



August 9, 2022

To our Shareholders:

CoastalSouth Bancshares, Inc. (the "Company") is pleased to announce net income of \$3.7 million, or \$0.42 per diluted share, for the second quarter of 2022, similar to \$3.7 million net income, or \$0.42 per diluted share, for the first quarter of 2022.

"The second quarter of 2022 was another outstanding quarter for loan production," said Steve Stone, President and Chief Executive Officer of the Company and its wholly owned subsidiary, Coastal States Bank ("CSB" or the "Bank"). "Despite an extremely competitive lending environment, our bankers' relationship-focused approach led to \$137.5 million in core loan growth during the quarter across the franchise. This growth, coupled with the rising interest-rate environment, should position the Company for strong earnings performance during the second half of the year."

### Highlights for the Second Quarter of 2022

- **Net income of \$3.7 million, and \$0.42 diluted earnings per share ("Diluted EPS")**
- **Total assets grew \$43.6 million, a 2.6% increase from March 31, 2022**
- **Core loans held for investment grew \$137.5 million, a 16.2% increase from March 31, 2022**
- **Total deposits grew \$17.5 million, a 1.2% increase from March 31, 2022**
- **Efficiency ratio was 58.01% compared to 55.52% and 64.69% in the first and second quarters of 2022 and 2021, respectively**
- **Net interest margin was 3.45% compared to 3.09% and 3.36% in the first and second quarters of 2022 and 2021, respectively**

During the second quarter, core loans held for investment ("LHFI") grew by \$137.5 million, excluding acquired loans. One new contributor to the loan growth was the addition of a Correspondent Marine Lending Division at the Bank. CSB is pleased to announce the addition of John Redmond to the CSB team to lead this division. John's experience in the industry and familiarity with the CSB management team helped the Bank launch this line of business in May 2022 and originating \$18.1 million in new loans during the quarter. This addition creates a unique consumer-based lending product that helps to further diversify the Banks's loan portfolio.

The Company's deposits also increased by \$17.5 million to \$1.51 billion from \$1.49 billion in the first quarter of 2022. In order to keep pace with loan demand, management has strategically deployed competitively priced deposit products early in the third quarter of 2022 to help acquire deposit new customers.

As a result of continued inflationary pressure, the Federal Reserve increased the federal funds interest rate target by an additional 125 basis points during the second quarter of 2022, following the 75 basis point increase during the first quarter of 2022. The rate setting Federal Open Market Committee ("FOMC") members indicated a much stronger path of rate increases ahead to arrest inflation that will increase the federal funds rate in 2022 and 2023. Like many other institutions during this same time period, the Company's available-for-sale ("AFS") investment portfolio experienced a decline in fair value driven by these rising interest rates, which reduced tangible book value. The Company's investment portfolio as structured at the end of the second quarter of 2022 has approximately 31% invested in floating rate securities and the overall yield will benefit as rates increase. Unrealized losses will decrease as the securities portfolio moves toward maturity which will increase tangible book value over the remaining life of portfolio. The Company reviews its AFS securities portfolio quarterly for other-than-temporary impairment, and none was recognized. Management believes that the decreases in value are driven by these interest rate movements and are not indicative of credit or other performance issues within the securities portfolio. Tangible book value per share at June 30, 2022 was \$12.12, a decrease from \$12.77 at March 31, 2022.

Notwithstanding a small increase in Non-Performing Assets ("NPA") ratio from the first quarter of 2022, the Company's credit metrics remained strong throughout the second quarter. The Company's NPA ratio was 0.28% at the end of the second quarter of 2022 compared to 0.18% at the end of the first quarter of 2021. The increase is due an increase in nonaccrual loans during the period, driven by one larger loan relationship that was subsequently refinanced by another institution early in the third quarter of 2022 and has therefore exited the Bank. The Company's net charge-offs to total LHF ratio remains low at 0.01% for the second quarter of 2022.

Making charitable contributions in the local communities we serve continues to be a focus of the Company. Year-to-date during 2022, the Company's employee and the Board supported CSB Community Commitment Fund made contributions of over \$73 thousand to 20 different organizations supporting a variety of causes that impact our Metro-Atlanta, Savannah, and the Lowcountry communities.

