	\$ 1,411,267	\$ 14,696	\$ 20,586
Other borrowings	96,692	98,415	43,857	32,665	47,377	(1,723)	49,315
Total interest bearing liabilities	1,528,545	1,515,572	1,464,381	1,440,020	1,458,644	12,973	69,901
Noninterest-bearing deposits	333,001	321,419	350,821	339,707	352,903	11,582	(19,902)
Other liabilities	28,825	30,856	36,425	34,911	32,218	(2,031)	(3,393)
Stockholders' equity	175,131	167,016	145,169	141,475	137,324	8,115	37,807
Total liabilities and stockholders' equity	<u>\$ 2,065,502</u>	<u>\$ 2,034,863</u>	<u>\$ 1,996,796</u>	<u>\$ 1,956,113</u>	<u>\$ 1,981,089</u>	<u>\$ 30,639</u>	<u>\$ 84,413</u>
<b>Interest margins</b>							
Cash and due from banks	2.70%	2.68%	2.47%	1.89%	1.53%	0.02%	1.17%
Federal funds sold and resell agreements	5.55%	5.75%	5.78%	6.29%	5.39%	-0.20%	0.16%
Investment securities	4.89%	4.15%	3.58%	3.26%	2.97%	0.74%	1.92%
LHFS	8.73%	8.69%	9.76%	8.96%	8.79%	0.04%	-0.06%
LHFI	6.67%	6.58%	6.68%	6.40%	6.37%	0.09%	0.30%
Total earning assets	<u>6.39%</u>	<u>6.14%</u>	<u>6.14%</u>	<u>5.84%</u>	<u>5.70%</u>	<u>0.25%</u>	<u>0.69%</u>
Interest-bearing deposits	3.69%	3.57%	3.35%	3.12%	2.79%	0.12%	0.90%
Other borrowings	5.61%	5.76%	7.12%	7.59%	6.24%	-0.15%	-0.63%
Total interest-bearing liabilities	<u>3.81%</u>	<u>3.72%</u>	<u>3.46%</u>	<u>3.22%</u>	<u>2.90%</u>	<u>0.09%</u>	<u>0.91%</u>
Cost of total deposits <sup>(1)</sup>	2.99%	2.91%	2.69%	2.51%	2.23%	0.08%	0.76%
Cost of total funding <sup>(1)</sup>	3.13%	3.07%	2.79%	2.61%	2.34%	0.06%	0.79%
Net interest spread	2.58%	2.42%	2.68%	2.62%	2.80%	0.16%	-0.22%
Net interest margin	3.43%	3.21%	3.47%	3.36%	3.47%	0.22%	-0.04%
Yield on total loans	6.82%	6.68%	6.81%	6.51%	6.47%	0.14%	0.35%
Efficiency ratio	58.24%	76.55%	57.90%	58.39%	52.26%	-18.31%	5.98%

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

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

	2Q24			1Q24			2Q23		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
<b>Assets</b>									
<b>Earning assets:</b>									
Cash and due from banks	\$ 20,839	\$ 140	2.70%	\$ 21,135	\$ 141	2.68%	\$ 17,551	\$ 67	1.53%
Federal funds sold	60,964	842	5.55%	69,554	994	5.75%	119,318	1,603	5.39%
Investment securities	347,194	4,220	4.89%	354,537	3,661	4.15%	351,901	2,602	2.97%
Loans held for sale	107,604	2,335	8.73%	71,239	1,540	8.69%	60,970	1,334	8.78%
Loans held for investment	1,424,411	23,633	6.67%	1,408,451	23,052	6.58%	1,343,441	21,319	6.37%
Total earning assets	1,961,012	31,170	6.39%	1,924,916	29,388	6.14%	1,893,181	26,925	5.70%
Allowance for credit losses - loans	(16,163)			(15,652)			(14,194)		
Bank-owned life insurance	45,360			44,976			30,033		
Premises, furniture and equipment, net	17,634			17,661			18,460		
Deferred tax asset	19,321			21,149			21,248		
Goodwill & intangible assets	6,355			6,446			6,899		
Other real estate owned	-			-			69		
Other assets	31,983			35,367			25,393		
Total assets	<u>\$ 2,065,502</u>			<u>\$ 2,034,863</u>			<u>\$ 1,981,089</u>		
Interest-bearing deposits	1,431,853	13,122	3.69%	1,417,157	12,593	3.57%	1,411,267	9,814	2.79%
Federal Reserve Bank BTFP	70,000	854	4.91%	63,077	769	4.90%	-	-	0.00%
Federal Home Loan Bank advances	-	-	0.00%	5,494	76	5.56%	14,725	128	3.49%
Revolving commercial line of credit, net	11,992	259	8.69%	15,156	330	8.76%	18,000	374	8.33%
Subordinated debt, net	14,700	235	6.43%	14,688	235	6.43%	14,652	235	6.43%
Total interest-bearing liabilities	1,528,545	14,470	3.81%	1,515,572	14,003	3.72%	1,458,644	10,551	2.90%
Noninterest-bearing deposits	333,001			321,419			352,903		
Other liabilities	28,825			30,856			32,218		
Stockholders' equity	175,131			167,016			137,324		
Total liabilities and stockholders' equity	<u>\$ 2,065,502</u>			<u>\$ 2,034,863</u>			<u>\$ 1,981,089</u>		
<b>Interest margins</b>									
Cost of total deposits <sup>(1)</sup>		2.99%			2.91%			2.23%	
Cost of total funding <sup>(1)</sup>		3.13%			3.07%			2.34%	
Net interest spread		2.58%			2.42%			2.80%	
Net interest margin		3.43%			3.21%			3.47%	
Efficiency ratio		58.24%			76.55%			52.26%	

