November 8, 2023

To our Shareholders:

CoastalSouth Bancshares, Inc. (the "Company") is pleased to announce net income of $4.8 million, or $0.49 per diluted share, for the third quarter of 2023, compared to $5.8 million net income, or $0.60 per diluted share, for the second quarter of 2023, and $5.3 million net income, or $0.60 per diluted share for the comparable quarter last year.

"Coastal States Bank has continued to maintain its earnings momentum through the third quarter of 2023. While net income was down on a linked quarter basis, primarily driven by non-recurring releases of the SBA contingency reserve in the second quarter of 2023, management has been actively pursing strategic initiatives such as sales of marine loans at a premium, hiring talented bankers, and holding GGL loans until such a time that premiums on the sale of guaranteed portions are more attractive," said Steve Stone, President and Chief Executive Officer of the Company and its wholly owned subsidiary, Coastal States Bank ("CSB" or the "Bank"). "In addition, we have continued to grow core deposits over the last four consecutive quarters, despite the competitive interest rate environment. This growth has led to an increase in core deposits of $96.0 million since the same quarter of 2022. Our bankers continue to attract new customers through exceptional customer service and innovative solutions to help achieve their business and personal goals."

Highlights for the Third Quarter of 2023

- **Net income of $4.8 million, or $0.49 diluted earnings per share ("Diluted EPS")**
- **Total assets grew $34.7 million, a 1.77% increase from June 30, 2023**
- **Core loans held-for-investment grew $52.8 million, a 4.2% increase from June 30, 2023**
- **Total deposits excluding brokered CD's increased $58.6 million to $1.589 billion at September 30, 2023**
- **Year-to-date return on average assets of 1.20%**

The Company recognized net income of $4.8 million, or $0.49 per share, for the quarter, and tangible book value per share increased from $14.05 at June 30, 2023 to $14.23 at September 30, 2023. The earnings during the quarter are a reflection of the Company's strong net interest income run-rate as third quarter results did not include any gain on sale income from the sale of government guaranteed lending ("GGL") loans. The Company continues to hold GGL loans, which are primarily floating rate, until such time as it is able to recognize higher premiums on the sale of such guarantees.

As noted above, the Bank has continued to grow core deposits. The Bank increased total deposits excluding brokered CDs, in the third quarter from $1.531 billion at June 30, 2023 to $1.589 billion at September 30, 2023. For the quarter ended September 30, 2023, the Bank estimates that approximately $666.0 million, or 37.2% of total deposits, excluding accrued interest, were uninsured. Of the uninsured deposits, approximately 70.0% are business accounts and 30.0% are personal accounts.

During the third quarter, loans held-for-investment ("LHFI") grew by $50.3 million. This increase was across multiple lines of business primarily led by Marine of $17.7 million, Homebuilder of $8.9 million, GGL of $7.2 million, and other lines of business of $16.5 million. Overall, core LHFI grew by $248.3 million year over year as of September 30, 2023.

The Federal Reserve (the "Fed") held interest rates steady in November while signaling that inflation is still elevated and will remain highly attentive to inflation risks. The Fed indicated that it would continue to assess additional information and its implications for monetary policy in determining the extent of additional policy firming measures that may be appropriate to return inflation to a 2% target over time. The Fed also reiterated that it would take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments. Like many other institutions, the Company's available-for-sale ("AFS") investment portfolio experienced a decline in fair value driven by rapid rising interest rates. With changes in interest rates continuing throughout 2023 and 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 third quarter of 2023 held approximately 40% in floating rate securities and the overall yield will benefit from this mix as rates continue to increase.

The Company's credit metrics remained strong during the third quarter of 2023 with a Non-Performing Assets ("NPA") ratio remaining steady at 0.38% similar to the credit metrics at the end of second quarter of 2023. Nonaccrual loans increased modestly by approximately $85 thousand primarily driven by the repurchase of a guaranteed loan from the SBA ("Small Business Administration") during the period. There has been a modest increase in special mention and substandard loans during the quarter, due to isolated circumstances with four specific customers; however, the Company has been closely monitoring the performance of these borrowers and has downgraded certain credits, even when payment interruptions have not yet occurred. The Company's net charge-offs to total LHFI ratio remains very low at 0.03% for the third quarter of 2023.

In order to support our Local communities, the Coastal States Bank Community Commitment ("CCC") granted $83 thousand to nonprofit organizations in our markets during the third quarter of 2023. These organizations include nonprofits focused on financial literacy, education, medical care, transitional housing, and food insecurity. The CCC is an employee and board of directors supported charitable fund. Additionally, our team members provided 87 hours of community service to Local organizations during the third quarter of 2023.

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

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

	Quarterly Trends					3Q23 change vs	
	3Q23	2Q23	1Q23	4Q22	3Q22	2Q23	3Q22
Selected Balance Sheet Data							
Total assets	$ 1,998,195	$ 1,963,496	$ 2,022,876	$ 1,835,478	$ 1,722,915	$ 34,699	$ 275,280
Total gross loans (LHFS + LHFI)	1,476,102	1,434,279	1,388,646	1,343,103	1,231,779	41,823	244,323
Total deposits	1,789,195	1,758,784	1,732,512	1,548,646	1,540,143	30,411	249,052
Total deposits excluding brokered CDs	1,589,201	1,530,581	1,479,082	1,473,655	1,493,217	58,620	95,984
Earnings Highlights							
Net income	$ 4,774	$ 5,787	$ 6,760	$ 5,504	$ 5,260	$ (1,013)	$ (486)
Diluted earnings per share (EPS)	$ 0.49	$ 0.60	$ 0.74	$ 0.61	$ 0.60	$ (0.11)	$ (0.11)
Net interest income	$ 15,805	$ 16,373	$ 15,552	$ 16,295	$ 15,181	$ (568)	$ 624
Performance Ratios							
Net interest margin	3.36%	3.47%	3.56%	3.86%	3.68%	-0.11%	-0.32%
Net interest spread	2.62%	2.80%	2.96%	3.44%	3.42%	-0.18%	-0.80%
Cost of total deposits	2.51%	2.23%	1.63%	0.90%	0.51%	0.28%	2.00%
Cost of total funding	2.61%	2.34%	1.83%	1.09%	0.63%	0.27%	1.98%
Efficiency ratio	58.39%	52.26%	49.94%	54.62%	51.85%	6.13%	6.54%
Loan-to-deposit ratio	82.50%	81.55%	80.15%	86.73%	79.98%	0.95%	2.52%
Return on (annualized):							
Average assets (ROAA)[2]	0.97%	1.17%	1.47%	1.24%	1.22%	-0.20%	-0.25%
Average tangible assets (ROTA)[2]	0.97%	1.17%	1.48%	1.24%	1.22%	-0.20%	-0.25%
Average tangible common equity (ROTCE)[2]	13.92%	17.60%	23.83%	20.05%	19.02%	-3.68%	-5.10%
Tangible common equity to tangible assets[(2)]	6.80%	6.83%	6.33%	6.19%	6.10%	-0.04%	0.69%
Tangible book value per share[2]	$ 14.23	$ 14.05	$ 13.43	$ 12.64	$ 11.79	$ 0.18	$ 2.44
Other Operating Measures[1]:							
Pre-tax pre-provision net revenue (PPNR)	$ 7,095	$ 8,418	$ 9,055	$ 7,923	$ 8,021	$ (1,323)	$ (926)
PPNR ROAA	1.44%	1.70%	1.97%	1.78%	1.85%	-0.27%	-0.41%