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

|                                                        | Quarterly Trends |              |              |              |              | 2Q22 change vs |            |
|--------------------------------------------------------|------------------|--------------|--------------|--------------|--------------|----------------|------------|
|                                                        | 2Q22             | 1Q22         | 4Q21         | 3Q21         | 2Q21         | 1Q22           | 2Q21       |
| <b>Selected Balance Sheet Data</b>                     |                  |              |              |              |              |                |            |
| Total assets                                           | \$ 1,713,183     | \$ 1,669,622 | \$ 1,611,657 | \$ 1,333,349 | \$ 1,261,987 | \$ 43,561      | \$ 451,196 |
| Total gross loans (LHFS + LHFI)                        | 1,171,467        | 1,052,917    | 1,019,569    | 855,738      | 865,664      | 118,550        | 305,803    |
| Total deposits                                         | 1,506,808        | 1,489,263    | 1,424,117    | 1,168,370    | 1,109,913    | 17,545         | 396,895    |
| <b>Earnings Highlights</b>                             |                  |              |              |              |              |                |            |
| Net income                                             | \$ 3,681         | \$ 3,745     | \$ 2,723     | \$ 3,251     | \$ 3,274     | \$ (64)        | \$ 407     |
| Diluted earnings per share (EPS)                       | \$ 0.42          | \$ 0.42      | \$ 0.31      | \$ 0.39      | \$ 0.40      | \$ -           | \$ 0.02    |
| Net interest income                                    | \$ 13,661        | \$ 11,824    | \$ 11,739    | \$ 10,105    | \$ 9,678     | \$ 1,837       | \$ 3,983   |
| <b>Performance Ratios</b>                              |                  |              |              |              |              |                |            |
| Net interest margin                                    | 3.45%            | 3.09%        | 3.03%        | 3.28%        | 3.36%        | 0.36%          | 0.09%      |
| Net interest spread                                    | 3.30%            | 2.94%        | 2.87%        | 3.11%        | 3.18%        | 0.36%          | 0.12%      |
| Cost of total deposits                                 | 0.28%            | 0.25%        | 0.26%        | 0.29%        | 0.32%        | 0.03%          | -0.04%     |
| Cost of total funding                                  | 0.37%            | 0.34%        | 0.34%        | 0.38%        | 0.41%        | 0.03%          | -0.04%     |
| Efficiency ratio                                       | 58.01%           | 55.52%       | 77.45%       | 62.66%       | 64.69%       | 2.49%          | -6.68%     |
| Loan-to-deposit ratio                                  | 77.74%           | 70.70%       | 71.59%       | 73.24%       | 77.99%       | 7.04%          | -0.25%     |
| <b>Return on (annualized):</b>                         |                  |              |              |              |              |                |            |
| Average assets (ROAA) <sup>2</sup>                     | 0.89%            | 0.93%        | 0.68%        | 1.01%        | 1.08%        | -0.05%         | -0.20%     |
| Average tangible assets (ROTA) <sup>2</sup>            | 0.89%            | 0.94%        | 0.68%        | 1.01%        | 1.09%        | -0.05%         | -0.20%     |
| Average tangible common equity (ROTCE) <sup>2</sup>    | 13.44%           | 12.83%       | 9.10%        | 12.01%       | 12.77%       | 0.62%          | 0.67%      |
| Tangible common equity to tangible assets <sup>2</sup> | 6.61%            | 7.32%        | 7.44%        | 8.44%        | 8.53%        | -0.70%         | -1.91%     |
| Tangible book value per share <sup>2</sup>             | \$ 12.12         | \$ 12.77     | \$ 13.84     | \$ 13.52     | \$ 13.07     | \$ (0.65)      | \$ (0.95)  |
| <b>Other Operating Measures<sup>1</sup>:</b>           |                  |              |              |              |              |                |            |
| Pre-tax pre-provision net revenue (PPNR)               | \$ 6,639         | \$ 6,327     | \$ 3,482     | \$ 4,851     | \$ 4,414     | \$ 312         | \$ 2,225   |
| PPNR ROAA                                              | 1.60%            | 1.58%        | 0.86%        | 1.51%        | 1.46%        | 0.02%          | 0.14%      |
| Net interest margin excluding PPP income               | 3.39%            | 3.00%        | 2.86%        | 2.98%        | 3.22%        | 0.38%          | 0.17%      |
| Adjusted net income                                    | \$ 3,693         | \$ 3,838     | \$ 2,795     | \$ 3,346     | \$ 3,468     | \$ (145)       | \$ 225     |
| Adjusted diluted EPS                                   | \$ 0.43          | \$ 0.45      | \$ 0.33      | \$ 0.42      | \$ 0.43      | \$ (0.02)      | \$ -       |
| Adjusted ROTA                                          | 0.89%            | 0.96%        | 0.70%        | 1.04%        | 1.15%        | -0.07%         | -0.26%     |
| Adjusted ROTCE                                         | 13.49%           | 13.14%       | 9.34%        | 12.36%       | 13.53%       | 0.35%          | -0.04%     |
| Adjusted efficiency ratio                              | 57.91%           | 54.65%       | 74.07%       | 61.69%       | 62.64%       | 3.26%          | -4.73%     |
| Adjusted noninterest expense to avg. assets            | 2.20%            | 1.94%        | 2.53%        | 2.49%        | 2.59%        | 0.26%          | -0.39%     |