<sup>(1)</sup> Includes noninterest bearing deposits.



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

	Six Months Ended June 30, 2024			Six Months Ended June 30, 2023		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
<b>Assets</b>						
<b>Earning assets:</b>						
Cash and due from banks	\$ 20,987	\$ 281	2.69%	\$ 16,146	\$ 83	1.04%
Federal funds sold	65,259	1,836	5.66%	85,828	2,222	5.22%
Investment securities	350,865	7,881	4.52%	355,985	5,301	3.00%
Loans held for sale	89,422	3,875	8.71%	48,492	2,159	8.98%
Loans held for investment	1,416,431	46,685	6.63%	1,325,759	40,411	6.15%
Total earning assets	1,942,964	60,558	6.27%	1,832,210	50,176	5.52%
Allowance for credit losses - loans	(15,908)			(14,219)		
Bank-owned life insurance	45,168			29,944		
Premises, furniture and equipment, net	17,647			18,547		
Deferred tax asset	20,235			21,908		
Goodwill & intangible assets	6,400			6,917		
Other real estate owned	-			35		
Other assets	33,677			25,903		
Total assets	<u>\$ 2,050,183</u>			<u>\$ 1,921,245</u>		
Interest-bearing deposits	1,424,505	25,715	3.63%	1,307,744	16,240	2.50%
Federal Reserve Bank BTFP	66,539	1,622	4.90%	663	15	4.56%
Federal Home Loan Bank advances	2,747	77	5.64%	46,897	805	3.46%
Revolving commercial line of credit, net	13,574	589	8.73%	18,000	720	8.07%
Subordinated debt, net	14,694	470	6.43%	14,646	470	6.47%
Total interest-bearing liabilities	1,522,059	28,473	3.76%	1,387,950	18,250	2.65%
Noninterest bearing deposits	327,210			372,258		
Other liabilities	29,841			32,039		
Stockholders' equity	171,073			128,998		
Total liabilities and stockholders' equity	<u>\$ 2,050,183</u>			<u>\$ 1,921,245</u>		
<b>Interest margins</b>						
Cost of total deposits <sup>(1)</sup>		2.95%				1.95%
Cost of total funding <sup>(1)</sup>		3.10%				2.09%
Net interest spread		2.51%				2.87%
Net interest margin		3.32%				3.51%
Efficiency ratio		65.98%				51.08%

<sup>(1)</sup> Includes noninterest bearing deposits.