[(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)

COASTALSOUTH BANCSHARES, INC.

Financial Results

Income Statement

Net income was $4.8 million for the third quarter of 2023, compared to net income of $5.8 million and $5.3 million for the second and third quarters of 2023 and 2022, respectively. Compared to the second quarter of 2023, the decrease in net income was principally attributable to an increase in interest expense on deposits of $1.3 million due to the rising cost of deposits, partially offset by a decrease in interest expense on other borrowings of $112 thousand. Compared to the third quarter of 2022, the decrease in net income was mainly attributable to higher noninterest expense and lower noninterest income, offset by higher net interest income during the period – higher interest income was generally offset by rising deposit costs.

Interest income was $27.5 million during the third quarter of 2023, compared to $26.9 million and $17.7 million for the second and third quarters of 2023 and 2022, respectively. The increase during the third quarter of 2023 compared to the second quarter of 2023 was principally in interest income on LHFI due to a combination of loan growth and rising interest rates on floating rate loans, and interest and dividends on investment securities; offset by a decline in interest on federal funds sold. The increase during the third quarter of 2023 compared to the third quarter of 2022 is 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:

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

	Quarterly Trends					3Q23 change vs	
	3Q23	2Q23	1Q23	4Q22	3Q22	2Q23	3Q22
Interest on cash and due from banks	$ 100	$ 67	$ 16	$ 16	$ 13	$ 33	$ 87
Interest on federal funds sold and resell agreements	1,028	1,603	619	312	321	(575)	707
Interest and dividends on investment securities	2,874	2,602	2,699	2,818	2,455	272	419
Interest and fees on LHFS	1,378	1,334	825	749	837	44	541
Interest and fees on LHFI	22,115	21,319	19,092	16,848	14,063	796	8,052
Interest income	**$ 27,495**	**$ 26,925**	**$ 23,251**	**$ 20,743**	**$ 17,689**	**$ 570**	**$ 9,806**

Interest expense was $11.7 million during the third quarter of 2023, compared to $10.6 million and $2.5 million for the second and third quarters of 2023 and 2022, respectively. Compared to the second quarter of 2023, the increase in interest expense was principally due to a 33 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 higher deposit costs and an increase in average balance of interest-bearing deposits due to deposits growth. Higher funding costs in 2023 has been driven by the migration toward term and wholesale funding and brokered interest-bearing 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.

Net interest income was $15.8 million during the third quarter of 2023, compared to $16.4 million and $15.2 million for the second and third quarters of 2023 and 2022, respectively. Compared to the second quarter of 2023, the decrease in net interest income was attributable to higher costs in interest-bearing deposits as discussed above, partially offset by higher interest income. Compared to the third quarter of 2022, the increase in net interest income was attributable to growth in interest income as discussed above, partially offset by higher costs in interest-bearing deposits.

Net interest margin for the third quarter of 2023 was 3.36%, compared to 3.47% and 3.68% for the second and third quarters of 2023 and 2022, respectively. Compared to the second quarter of 2023, net interest margin compressed by 11 basis points principally driven by rising costs of total deposits which rose by 28 basis points during the quarter, coupled with a decline in noninterest-bearing deposits, and a shift in mix towards higher cost certificates of deposit. Compared to the same quarter last year, net interest margin compressed by 32 basis points principally attributable to yield on interest-bearing liabilities growing at a much higher rate compared to total earning assets yields growth despite growth of total earning assets.

The cost of funds for the third quarter of 2023 was 261 basis points, compared to 234 and 63 basis points during the second and third quarters of 2023 and 2022, respectively. The cost of funds increase from the second quarter of 2023 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 third quarter of 2022 was primarily driven by the growth of interest-bearing deposits and the current rising interest rate environment.

The cost of deposits was 251 basis points in the third quarter of 2023, compared to 223 and 51 basis points in the second and third quarters of 2023 and 2022, respectively. Compared to the second quarter of 2023, the increase is attributable to an overall increase in interest-bearing deposit costs, coupled with a declining noninterest-bearing deposits. Compared to the third quarter of 2022, the increase is attributable to the growth of interest-bearing deposits coupled with the current rising interest rate environment.

Provision for credit losses was $847 thousand during the third quarter of 2023, compared to $920 thousand and $1.3 million for the second and third quarters of 2023 and 2022, respectively. As previously disclosed, the Company adopted Current Expected Credit Losses (“CECL”) methodology in the first quarter of 2023 which also now includes provision for credit losses for unfunded commitments and other assets. During the period, the allowance for loan credit losses was $457 thousand, and the allowance for credit losses for unfunded commitments was $400 thousand; offset by $10 thousand recapture of allowance for credit losses ("ACL') related to AFS securities. Compared to the second quarter of 2023, the increase is primarily attributable to higher allowance for loan losses due to LHFI portfolio growth. Compared to the third quarter of 2022, the increase was principally attributable to adoption of the Current Expected Credit Losses (“CECL”) methodology in the first quarter of 2023 and growth of the LHFI portfolio. Net charge-offs were $113 thousand during the third quarter of 2023, compared to net charge-offs of $18 thousand in the second quarter of 2023.