<sup>(1)</sup> Non-GAAP measure, see "GAAP to Non-GAAP Reconciliation" schedule.

<sup>(2)</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)

## Financial Results

### Income Statement

**Net income** was \$3.7 million for the second quarter of 2022 similar to a net income of \$3.7 million in the first quarter of 2022, and up from a \$3.3 million net income in the second quarter of 2021. Compared to the second quarter of 2021, the increase in net income was primarily attributable to an overall increase in net interest income, offset by higher provision for credit losses, noninterest expense, and income tax expense due to growth, coupled with a decline in noninterest income.

**Interest income** was \$15.1 million in the second quarter of 2022, compared to \$13.1 million in the first quarter of 2022, and \$10.8 million in the second quarter of 2021. The increase in the second quarter of 2022 compared to the first quarter of 2022 was primarily in interest income on LHFI and interest and dividends on investment securities. Additionally, the rising interest rate environment and tightening housing inventory has slowed the pace of activity in the Mortgage Banker Finance division, resulting in lower LHFS volumes, but with a higher yield. The increase in the second quarter of 2022 compared to the second quarter of 2021 is due to growth in the loan portfolio coupled with the expansion of the investment portfolio throughout 2021 and into 2022 as well as the recent acquisition of Cornerstone Bank.

The components of interest income are presented below:

| CoastalSouth Bancshares, Inc. and Subsidiary<br>Components of Interest Income<br>(dollars in thousands) |                  |                  |                  |                  |                  |                 |                 |
|---------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|
|                                                                                                         | Quarterly Trends |                  |                  |                  |                  | 2Q22 change vs  |                 |
|                                                                                                         | 2Q22             | 1Q22             | 4Q21             | 3Q21             | 2Q21             | 1Q22            | 2Q21            |
| Interest on cash and due from banks                                                                     | \$ 6             | \$ 5             | \$ 19            | \$ 2             | \$ 2             | \$ 1            | \$ 4            |
| Interest on federal funds sold and resell agreements                                                    | 261              | 197              | 286              | 282              | 288              | 64              | (27)            |
| Interest and dividends on investment securities                                                         | 2,174            | 1,640            | 1,181            | 865              | 806              | 534             | 1,368           |
| Interest and fees on LHFS                                                                               | 1,166            | 1,027            | 1,172            | 1,309            | 1,448            | 139             | (282)           |
| Interest and fees on LHFI excluding PPP loans                                                           | 11,038           | 9,583            | 9,264            | 7,017            | 6,671            | 1,455           | 4,367           |
| Interest and fees on PPP loans                                                                          | 433              | 621              | 1,054            | 1,736            | 1,579            | (188)           | (1,146)         |
| <b>Interest income</b>                                                                                  | <b>\$ 15,078</b> | <b>\$ 13,073</b> | <b>\$ 12,976</b> | <b>\$ 11,211</b> | <b>\$ 10,794</b> | <b>\$ 2,005</b> | <b>\$ 4,284</b> |

**Interest expense** was \$1.4 million in the second quarter of 2022 compared to \$1.2 million in the first quarter of 2022, and \$1.1 million in the second quarter of 2021. Compared to the first quarter of 2022, the increase in interest expense is due to a combination of an increase in average balance as well as a 3 basis points increase in costs of interest-bearing deposits. Compared to the same quarter last year, the increase in interest expense is due to an increase in average balance of interest-bearing deposits due to deposits growth, and the Company's revolving commercial line of credit, which was added during the fourth quarter of 2021 to provide the ability to downstream additional capital to the Bank, as needed.