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

	2Q24	1Q24	4Q23	3Q23	2Q23	2Q24 change vs	
						1Q24	2Q23
<b>Loans Held-for-Investment ("LHFI")</b>							
<b>Commercial Loans</b>							
Acquisition, development and construction	\$ 118,967	\$ 114,247	\$ 124,406	\$ 112,648	\$ 92,520	4,720	26,447
Income producing CRE	272,397	263,810	264,043	256,951	250,017	8,587	22,380
Owner-occupied CRE	100,272	93,904	92,007	92,577	94,353	6,368	(13,270)
Senior housing	245,591	253,727	250,593	263,169	267,903	(8,136)	619
Commercial and industrial	137,571	132,445	139,795	126,782	104,103	5,126	33,468
<b>Retail Loans</b>							
Marine vessels	288,949	265,224	266,197	270,136	252,669	23,725	36,280
Residential mortgages	163,393	159,393	146,220	142,986	139,370	4,000	24,023
Cash value life insurance LOC	93,657	99,220	112,457	116,238	129,893	(5,563)	(36,236)
Other consumer	21,280	21,581	22,707	21,364	21,759	(301)	(479)
<b>Total loans held-for-investment</b>	<b>\$ 1,442,077</b>	<b>\$ 1,403,551</b>	<b>\$ 1,418,425</b>	<b>\$ 1,402,851</b>	<b>\$ 1,352,587</b>	<b>\$ 38,526</b>	<b>\$ 89,490</b>
Core LHFI	1,369,648	1,328,532	1,340,364	1,322,135	1,269,425	41,116	100,223
Acquired LHFI <sup>(1)</sup>	72,429	75,019	78,061	80,716	83,162	(2,590)	(10,733)
<b>Total loans held-for-investment</b>	<b>\$ 1,442,077</b>	<b>\$ 1,403,551</b>	<b>\$ 1,418,425</b>	<b>\$ 1,402,851</b>	<b>\$ 1,352,587</b>	<b>\$ 38,526</b>	<b>\$ 89,490</b>
Total loans held for sale	154,885	111,020	82,125	73,251	81,692	43,865	73,193
Total allowance for credit losses	16,002	15,774	15,465	15,352	15,008	228	994
<b>Nonperforming Assets</b>							
Nonaccrual loans	8,739	3,849	4,338	7,278	7,193	4,890	1,546
Past due loans 90 days and still accruing	47	34	-	18	-	13	47
Total nonperforming loans	8,786	3,883	4,338	7,296	7,193	4,903	1,593
Other real estate owned	-	-	-	243	243	-	(243)
<b>Total nonperforming assets</b>	<b>\$ 8,786</b>	<b>\$ 3,883</b>	<b>\$ 4,338</b>	<b>\$ 7,539</b>	<b>\$ 7,436</b>	<b>\$ 4,890</b>	<b>\$ 1,303</b>
<b>Risk Ratings</b>							
Pass	1,389,848	1,349,779	1,369,275	1,355,745	1,325,905	40,069	63,943
Special mention	24,762	25,930	26,184	31,927	16,024	(1,168)	8,738
Substandard	27,467	27,842	22,966	15,179	10,658	(375)	16,809
<b>Total LHFI</b>	<b>\$ 1,442,077</b>	<b>\$ 1,403,551</b>	<b>\$ 1,418,425</b>	<b>\$ 1,402,851</b>	<b>\$ 1,352,587</b>	<b>\$ 38,526</b>	<b>\$ 89,490</b>
<b>Credit Analysis</b>							
QTD net (recoveries) charge-offs	\$ 96	\$ (9)	\$ 61	\$ 113	\$ 18	\$ 105	\$ 78
Net charge-offs (recoveries) to total LHFI	0.03%	0.00%	0.02%	0.03%	0.01%	0.03%	0.02%
Total allowance for credit losses to total LHFI	1.11%	1.12%	1.09%	1.09%	1.11%	-0.01%	0.00%
Nonperforming loans to gross LHFI	0.61%	0.28%	0.31%	0.52%	0.53%	0.33%	0.08%
Nonperforming assets to total assets	0.42%	0.19%	0.21%	0.38%	0.38%	0.23%	0.04%

<sup>(1)</sup> Includes loans acquired through business combinations.

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

<i>Three months ended - dollars in thousands</i>	ACL				
	2Q24	1Q24	4Q23	3Q23	2Q23
<b>Allowance for Credit Losses (ACL) - LHF</b>					
<b>Beginning balance</b>	\$ 15,774	\$ 15,465	\$ 15,352	\$ 15,008	\$ 14,029
<b>Charge-offs:</b>					
<b>Commercial Loans</b>					
Income producing CRE	-	-	-	-	(82)
Commercial and industrial	(112)	-	(62)	-	-
<b>Retail Loans</b>					
Marine vessels	-	-	-	-	(5)
Other consumer	-	-	(18)	(137)	-
<b>Total charge-offs</b>	(112)	-	(80)	(137)	(87)
<b>Recoveries:</b>					
<b>Commercial Loans</b>					
Income producing CRE	-	-	-	-	17
Commercial and industrial	11	5	4	5	6
<b>Retail Loans</b>					
Residential mortgages	3	3	3	16	9
Other consumer	2	1	12	3	37
<b>Total recoveries</b>	16	9	19	24	69
<b>Total net (charge-offs) recoveries:</b>	(96)	9	(61)	(113)	(18)
Provision for loan credit losses	324	300	174	457	997
<b>Ending balance</b>	<u>\$ 16,002</u>	<u>\$ 15,774</u>	<u>\$ 15,465</u>	<u>\$ 15,352</u>	<u>\$ 15,008</u>
<b>Allowance for credit losses - Off-balance sheet credit exposures</b>					
<b>Beginning balance</b>	\$ 3,779	\$ 3,916	\$ 4,491	\$ 4,091	\$ 4,211
Provision for (recapture of) credit losses	(151)	(137)	(575)	400	(120)
<b>Ending balance</b>	<u>\$ 3,628</u>	<u>\$ 3,779</u>	<u>\$ 3,916</u>	<u>\$ 4,491</u>	<u>\$ 4,091</u>
<b>Allowance for credit losses: LHF and off-balance sheet credit exposures</b>					
	<u>\$ 19,630</u>	<u>\$ 19,553</u>	<u>\$ 19,381</u>	<u>\$ 19,843</u>	<u>\$ 19,099</u>