Noninterest income was $1.2 million during the third quarter of 2023, compared to $1.3 million and $1.5 million for the second and third quarters of 2023 and 2022, respectively. Compared to the second quarter of 2023, the modest decrease was primarily in gains in government guaranteed loans, offset by a net increase in other categories. As the mortgage rates and housing prices have risen, demand for mortgage loans has slowed. Compared to the third quarter of 2022, the decrease in noninterest income of $230 thousand was principally in interchange and card fee income, partially offset by a net increase in other categories.

Noninterest expense was $10.0 million during the third quarter of 2023, compared to $9.2 million and $8.6 million for the second and third quarters of 2023 and 2022, respectively. Compared to the second quarter of 2023, the increase of $743 thousand was primarily due to a non-recurring SBA Contingency Reserve release of $725 thousand in the second quarter of 2023. Compared to the third quarter of 2022, the increase was primarily in other noninterest expense, mostly related to the SBA Contingency Reserve release, coupled with a net increase in other 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					3Q23 change vs	
	3Q23	2Q23	1Q23	4Q22	3Q22	2Q23	3Q22
General and administrative	$ 226	$ 217	$ 222	$ 88	$ 238	$ 9	$ (12)
Marketing and business development	182	201	170	229	223	(19)	(41)
Other loan expense	164	3	177	56	142	161	22
Deposit related expenses	137	195	127	161	63	(58)	74
SBA contingency reserve	(9)	(725)	(892)	(244)	(206)	716	197
Other noninterest expense	582	553	598	518	(20)	29	602
Other noninterest expense	**$ 1,282**	**$ 444**	**$ 402**	**$ 808**	**$ 440**	**$ 838**	**$ 842**

Income tax expense was $1.5 million during the third quarter of 2023, compared to $1.7 million and $1.5 million for the second and third quarters of 2023 and 2022, respectively. Compared to the second quarter of 2023, the decrease was attributable to a decrease in taxable income. Compared to the third quarter of 2022, income tax expense remained relatively flat. Effective tax rates were 23.6% and 22.8% for the third and second quarters of 2023, respectively, and 22.0% for the third quarter of 2022.

Balance Sheet

Total assets as of September 30, 2023 were $1.998 billion, grew from $1.963 billion at June 30, 2023, and up from $1.723 billion at September 30, 2022. The increase of $34.7 million as compared to the prior quarter was primarily attributable to growth in LHFI during the quarter.

Cash and cash equivalents at September 30, 2023 was $81.5 million, down from $89.7 million at June 30, 2023, and up from $32.2 million at September 30, 2022. Cash and cash equivalents remained relatively steady compared to the prior quarter.

Investment securities at September 30, 2023 were $348.5 million, compared to $350.1 million at June 30, 2023, and $372.4 million at September 30, 2022. Compared to June 30, 2023 and September 30, 2022, investment securities decreased by $1.7 million and $23.9 million, respectively.

Total gross loans held-for-investment at September 30, 2023 were $1.403 billion, up from $1.353 billion at June 30, 2023, and up from $1.179 billion at September 30, 2022. Loans held-for-investment grew during the quarter as core LHFI increased by $52.8 million, offset by decreases in acquired LHFI of $2.4 million, and forgiveness and paydowns of Paycheck Protection Program ("PPP") loans of $58 thousand. Compared to September 30, 2022, core LHFI increased by $248.3 million, offset by decreases in acquired LHFI of $21.0 million and PPP balances due to forgiveness and paydowns of $3.1 million. Total loans held-for-sale ("LHFS") at September 30, 2023 were $73.3 million, compared to $81.7 million at June 30, 2023, and $53.0 million at September 30, 2022. The general decrease for the LHFS balances was due to changes in demand for mortgage loans during the quarter.

Allowance for credit losses (“ACL”) and allowance for loan losses ("ALL") at September 30, 2023 was $19.9 million of ACL, compared to $19.1 million at June 30, 2023 of ACL under the CECL methodology, and $11.6 million of ALL at September 30, 2022. At September 30, 2023, the ACL was comprised of $15.4 million in allowance for loan credit losses, $4.5 million in allowance for unfunded commitments credit losses, which is included in other liabilities on the balance sheet, and $33 thousand in allowance for AFS securities credit losses. The increase during the third quarter of 2023 compared to the second quarter of 2023 was principally due to growth coupled with increased modeled loss rates within commercial real estate and commercial and industrial portfolios for the current quarter. Compared to the third quarter of 2022, the increase was principally attributable to the change of methodology for measuring expected losses from incurred loss model to CECL model and the continued growth in the loan portfolio. Total allowance for loan credit losses to total LHFI was 1.09% at September 30, 2023, compared to 1.11% and 0.99% at June 30, 2023, and September 30, 2022, respectively.

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

Dollars in thousands	September 30, 2023	June 30, 2023	March 31, 2023
Components of the Allowance for Credit Losses Under CECL			
Loans held-for-investment (LHFI)	$ 15,352	$ 15,008	$ 14,029
Off-balance sheet credit exposures	4,491	4,091	4,211
LHFI and off-balance sheet credit exposures	$ 19,843	$ 19,099	$ 18,240
Other (other assets and securities)	33	43	-
Total allowance for credit losses (ACL)	$ 19,876	$ 19,142	$ 18,240

Credit quality indicators associated with the Company's gross LHFI are presented in the table below as of the dates indicated:

CoastalSouth Bancshares, Inc. and Subsidiary
Loans Held-for-Investment Risk Ratings
(dollars in thousands)

	Quarterly Trends					3Q23 change vs	
Risk Rating	**3Q23**	**2Q23**	**1Q23**	**4Q22**	**3Q22**	**2Q23**	**3Q22**
Pass	$ 1,355,745	$ 1,325,905	$ 1,313,564	$ 1,283,131	$ 1,164,578	$ 29,840	$ 191,167
Special mention	31,927	16,024	6,423	2,984	2,405	15,903	29,522
Substandard	15,179	10,658	12,702	12,488	11,747	4,521	3,432
Total LHFI	**$ 1,402,851**	**$ 1,352,587**	**$ 1,332,689**	**$ 1,298,603**	**$ 1,178,730**	**$ 50,264**	**$ 224,121**

Nonaccrual loans increased by approximately $85 thousand to $7.3 million at September 30, 2023 from $7.2 million at June 30, 2023 primarily due to a repurchased guaranteed participation loan back from the SBA during the quarter. There were no reportable loans to borrowers with financial difficulty as of September 30, 2023. Total nonperforming loans to gross LHFI outstanding was 0.52% at September 30, 2023, compared to 0.53% and 0.41% at June 30, 2023, and September 30, 2022, respectively.