**Net interest margin** for the second quarter of 2022 was 3.45%, compared to 3.09% for the first quarter of 2022 and 3.36% for the second quarter of 2021. Compared to the first quarter of 2022, net interest margin increased by 36 basis points, which is related to increased total earning assets balances, primarily investment securities and LHFI, coupled with a rising interest rate environment. Compared to the same quarter last year, net interest margin increased by 9 basis points and is attributable to LHFI growth as well as the rising interest rates.

**The cost of funds** for the second quarter of 2022 was 37 basis points compared to 34 basis points in the first quarter of 2022, and 41 basis points in the second quarter of 2021. The cost of funds increase from the first quarter of 2022 is primarily due the current rising interest rate environment as deposits rates are adjusted to align with the current market prices and to retain current customers and attract new customers. The cost of funds decline compared to the second quarter of 2021 is primarily driven by a decrease in costs of interest-bearing deposits as the Federal Reserve held rates near zero during 2021, offset by the cost of the new revolving commercial line of credit.

**The cost of deposits** was 28 basis points in the second quarter of 2022 compared to 25 and 32 basis points in the first and second quarters of 2022 and 2021, respectively. Compared to the first quarter of 2022, the increase is attributable to the current interest rate rising environment. Compared to the second quarter of 2021, the decline is due to the fact that over the last year, higher priced deposits had continued to reprice into lower cost deposits.

**Provision for credit losses** was \$1.7 million during the second quarter of 2022, compared to \$1.4 million and \$222 thousand in the first and second quarters of 2022 and 2021, respectively. Compared to the first quarter of 2022, the increase is primarily related to a \$576 thousand allowance provision related to purchased credit-impaired ("PCI") loans from the Cornerstone acquisition. Compared to the second quarter of 2021, the increase is primarily attributable to organic growth of LHFI in addition to acquired loans. Net charge-offs were \$14 thousand during the second quarter of 2022, compared to \$620 thousand in the first quarter of 2022.

**Noninterest income** was \$2.2 million in the second quarter of 2022, compared to \$2.4 million and \$2.8 million in the first and second quarters of 2022 and 2021, respectively. Compared to the first quarter of 2022, the decrease is primarily in mortgage banking related income of \$123 thousand and gain on sale of government guaranteed loans of \$106 thousand. Compared to the second quarter of 2021, the decrease in noninterest income of \$672 thousand is primarily attributable to mortgage banking related income of \$391 thousand, gain on sale of government guaranteed loans of \$140 thousand, and bank-owned life insurance of \$117 thousand. As interest rates have risen, the premium on government guaranteed loans has fallen. As a result, the Bank may hold more of its guaranteed loan balances in its portfolio, thus reducing gain on sale income in the future.

**Noninterest expense** was \$9.2 million during the second quarter of 2022, compared to \$7.9 million and \$8.1 million during the first and second quarters of 2022 and 2021, respectively. Compared to the first quarter of 2022, the increase of \$1.3 million is primarily due to a reduction in non-interest expense related to a contingent consideration adjustment of \$955 thousand in the first quarter of 2022, and as well as an increase of one-time professional fees totaling \$426 thousand in the second quarter of 2022. Compared to the second quarter of 2021, the increase of \$1.1 million is primarily in salaries and employee benefits of \$771 thousand, coupled with various other expense categories, offset by a gain on other real estate owned.

**Income tax expense** was \$1.3 million in the second quarter of 2022, compared to \$1.2 million and \$918 thousand in the first and second quarters of 2022 and 2021, respectively. Compared to the first quarter of 2022, the increase is attributable to an increase in taxable income. Compared to the second quarter of 2021, the increase in income tax expense is primarily attributable to higher earnings as well due to growth.

### ***Balance Sheet***

**Total assets** as of June 30, 2022 were \$1.713 billion, grew from \$1.670 billion at March 31, 2022, and \$1.262 billion at June 30, 2021. The increase of \$43.6 million as compared to the prior quarter was attributable to continued deployment of liquid funds into LHFI and investment securities.

**Cash and cash equivalents** at June 30, 2022 was \$86 million, compared to \$169 million at March 31, 2022, and down from \$183 million at June 30, 2021. The decrease in cash and cash equivalents as compared to the prior quarter is primarily attributable to a decrease in federal funds sold and resell agreements as the Company continues to deploy liquidity into higher interest-earning assets in the LHFI and investment securities portfolios.