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

	Quarterly Trends				
	2Q24	1Q24	4Q23	3Q23	2Q23
<b>Net Income</b>	\$ 5,887	\$ 2,429	\$ 7,157	\$ 4,774	\$ 5,787
Total noninterest income (loss)	1,589	(1,994)	3,553	1,247	1,259
Adjustments to noninterest income (loss) <sup>(1)</sup>	-	3,465	-	-	-
Income Taxes	1,577	548	1,747	1,474	1,711
Tax effect of adjustments	-	(842)	-	-	-
<b>Adjusted net income</b>	\$ 5,887	\$ 5,052	\$ 7,157	\$ 4,774	\$ 5,787
Net Income	5,887	2,429	7,157	4,774	5,787
Provision for credit losses	173	163	(434)	847	920
Provision for income taxes	1,577	548	1,747	1,474	1,711
<b>Pre-tax pre-provision net revenue (PPNR)</b>	\$ 7,637	\$ 3,140	\$ 8,470	\$ 7,095	\$ 8,418
Adjustments to noninterest income (loss) <sup>(1)</sup>	-	3,465	-	-	-
<b>Adjusted Pre-Tax Pre-Provision Income</b>	\$ 7,637	\$ 6,605	\$ 8,470	\$ 7,095	\$ 8,418
Return on average tangible assets (ROTA)	1.15%	0.48%	1.43%	0.97%	1.17%
Adjustments to net income	0.00%	0.52%	0.00%	0.00%	0.00%
<b>Adjusted ROTA</b>	1.15%	1.00%	1.43%	0.97%	1.17%
Return on Tangible Common Equity (ROTCE)	13.94%	6.04%	20.31%	13.92%	17.60%
Adjustments to net income	0.00%	6.53%	0.00%	0.00%	0.00%
<b>Adjusted ROTCE</b>	13.94%	12.57%	20.31%	13.92%	17.60%
Diluted EPS	\$ 0.56	\$ 0.24	\$ 0.75	\$ 0.49	\$ 0.60
Adjustments to net income	-	0.25	-	-	-
<b>Adjusted diluted EPS</b>	\$ 0.56	\$ 0.49	\$ 0.75	\$ 0.49	\$ 0.60
Efficiency ratio	58.24%	76.55%	57.90%	58.39%	52.26%
Adjustments to net income	0.00%	-15.73%	0.00%	0.00%	0.00%
<b>Adjusted efficiency ratio</b>	58.24%	60.82%	57.90%	58.39%	52.26%
Average assets	\$ 2,065,502	\$ 2,034,863	\$ 1,996,796	\$ 1,956,113	\$ 1,981,089
Average goodwill & intangible assets	(6,355)	(6,446)	(6,550)	(6,709)	(6,899)
Average commercial mortgage servicing rights	1,094	1,134	1,185	1,289	1,424
<b>Average tangible assets</b>	\$ 2,060,241	\$ 2,029,551	\$ 1,991,431	\$ 1,950,693	\$ 1,975,614
Average stockholders' equity	\$ 175,131	\$ 167,016	\$ 145,169	\$ 141,475	\$ 137,324
Average goodwill & intangible assets	(6,355)	(6,446)	(6,550)	(6,709)	(6,899)
Average commercial mortgage servicing rights	1,094	1,134	1,185	1,289	1,424
<b>Average tangible common equity</b>	\$ 169,870	\$ 161,704	\$ 139,804	\$ 136,055	\$ 131,849
Total assets	\$ 2,115,547	\$ 2,050,951	\$ 2,028,599	\$ 1,998,195	\$ 1,963,496
Goodwill & intangible assets	(6,276)	(6,409)	(6,463)	(6,576)	(6,804)
Commercial mortgage servicing rights	1,037	1,121	1,125	1,184	1,357
<b>Tangible assets</b>	\$ 2,110,308	\$ 2,045,663	\$ 2,023,261	\$ 1,992,803	\$ 1,958,049
Stockholders' equity	\$ 180,168	\$ 173,228	\$ 156,043	\$ 140,864	\$ 139,242
Goodwill & intangible assets	(6,276)	(6,409)	(6,463)	(6,576)	(6,804)
Commercial mortgage servicing rights	1,037	1,121	1,125	1,184	1,357
<b>Tangible common equity</b>	\$ 174,929	\$ 167,940	\$ 150,705	\$ 135,472	\$ 133,795

<sup>(1)</sup> Consists of loss on sale of AFS securities due to non-routine portfolio restructuring.