Nonperforming assets to total assets remained steady at 0.38% as of September 30, 2023 similar to 0.38% at June 30, 2023, and increased by 7 basis points compared to 0.31% at September 30, 2022. Real estate owned ("OREO") outstanding at the end third of 2023 remained steady at $243 thousand compared to a similar amount at the end of the second quarter of 2023. Compared to the third quarter of 2022, OREO decrease of $328 thousand was due to liquidation of OREO properties.

Total deposits at September 30, 2023 were $1.789 billion, an increase from $1.759 billion at June 30, 2023, and from $1.540 billion at September 30, 2022. The increase from June 30, 2023 is attributable to continued new customer acquisition across the franchise. Noninterest-bearing deposits accounted for

18.9% of total deposits, compared to 20.1% of total deposits at June 30, 2023, and 27.6% at September 30, 2022. The 2023 industry disruption has 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. 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 September 30, 2023 and June 30, 2023, compared to approximately $14.6 million at September 30, 2022.

Federal Home Loan Bank (“FHLB”) advances were nil at September 30, 2023 similar to June 30, 2023, compared to $25.0 million at September 30, 2022.

Bank Term Funding Program ("BTFP") advances via the Federal Reserve Bank was nil as of September 30, 2023. The Company enrolled in BTFP program when it became available in March 2023.

Revolving commercial line of credit (“LOC”) was $18.0 million at September 30, 2023 and June 30, 2023, compared to $10.0 million at September 30, 2022. The LOC was opened to provide the Company with the ability to downstream additional capital to the Bank and had total capacity of $18.0 million as of September 30, 2023.

Accumulated other comprehensive loss was $27.2 million at September 30, 2023, compared to $23.8 million and $28.4 million at June 30, 2023 and September 30, 2022, respectively. This has been negatively affected by unrealized losses on the Company's AFS securities attributed to the rising interest rate environment as discussed above.

Shareholders' equity was $140.9 million as of September 30, 2023, compared to $139.2 million as of June 30, 2023. The increase was primarily attributable to the period earnings of $4.8 million and an increase in capital surplus $300 thousand, offset by an increase in accumulated other comprehensive loss of $3.4 million.

Tangible book value per share at September 30, 2023 was $14.23, compared to $14.05 at June 30, 2023. Tangible book value increased due to current period earnings offset by an increase of unrealized losses on AFS securities as discussed above. CSB is currently well capitalized with a leverage ratio of 9.51%, a common equity tier 1 capital ratio of 11.03%, and a total risk-based capital ratio of 11.92%.

Detailed Results

Supplementary unaudited financial statements are included for the third quarter of 2023 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.

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

	3Q23	2Q23	1Q23	4Q22	3Q22	3Q23 change vs 2Q23	3Q23 change vs 3Q22
Assets							
Cash and due from banks	$ 14,140	$ 18,124	$ 12,232	$ 19,325	$ 15,366	$ (3,984)	$ (1,226)
Federal funds sold and resell agreements	67,347	71,596	176,707	9,639	16,867	(4,249)	50,480
Investment securities (ACL $33 and $43 for 3Q23 and 2Q23, respectively)	348,478	350,145	356,058	371,517	372,383	(1,667)	(23,905)
Loans held for sale (LHFS)	73,251	81,692	55,957	44,500	53,049	(8,441)	20,202
Loans held for investment (LHFI)	1,402,851	1,352,587	1,332,689	1,298,603	1,178,730	50,264	224,121
Allowance for credit losses [1]	(15,352)	(15,008)	(14,029)	(12,362)	(11,625)	(344)	(3,727)
Loans held for investment, net	1,387,499	1,337,579	1,318,660	1,286,241	1,167,105	49,920	220,394
Bank-owned life insurance	30,353	30,152	29,961	29,772	29,587	201	766
Premises, furniture and equipment, net	18,029	18,325	18,500	18,690	18,056	(296)	(27)
Deferred tax asset	22,487	21,284	21,301	21,800	21,223	1,203	1,264
Goodwill & intangible assets [2]	6,576	6,804	6,996	6,867	7,173	(228)	(597)
Other real estate owned	243	243	-	-	571	-	(328)
Other assets	29,792	27,552	26,504	27,127	21,535	2,240	8,257
Total assets	**$ 1,998,195**	**$ 1,963,496**	**$ 2,022,876**	**$ 1,835,478**	**$ 1,722,915**	**$ 34,699**	**$ 275,280**
Liabilities and stockholders' equity							
Liabilities							
Deposits							
Noninterest bearing DDA	$ 338,517	$ 353,856	$ 375,992	$ 424,490	$ 424,848	$ (15,339)	$ (86,331)
Interest bearing DDA	196,154	173,792	159,832	163,123	181,302	22,362	14,852
Savings and money market	648,243	611,374	595,313	576,615	653,631	36,869	(5,388)
Certificates of deposit	606,281	619,762	601,375	384,418	280,362	(13,481)	325,919
Total deposits	1,789,195	1,758,784	1,732,512	1,548,646	1,540,143	30,411	249,052
Federal Home Loan Bank advances	-	-	95,000	108,044	25,000	-	(25,000)
Subordinated debt, net	14,670	14,658	14,646	14,634	14,622	12	48
Revolving commercial line of credit	18,000	18,000	18,000	18,000	10,000	-	8,000
SBA contingency reserve	998	1,012	1,733	2,626	2,852	(14)	(1,854)
Other liabilities	34,468	31,800	27,681	24,731	19,832	2,668	14,636
Total liabilities	**1,857,331**	**1,824,254**	**1,889,572**	**1,716,681**	**1,612,449**	**33,077**	**244,882**
Stockholders' equity							
Voting common stock	7,350	7,350	7,345	6,894	6,828	-	522
Nonvoting common stock	2,172	2,172	2,172	2,065	2,065	-	107
Capital surplus	145,658	145,358	145,074	136,599	135,592	300	10,066
Accumulated income (deficit)	12,933	8,159	2,372	(86)	(5,590)	4,774	18,523
Accumulated other comprehensive loss	(27,249)	(23,797)	(23,659)	(26,675)	(28,429)	(3,452)	1,180
Total stockholders' equity	**140,864**	**139,242**	**133,304**	**118,797**	**110,466**	**1,622**	**30,398**
Total liabilities and stockholders' equity	**$ 1,998,195**	**$ 1,963,496**	**$ 2,022,876**	**$ 1,835,478**	**$ 1,722,915**	**$ 34,699**	**$ 275,280**
Capital ratios [3]							
Leverage ratio	9.51%	9.08%	9.34%	8.97%	8.50%	0.43%	1.01%
CET1 risk-based capital ratio	11.03	10.99	10.71	9.99	9.80	0.04	1.23
Tier 1 risk-based capital ratio	11.03	10.99	10.71	9.99	9.80	0.04	1.23
Total risk-based capital ratio	11.92	11.85	11.50	10.77	10.58	0.07	1.34