**Investment securities** at June 30, 2022 were \$374 million, compared to \$369 million at March 31, 2022, and up from \$156 million at June 30, 2021. The increase in investment securities portfolio for both periods is related to securities purchases.

**Total gross loans** held for investment at June 30, 2022 were \$1.102 billion, compared to \$989 million at March 31, 2022, and up from \$762 million at June 30, 2021. Loans held for investment grew during the quarter as core LHFI increased by \$137.5 million, offset by forgiveness and paydowns of Paycheck Protection Program ("PPP") loans of \$18.0 million, and a decrease in acquired LHFI by \$6.8 million. Compared to June 30, 2021, core LHFI increased by \$374.9 million and acquired LHFI grew by \$77.4 million, offset by lower PPP balances due to forgiveness and paydowns of \$112.0 million. Total loans

held for sale at June 30, 2022 were \$69.5 million, compared to \$63.7 million at March 31, 2022 and a \$104.0 million at June 30, 2021.

**Allowance for loan losses** (“ALL”) at June 30, 2022 was \$10.6 million, compared to \$8.9 million at March 31, 2022, and from \$7.2 million at June 30, 2021. The increase in the second quarter of 2022 compared to the first quarter of 2022 and second quarter of 2021, was primarily due to growth in the loan portfolio as well as a \$576 thousand allowance provision for PCI loans mentioned above. Total ALL to total LHFJ excluding PPP was 0.97% at June 30, 2022 as compared to 0.93% and 1.12% at March 31, 2022, and June 30, 2021, respectively. A discount on acquired loans is also recorded through accounting for business combinations, and was \$4.2 million at June 30, 2022, which can be used to absorb future credit losses on acquired loans.

**Nonaccrual loans** increased by \$1.9 million to approximately \$3.8 million at June 30, 2022 from \$2.0 million at March 31, 2022. Troubled debt restructures (“TDRs”) were \$391 thousand compared to \$393 thousand at March 31, 2022 and increased by \$161 thousand compared to June 30, 2021. Total nonperforming loans to gross LHFJ outstanding was 0.38% at June 30, 2022, compared to 0.24% and 0.39% at March 31, 2022, and June 30, 2021, respectively.

**Nonperforming assets** to total assets increased by 10 basis points to 0.28% at June 30, 2022, compared to 0.18% at March 31, 2022, and increased by 2 basis points compared to 0.30% at June 30, 2021. Other real estate owned (“OREO”) remained at \$573 thousand in the second quarter of 2022 similar to the first quarter of 2022. Compared to the second quarter of 2021, the decrease of \$205 thousand is due to liquidation of OREO properties.

**Total deposits** at June 30, 2022 were \$1.507 billion, an increase from \$1.489 billion at March 31, 2022, and from \$1.110 billion at June 30, 2021. The increase in total deposits from March 31, 2022 is attributable to continued new customer acquisition across the franchise. Noninterest bearing deposits accounted for 28.9% of total deposits, compared to 28.0% of total deposits at March 31, 2022, and 29.2% at June 30, 2021. As the Company wins new loan customers and targets new deposit relationships with competitive rates on interest bearing accounts, our bankers are focused on ensuring that we win the entire relationship, including operating accounts, so that we can preserve our attractive mix of deposits.

**Subordinated debt**, net of debt issuance costs, remained at approximately \$14.6 million at June 30, 2022, March 31, 2022, and June 30, 2021.

**Federal Home Loan Bank (“FHLB”) advances** were \$50 million at June 30, 2022, compared to \$20 million at both March 31, 2022, and June 30, 2021. During the quarter, the Bank’s structured Bermudian advances were called. The Bank obtained one-month FHLB advances for additional liquidity during the second quarter of 2022.

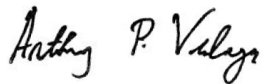
**Revolving commercial line of credit (“LOC”)** remained the same at \$10.0 million at June 30, 2022 and March 31, 2022. This LOC did not exist at June 30, 2021. The LOC was opened to provide the Company with the ability to downstream additional capital to the Bank and has total capacity of \$18.0 million.

**Tangible book value** per share at June 30, 2022 was \$12.12. The decrease of the tangible book value from \$12.77 at March 31, 2022 is due to increased unrealized losses on AFS securities attributed to the rising interest rate environment, offset by current earnings and the impact of derivative instruments. CSB is currently well capitalized with a leverage ratio of 8.46%, a common equity tier 1 capital ratio of 9.95%, and a total risk-based capital ratio of 10.70%.

### **Detailed Results**

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

Sincerely,



Anthony P. Valduga  
CFO / COO



## **FORWARD-LOOKING STATEMENTS**

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

## **Explanation of Certain Unaudited Non-GAAP Financial Measures**

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

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

|                                                   | 2Q22      |                  | 1Q22      |                  | 4Q21      |                  | 3Q21      |                  | 2Q21      |                  | 2Q22 change vs |                |           |                |
|---------------------------------------------------|-----------|------------------|-----------|------------------|-----------|------------------|-----------|------------------|-----------|------------------|----------------|----------------|-----------|----------------|
|                                                   |           |                  |           |                  |           |                  |           |                  |           |                  | 1Q22           | 2Q21           |           |                |
| <b>Assets</b>                                     |           |                  |           |                  |           |                  |           |                  |           |                  |                |                |           |                |
| Cash and due from banks                           | \$        | 12,414           | \$        | 3,545            | \$        | 15,348           | \$        | 1,542            | \$        | 10,444           | \$             | 8,869          | \$        | 1,970          |
| Federal funds sold and resell agreements          |           | 73,285           |           | 165,936          |           | 209,011          |           | 204,314          |           | 172,957          |                | (92,651)       |           | (99,672)       |
| Investment securities                             |           | 373,706          |           | 368,766          |           | 294,754          |           | 214,842          |           | 155,843          |                | 4,940          |           | 217,863        |
| Loans held for sale (LHFS)                        |           | 69,533           |           | 63,685           |           | 81,453           |           | 81,257           |           | 104,035          |                | 5,848          |           | (34,502)       |
| Loans held for investment (LHFI)                  |           | 1,101,934        |           | 989,232          |           | 938,116          |           | 774,481          |           | 761,629          |                | 112,702        |           | 340,305        |
| Allowance for loan losses                         |           | (10,599)         |           | (8,946)          |           | (8,148)          |           | (7,715)          |           | (7,157)          |                | (1,653)        |           | (3,442)        |
| Loans held for investment, net                    |           | 1,091,335        |           | 980,286          |           | 929,968          |           | 766,766          |           | 754,472          |                | 111,049        |           | 336,863        |
| Bank-owned life insurance                         |           | 29,402           |           | 29,213           |           | 29,039           |           | 18,918           |           | 19,030           |                | 189            |           | 10,372         |
| Premises, furniture and equipment, net            |           | 17,517           |           | 17,514           |           | 17,650           |           | 17,726           |           | 17,242           |                | 3              |           | 275            |
| Deferred tax asset                                |           | 19,355           |           | 17,012           |           | 14,498           |           | 10,472           |           | 9,820            |                | 2,343          |           | 9,535          |
| Goodwill & intangible assets <sup>(1)</sup>       |           | 7,389            |           | 7,455            |           | 7,564            |           | 6,437            |           | 6,322            |                | (66)           |           | 1,067          |
| Other real estate owned                           |           | 573              |           | 573              |           | 640              |           | 616              |           | 778              |                | -              |           | (205)          |
| Other assets                                      |           | 18,674           |           | 15,637           |           | 11,732           |           | 10,459           |           | 11,044           |                | 3,037          |           | 7,630          |
| <b>Total assets</b>                               | <b>\$</b> | <b>1,713,183</b> | <b>\$</b> | <b>1,669,622</b> | <b>\$</b> | <b>1,611,657</b> | <b>\$</b> | <b>1,333,349</b> | <b>\$</b> | <b>1,261,987</b> | <b>\$</b>      | <b>43,561</b>  | <b>\$</b> | <b>451,196</b> |
| <b>Liabilities and stockholders' equity</b>       |           |                  |           |                  |           |                  |           |                  |           |                  |                |                |           |                |
| <b>Liabilities</b>                                |           |                  |           |                  |           |                  |           |                  |           |                  |                |                |           |                |
| Deposits                                          |           |                  |           |                  |           |                  |           |                  |           |                  |                |                |           |                |
| Noninterest bearing DDA                           | \$        | 435,145          | \$        | 417,306          | \$        | 432,631          | \$        | 332,701          | \$        | 324,425          | \$             | 17,839         | \$        | 110,720        |