[1] 2023 reflects the impact of adopting the CECL standard and our transition from an incurred loss model for these reserves to an expected credit loss methodology.
[2] Includes commercial mortgage servicing assets of $1,184, $1,302, $1,357, $1,302, and $1,546 for 3Q23, 2Q23, 1Q23, 4Q22, and 3Q22, respectively.
[3] Ratios are for Coastal States Bank, a wholly-owned subsidiary of CoastalSouth Bancshares, Inc.

COASTALSOUTH BANCSHARES, INC.

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

	3Q23	2Q23	1Q23	4Q22	3Q22	3Q23 change vs 2Q23	3Q23 change vs 3Q22
Interest income							
Interest on cash and due from banks	$ 100	$ 67	$ 16	$ 16	$ 13	$ 33	$ 87
Interest on federal funds sold and resell agreements	1,028	1,603	619	312	321	(575)	707
Interest and dividends on investment securities	2,874	2,602	2,699	2,818	2,455	272	419
Interest and fees on LHFS	1,378	1,334	825	749	837	44	541
Interest and fees on LHFI	22,115	21,319	19,092	16,848	14,063	796	8,052
Total interest income	27,495	26,925	23,251	20,743	17,689	570	9,806
Interest expense							
Deposits	11,065	9,815	6,425	3,476	1,975	1,250	9,090
Other borrowings	625	737	1,274	972	533	(112)	92
Total interest expense	11,690	10,552	7,699	4,448	2,508	1,138	9,182
Net interest income	15,805	16,373	15,552	16,295	15,181	(568)	624
Provision for credit losses	847	920	210	719	1,274	(73)	(427)
Net interest income after provision for credit losses	14,958	15,453	15,342	15,576	13,907	(495)	1,051
Noninterest income							
Mortgage banking related income	224	236	232	306	317	(12)	(93)
Interchange and card fee Income	256	267	288	251	545	(11)	(289)
Service charges on deposit accounts	190	182	168	227	197	8	(7)
Bank-owned life insurance	201	191	189	184	185	10	16
Gain on sale of government guaranteed loans	-	18	930	97	-	(18)	-
Gain on hedge termination	-	-	992	-	-	-	-
Securities loss, net	-	-	(517)	-	-	-	-
Other noninterest income	376	365	253	99	233	11	143
Total noninterest income	1,247	1,259	2,535	1,164	1,477	(12)	(230)
Noninterest expense							
Salaries and employee benefits	5,722	5,953	5,987	5,965	5,765	(231)	(43)
Occupancy and equipment	737	744	748	789	636	(7)	101
Data processing	542	549	531	525	575	(7)	(33)
Other professional fees	695	492	561	551	486	203	209
Software and other technology expense	593	582	523	513	475	11	118
Regulatory assessment	386	450	280	282	308	(64)	78
Loss (gain) on other real estate owned, net	-	-	-	103	(48)	-	48
Other noninterest expense	1,282	444	402	808	440	838	842
Total noninterest expense	9,957	9,214	9,032	9,536	8,637	743	1,320
Net income before taxes	6,248	7,498	8,845	7,204	6,747	(1,250)	(499)
Income tax expense	1,474	1,711	2,085	1,700	1,487	(237)	(13)
Net income	**$ 4,774**	**$ 5,787**	**$ 6,760**	**$ 5,504**	**$ 5,260**	**$ (1,013)**	**$ (486)**
Earnings per share - basic	$ 0.50	$ 0.61	$ 0.75	$ 0.62	$ 0.61	$ (0.11)	$ (0.11)
Earnings per share - diluted	$ 0.49	$ 0.60	$ 0.74	$ 0.61	$ 0.60	$ (0.11)	$ (0.11)
Tangible book value	$ 135,472	$ 133,795	$ 127,799	$ 113,232	$ 104,839	$ 1,677	$ 30,633
Tangible book value per share	$ 14.23	$ 14.05	$ 13.43	$ 12.64	$ 11.79	$ 0.18	$ 2.44
Shares outstanding	9,522,329	9,522,329	9,517,329	8,959,374	8,893,237	-	629,092
Weighted average shares - basic	9,522,329	9,519,069	8,962,444	8,925,490	8,689,740	3,260	832,589
Weighted average shares - diluted	9,607,565	9,624,037	9,120,777	9,039,796	8,839,031	(16,472)	768,534

COASTALSOUTH BANCSHARES, INC.