| Interest bearing DDA                              |           | 181,818          |           | 217,308          |           | 178,614          |           | 171,574          |           | 184,549          |                | (35,490)       |           | (2,731)        |
| Savings and money market                          |           | 657,726          |           | 678,217          |           | 629,974          |           | 539,563          |           | 472,981          |                | (20,491)       |           | 184,745        |
| Certificates of deposit                           |           | 232,119          |           | 176,432          |           | 182,898          |           | 124,532          |           | 127,958          |                | 55,687         |           | 104,161        |
| <b>Total deposits</b>                             |           | <b>1,506,808</b> |           | <b>1,489,263</b> |           | <b>1,424,117</b> |           | <b>1,168,370</b> |           | <b>1,109,913</b> |                | <b>17,545</b>  |           | <b>396,895</b> |
| Federal Home Loan Bank advances                   |           | 50,000           |           | 20,000           |           | 20,000           |           | 20,000           |           | 20,000           |                | 30,000         |           | 30,000         |
| Subordinated debt, net                            |           | 14,610           |           | 14,599           |           | 14,587           |           | 14,575           |           | 14,563           |                | 11             |           | 47             |
| Revolving commercial line of credit               |           | 10,000           |           | 10,000           |           | 10,000           |           | -                |           | -                |                | -              |           | 10,000         |
| SBA contingency reserve                           |           | 3,029            |           | 4,229            |           | 5,323            |           | -                |           | -                |                | (1,200)        |           | 3,029          |
| Other liabilities                                 |           | 18,709           |           | 15,876           |           | 12,696           |           | 16,680           |           | 7,673            |                | 2,833          |           | 11,036         |
| <b>Total liabilities</b>                          |           | <b>1,603,156</b> |           | <b>1,553,967</b> |           | <b>1,486,723</b> |           | <b>1,219,625</b> |           | <b>1,152,149</b> |                | <b>49,189</b>  |           | <b>451,007</b> |
| <b>Stockholders' equity</b>                       |           |                  |           |                  |           |                  |           |                  |           |                  |                |                |           |                |
| Voting common stock                               |           | 6,619            |           | 6,615            |           | 6,614            |           | 6,031            |           | 6,003            |                | 4              |           | 616            |
| Nonvoting common stock                            |           | 1,991            |           | 1,991            |           | 1,991            |           | 1,991            |           | 1,991            |                | -              |           | -              |
| Capital surplus                                   |           | 132,263          |           | 132,017          |           | 131,792          |           | 122,732          |           | 122,411          |                | 246            |           | 9,852          |
| Accumulated deficit                               |           | (10,850)         |           | (14,531)         |           | (18,276)         |           | (20,998)         |           | (24,249)         |                | 3,681          |           | 13,399         |
| Accumulated other comprehensive (loss) income     |           | (19,996)         |           | (10,437)         |           | 2,813            |           | 3,968            |           | 3,682            |                | (9,559)        |           | (23,678)       |
| <b>Total stockholders' equity</b>                 |           | <b>110,027</b>   |           | <b>115,655</b>   |           | <b>124,934</b>   |           | <b>113,724</b>   |           | <b>109,838</b>   |                | <b>(5,628)</b> |           | <b>189</b>     |
| <b>Total liabilities and stockholders' equity</b> | <b>\$</b> | <b>1,713,183</b> | <b>\$</b> | <b>1,669,622</b> | <b>\$</b> | <b>1,611,657</b> | <b>\$</b> | <b>1,333,349</b> | <b>\$</b> | <b>1,261,987</b> | <b>\$</b>      | <b>43,561</b>  | <b>\$</b> | <b>451,196</b> |
| <b>Capital ratios <sup>(2)</sup></b>              |           |                  |           |                  |           |                  |           |                  |           |                  |                |                |           |                |
| Leverage ratio                                    |           | 8.46%            |           | 8.43%            |           | 8.25%            |           | 8.18%            |           | 8.32%            |                | 0.03%          |           | 0.14%          |
| CET1 risk-based capital ratio                     |           | 9.95             |           | 10.81            |           | 10.94            |           | 10.92            |           | 11.22            |                | -0.86          |           | -1.28          |
| Tier 1 risk-based capital ratio                   |           | 9.95             |           | 10.81            |           | 10.94            |           | 10.92            |           | 11.22            |                | -0.86          |           | -1.28          |
| Total risk-based capital ratio                    |           | 10.70            |           | 11.52            |           | 11.63            |           | 11.74            |           | 12.03            |                | -0.82          |           | -1.34          |

<sup>(1)</sup> Includes commercial mortgage servicing assets of \$1,698, \$1,697, \$1,736, \$1,147, and \$989 for 2Q22, 1Q22, 4Q21, 3Q21, and 2Q21, respectively.