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

	Nine Months Ended September 30,		
	2023	**2022**	**Change**
Interest income			
Interest on cash and due from banks	$ 183	$ 24	$ 159
Interest on federal funds sold and resell agreements	3,250	779	2,471
Interest and dividends on investment securities	8,175	6,269	1,906
Interest and fees on LHFS	3,537	3,030	507
Interest and fees on LHFI	62,526	35,738	26,788
Total interest income	77,671	45,840	31,831
Interest expense			
Deposits	27,305	3,905	23,400
Other borrowings	2,636	1,269	1,367
Total interest expense	29,941	5,174	24,767
Net interest income	47,730	40,666	7,064
Provision for credit losses	1,977	4,359	(2,382)
Net interest income after provision for credit losses	45,753	36,307	9,446
Noninterest income			
Mortgage banking related income	692	1,348	(656)
Interchange and card fee Income	811	1,126	(315)
Service charges on deposit accounts	540	556	(16)
Bank-owned life insurance	581	549	32
Gain on sale of government guaranteed loans	948	1,780	(832)
Gain on hedge termination	992	-	992
Securities loss, net	(517)	-	(517)
Other noninterest income	994	667	327
Total noninterest income	5,041	6,026	(985)
Noninterest expense			
Salaries and employee benefits	17,662	17,425	237
Occupancy and equipment	2,229	1,885	344
Data processing	1,622	1,572	50
Other professional fees	1,748	1,667	81
Software and other technology expense	1,698	1,392	306
Regulatory assessment	1,116	875	241
(Gain) loss on other real estate owned, net	-	(491)	491
Other noninterest expense	2,128	1,380	748
Total noninterest expense	28,203	25,705	2,498
Net income before taxes	22,591	16,628	5,963
Income tax expense	5,270	3,942	1,328
Net income	**$ 17,321**	**$ 12,686**	**$ 4,635**
Earnings per share - basic	$ 1.86	$ 1.47	$ 0.39
Earnings per share - diluted	$ 1.83	$ 1.44	$ 0.39
Shares outstanding	9,522,329	8,893,237	629,092
Weighted average shares - basic	9,336,665	8,634,026	702,639
Weighted average shares - diluted	9,457,098	8,789,287	667,811

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

	Quarterly trend					3Q23 change vs	
	3Q23	2Q23	1Q23	4Q22	3Q22	2Q23	3Q22
Average balances							
Cash and cash equivalents	$ 20,945	$ 17,551	$ 14,727	$ 14,164	$ 15,425	$ 3,394	$ 5,520
Federal funds sold and resell agreements	64,816	119,318	51,965	25,966	53,823	(54,502)	10,993
Investment securities	349,871	351,901	360,114	371,670	382,784	(2,030)	(32,913)
Loans held for sale	61,043	60,970	35,875	31,977	41,585	73	19,458
Loans held for investment	1,371,079	1,343,441	1,307,880	1,230,266	1,143,023	27,638	228,056
Total earning assets	1,867,754	1,893,181	1,770,561	1,674,043	1,636,640	(25,427)	231,114
Total nonearning assets	88,359	87,908	90,175	88,739	80,915	451	7,444
Total assets	**$ 1,956,113**	**$ 1,981,089**	**$ 1,860,736**	**$ 1,762,782**	**$ 1,717,555**	**$ (24,976)**	**$ 238,558**
Interest-bearing deposits	$ 1,407,355	$ 1,411,267	$ 1,203,070	$ 1,093,428	$ 1,092,985	$ (3,912)	$ 314,370
Other borrowings	32,665	47,377	113,399	96,312	55,377	(14,712)	(22,712)
Total interest bearing liabilities	1,440,020	1,458,644	1,316,469	1,189,740	1,148,362	(18,624)	291,658
Noninterest-bearing deposits	339,707	352,903	391,829	432,809	432,798	(13,196)	(93,091)
Other liabilities	34,911	32,218	31,859	25,718	21,025	2,693	13,886
Stockholders' equity	141,475	137,324	120,579	114,515	115,370	4,151	26,105
Total liabilities and stockholders' equity	**$ 1,956,113**	**$ 1,981,089**	**$ 1,860,736**	**$ 1,762,782**	**$ 1,717,555**	**$ (24,976)**	**$ 238,558**
Interest margins							
Cash and due from banks	1.89%	1.53%	0.44%	0.45%	0.33%	0.36%	1.56%
Federal funds sold and resell agreements	6.29%	5.39%	4.83%	4.77%	2.37%	0.90%	3.92%
Investment securities	3.26%	2.97%	3.04%	3.01%	2.54%	0.29%	0.72%
LHFS	8.96%	8.79%	9.33%	9.29%	7.99%	0.17%	0.97%
LHFI	6.40%	6.37%	5.92%	5.43%	4.88%	0.03%	1.52%
Total earning assets	5.84%	5.70%	5.33%	4.92%	4.29%	0.14%	1.55%
Interest-bearing deposits	3.12%	2.79%	2.17%	1.26%	0.72%	0.33%	2.40%
Other borrowings	7.59%	6.24%	4.56%	4.00%	3.82%	1.35%	3.77%
Total interest-bearing liabilities	3.22%	2.90%	2.37%	1.48%	0.87%	0.32%	2.35%
Cost of total deposits [(1)]	2.51%	2.23%	1.63%	0.90%	0.51%	0.28%	2.00%
Cost of total funding [(1)]	2.61%	2.34%	1.83%	1.09%	0.63%	0.27%	1.98%
Net interest spread	2.62%	2.80%	2.96%	3.44%	3.42%	-0.18%	-0.80%
Net interest margin	3.36%	3.47%	3.56%	3.86%	3.68%	-0.11%	-0.32%
Yield on total loans	6.51%	6.47%	6.01%	5.53%	4.99%	0.04%	1.52%
Efficiency ratio	58.39%	52.26%	49.94%	54.62%	51.85%	6.13%	6.54%

[(1)] Includes noninterest-bearing deposits.

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

	3Q23			2Q23			3Q22		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets									
Earning assets:									
Cash and due from banks	$ 20,945	$ 100	1.89%	$ 17,551	$ 67	1.53%	$ 15,425	$ 13	0.33%
Federal funds sold and resell agreements	64,816	1,028	6.29%	119,318	1,603	5.39%	53,823	321	2.37%
Investment securities	349,871	2,874	3.26%	351,901	2,602	2.97%	382,784	2,455	2.54%
Loans held for sale	61,043	1,378	8.96%	60,970	1,334	8.78%	41,585	837	7.99%
Loans held for investment	1,371,079	22,115	6.40%	1,343,441	21,319	6.37%	1,143,023	14,063	4.88%
Total earning assets	1,867,754	27,495	5.84%	1,893,181	26,925	5.70%	1,636,640	17,689	4.29%
Allowance for credit losses [(1)]	(15,391)			(14,194)			(10,845)		
Bank-owned life insurance	30,239			30,033			29,467		
Premises, furniture and equipment, net	18,261			18,460			17,877		
Deferred tax asset	21,546			21,248			19,011		
Goodwill & intangible assets	6,709			6,899			7,313		
Other real estate owned	243			69			572		
Other assets	26,752			25,393			17,520		
Total assets	**$ 1,956,113**			**$ 1,981,089**			**$ 1,717,555**		
Interest-bearing deposits	1,407,355	11,065	3.12%	1,411,267	9,815	2.79%	1,092,985	1,975	0.72%
Federal Home Loan Bank advances	-	-	0.00%	14,725	128	3.49%	30,762	158	2.04%
Revolving commercial line of credit	18,000	390	8.60%	18,000	374	8.33%	10,000	140	5.55%
Subordinated debt, net	14,665	235	6.36%	14,652	235	6.43%	14,615	235	6.38%
Total interest-bearing liabilities	1,440,020	11,690	3.22%	1,458,644	10,552	2.90%	1,148,362	2,508	0.87%
Noninterest-bearing deposits	339,707			352,903			432,798		
Other liabilities	34,911			32,218			21,025		
Stockholders' equity	141,475			137,324			115,370		
Total liabilities and stockholders' equity	**$ 1,956,113**			**$ 1,981,089**			**$ 1,717,555**		
Interest margins									
Cost of total deposits [(2)]	2.51%			2.23%			0.51%		
Cost of total funding [(2)]	2.61%			2.34%			0.63%		
Net interest spread	2.62%			2.80%			3.42%		
Net interest margin	3.36%			3.47%			3.68%		
Efficiency ratio	58.39%			52.26%			51.85%		

[(1)] 2023 reflects the impact of adopting the CECL standard and our transition from an incurred loss model for these reserves to an expected credit loss methodology.
[(2)] Includes noninterest bearing deposits.

COASTALSOUTH BANCSHARES, INC.

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

	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets						
Earning assets:						
Cash and due from banks	$ 17,764	$ 183	1.38%	$ 15,859	$ 24	0.20%
Federal funds sold and resell agreements	78,747	3,250	5.52%	106,930	779	0.97%
Investment securities	353,925	8,175	3.09%	371,218	6,269	2.26%
Loans held for sale	52,722	3,537	8.97%	55,837	3,030	7.26%
Loans held for investment	1,341,031	62,526	6.23%	1,041,465	35,738	4.59%
Total earning assets	1,844,189	77,671	5.63%	1,591,309	45,840	3.85%
Allowance for credit losses [1]	(14,614)			(9,376)		
Bank-owned life insurance	30,043			29,282		
Premises, furniture and equipment, net	18,450			17,681		
Deferred tax asset	21,786			17,353		
Goodwill & intangible assets	6,847			7,424		
Other real estate owned	105			591		
Other assets	26,189			15,689		
Total assets	**$ 1,932,995**			**$ 1,669,953**		
Interest-bearing deposits	1,341,312	27,305	2.72%	1,058,802	3,905	0.49%
Federal Reserve Bank BTFP	440	15	4.56%	-	-	0.00%
Federal Home Loan Bank advances	31,093	805	3.46%	22,967	236	1.37%
Revolving commercial line of credit	18,000	1,111	8.25%	10,000	328	4.39%
Subordinated debt, net	14,652	705	6.43%	14,604	705	6.45%
Total interest-bearing liabilities	1,405,497	29,941	2.85%	1,106,373	5,174	0.63%
Noninterest bearing deposits	361,289			425,532		
Other liabilities	33,006			19,705		
Stockholders' equity	133,203			118,343		
Total liabilities and stockholders' equity	**$ 1,932,995**			**$ 1,669,953**		
Interest margins						
Cost of total deposits [2]	2.14%			0.35%		
Cost of total funding [2]	2.27%			0.45%		
Net interest spread	2.78%			3.22%		
Net interest margin	3.46%			3.42%		
Efficiency ratio	53.44%			55.05%		

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

COASTALSOUTH BANCSHARES, INC.

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

						3Q23 change vs	
	3Q23	2Q23	1Q23	4Q22	3Q22	2Q23	3Q22
Loans held for investment ("LHFI")							
Commercial real estate							
Construction, acquisition and development	$ 112,648	$ 92,520	$ 98,037	$ 85,283	$ 76,816	20,128	35,832
Income producing	256,951	250,017	233,706	235,855	192,538	6,934	64,413
Commercial and industrial							
Non-real estate	126,138	103,401	110,580	109,263	100,152	22,737	25,986
Senior housing	263,169	267,903	272,539	249,974	236,008	(4,734)	27,161
Owner occupied	92,577	94,353	98,997	105,277	107,353	(1,776)	(14,776)
Retail							
Residential mortgages	142,986	139,370	135,990	137,035	136,615	3,616	6,371
Marine vessels	270,136	252,669	220,626	203,039	163,856	17,467	106,280
Cash value life insurance LOC	116,238	129,893	137,186	146,390	136,499	(13,655)	(20,261)
Other consumer	21,364	21,759	22,320	23,352	25,101	(395)	(3,737)
Paycheck Protection Program	644	702	2,708	3,135	3,792	(58)	(3,148)
Total loans held for investment	**$ 1,402,851**	**$ 1,352,587**	**$ 1,332,689**	**$ 1,298,603**	**$ 1,178,730**	**$ 50,264**	**$ 224,121**
Core LHFI	1,321,491	1,268,723	1,237,917	1,200,315	1,073,204	52,768	248,287
Acquired LHFI [1]	80,716	83,162	92,064	95,153	101,734	(2,446)	(21,018)
Paycheck Protection Program	644	702	2,708	3,135	3,792	(58)	(3,148)
Total loans held for investment	**$ 1,402,851**	**$ 1,352,587**	**$ 1,332,689**	**$ 1,298,603**	**$ 1,178,730**	**$ 50,264**	**$ 224,121**
Total loans held for sale	73,251	81,692	55,957	44,500	53,049	(8,441)	20,202
Total allowance for credit losses [2]	15,352	15,008	14,029	12,362	11,625	344	3,727
Nonperforming assets							
Nonaccrual loans	7,278	7,193	9,757	5,495	2,274	85	5,004
Past due loans 90 days and still accruing	18	-	1,968	2,584	2,157	18	(2,139)
Troubled debt restructurings [3]	-	-	-	194	390	-	(390)
Total nonperforming loans	7,296	7,193	11,725	8,273	4,821	103	2,475
Other real estate owned	243	243	-	-	571	-	(328)
Total nonperforming assets	**$ 7,539**	**$ 7,436**	**$ 11,725**	**$ 8,273**	**$ 5,392**	**$ 85**	**$ 4,286**
Credit Analysis							
QTD net charge-offs (recoveries)	$ 113	$ 18	$ 517	$ (18)	$ 248	$ 95	$ (135)
Net charge-offs (recoveries) to total LHFI	0.03%	0.01%	0.16%	-0.01%	0.08%	0.03%	-0.05%
Total allowance for credit losses to total LHFI [2]	1.09%	1.11%	1.05%	0.95%	0.99%	-0.02%	0.11%
Nonperforming loans to gross LHFI	0.52%	0.53%	0.88%	0.64%	0.41%	-0.01%	0.11%
Nonperforming assets to total assets	0.38%	0.38%	0.58%	0.45%	0.31%	0.00%	0.07%

[1] Includes loans acquired through business combinations.
[2] Current year reflects the impact of adopting the CECL standard and our transition from an incurred loss model to an expected credit loss methodology.
[3] Prior to 1/1/2023, the figures reflect cumulative TDRs but now reflects loans to borrowers with financial difficulty under ASU 2022-02 in the trailing 12 months.

COASTALSOUTH BANCSHARES, INC.

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

	ACL			ALL	
Three months ended - dollars in thousands	**3Q23**	**2Q23**	**1Q23**	**4Q22**	**3Q22**
Allowance for Credit Losses (ACL) and Allowance for Loan Losses (ALL)					
Beginning balance	$ 15,008	$ 14,029	$ 12,362	$ 11,625	$ 10,599
Adoption of ASU 2016-03 [1]			1,666		
Charge-offs:					
Commercial real estate					
Income producing	-	(82)	-	-	-
Commercial and industrial					
Non-real estate	-	-	(281)	-	(263)
Retail					
Residential mortgages	-	-	(194)	-	-
Marine vessels	-	(5)	-	-	-
Other consumer	(137)	-	(57)	(5)	(75)
Total charge-offs	(137)	(87)	(532)	(5)	(338)
Recoveries:					
Commercial real estate					
Income producing	-	17	-	-	-
Commercial and industrial					
Non-real estate	5	6	5	2	77
Retail					
Residential mortgages	16	9	10	14	12
Other consumer	3	37	-	7	1
Total recoveries	24	69	15	23	90
Total net (charge-offs)/recoveries:	(113)	(18)	(517)	18	(248)
Provision for loan credit losses	457	997	518	719	1,274
Ending balance	$ 15,352	$ 15,008	$ 14,029	$ 12,362	$ 11,625
Allowance for credit losses - Off-balance sheet credit exposures					
Beginning balance	$ 4,091	$ 4,211	$ -		
Adoption of ASU 2016-03 [1]	-	-	4,519		
Provision for (recapture of) credit losses [2]	400	(120)	(308)		
Ending balance	$ 4,491	$ 4,091	$ 4,211		
Allowance for credit losses: loans and off-balance sheet credit exposures	$ 19,843	$ 19,099	$ 18,240		

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

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

	Quarterly Trends				
	3Q23	2Q23	1Q23	4Q22	3Q22
Net Income	4,774	5,787	6,760	5,504	5,260
Provision for credit losses	847	920	210	719	1,274
Provision for income taxes	1,474	1,711	2,085	1,700	1,487
Pre-tax pre-provision net revenue (PPNR)	$ 7,095	$ 8,418	$ 9,055	$ 7,923	$ 8,021
Average assets	$ 1,956,113	$ 1,981,089	$ 1,860,736	$ 1,762,782	$ 1,717,555
Average goodwill & intangible assets	(6,709)	(6,899)	(6,934)	(7,090)	(7,313)
Average commercial mortgage servicing rights	1,289	1,424	1,401	1,494	1,654
Average tangible assets	$ 1,950,693	$ 1,975,614	$ 1,855,203	$ 1,757,186	$ 1,711,896
Average stockholders' equity	$ 141,475	$ 137,324	$ 120,579	$ 114,515	$ 115,370
Average goodwill & intangible assets	(6,709)	(6,899)	(6,934)	(7,090)	(7,313)
Average commercial mortgage servicing rights	1,289	1,424	1,401	1,494	1,654
Average tangible common equity	$ 136,055	$ 131,849	$ 115,046	$ 108,919	$ 109,711
Total assets	$ 1,998,195	$ 1,963,496	$ 2,022,876	$ 1,835,478	$ 1,722,915
Goodwill & intangible assets	(6,576)	(6,804)	(6,996)	(6,867)	(7,173)
Commercial mortgage servicing rights	1,184	1,357	1,491	1,302	1,546
Tangible assets	$ 1,992,803	$ 1,958,049	$ 2,017,371	$ 1,829,913	$ 1,717,288
Stockholders' equity	$ 140,864	$ 139,242	$ 133,304	$ 118,797	$ 110,466
Goodwill & intangible assets	(6,576)	(6,804)	(6,996)	(6,867)	(7,173)
Commercial mortgage servicing rights	1,184	1,357	1,491	1,302	1,546
Tangible common equity	$ 135,472	$ 133,795	$ 127,799	$ 113,232	$ 104,839