<sup>(2)</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)*

|                                                       | 2Q22            | 1Q22            | 4Q21            | 3Q21            | 2Q21            | 2Q22 change vs |               |
|-------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|---------------|
|                                                       |                 |                 |                 |                 |                 | 1Q22           | 2Q21          |
| <b>Interest income</b>                                |                 |                 |                 |                 |                 |                |               |
| Interest on cash and due from banks                   | \$ 6            | \$ 5            | \$ 19           | \$ 2            | \$ 2            | \$ 1           | \$ 4          |
| Interest on federal funds sold and resell agreements  | 261             | 197             | 286             | 282             | 288             | 64             | (27)          |
| Interest and dividends on investment securities       | 2,174           | 1,640           | 1,181           | 865             | 806             | 534            | 1,368         |
| Interest and fees on LHFS                             | 1,166           | 1,027           | 1,172           | 1,309           | 1,448           | 139            | (282)         |
| Interest and fees on LHFI                             | 11,471          | 10,204          | 10,318          | 8,753           | 8,250           | 1,267          | 3,221         |
| Total interest income                                 | 15,078          | 13,073          | 12,976          | 11,211          | 10,794          | 2,005          | 4,284         |
| <b>Interest expense</b>                               |                 |                 |                 |                 |                 |                |               |
| Deposits                                              | 1,037           | 893             | 946             | 827             | 838             | 144            | 199           |
| Other borrowings                                      | 380             | 356             | 291             | 279             | 278             | 24             | 102           |
| Total interest expense                                | 1,417           | 1,249           | 1,237           | 1,106           | 1,116           | 168            | 301           |
| Net interest income                                   | 13,661          | 11,824          | 11,739          | 10,105          | 9,678           | 1,837          | 3,983         |
| Provision for credit losses                           | 1,667           | 1,418           | 399             | 700             | 222             | 249            | 1,445         |
| Net interest income after provision for credit losses | 11,994          | 10,406          | 11,340          | 9,405           | 9,456           | 1,588          | 2,538         |
| <b>Noninterest income</b>                             |                 |                 |                 |                 |                 |                |               |
| Gain on sale of government guaranteed loans           | 837             | 943             | 565             | 1,132           | 977             | (106)          | (140)         |
| Mortgage banking related income                       | 454             | 577             | 709             | 785             | 845             | (123)          | (391)         |
| Interchange and card fee income                       | 293             | 288             | 248             | 236             | 261             | 5              | 32            |
| Bank-owned life insurance                             | 190             | 174             | 121             | 384             | 307             | 16             | (117)         |
| Service charges on deposit accounts                   | 178             | 181             | 209             | 156             | 140             | (3)            | 38            |
| Bargain purchase gain                                 | -               | -               | 1,649           | -               | -               | -              | -             |
| Securities (loss) gain, net                           | -               | -               | (65)            | -               | 6               | -              | (6)           |
| Other noninterest income                              | 198             | 236             | 267             | 192             | 286             | (38)           | (88)          |
| Total noninterest income                              | 2,150           | 2,399           | 3,703           | 2,885           | 2,822           | (249)          | (672)         |
| <b>Noninterest expense</b>                            |                 |                 |                 |                 |                 |                |               |
| Salaries and employee benefits                        | 5,910           | 5,749           | 6,898           | 5,258           | 5,139           | 161            | 771           |
| Other professional fees                               | 778             | 404             | 1,429           | 485             | 638             | 374            | 140           |
| Occupancy and equipment                               | 610             | 638             | 747             | 535             | 521             | (28)           | 89            |
| Data processing                                       | 482             | 515             | 592             | 355             | 353             | (33)           | 129           |
| Software and other technology expense                 | 418             | 499             | 686             | 510             | 445             | (81)           | (27)          |
| Regulatory assessment                                 | 298             | 269             | 331             | 249             | 223             | 29             | 75            |
| (Gain) loss on other real estate owned, net           | (213)           | (230)           | 325             | 25              | 32              | 17             | (245)         |
| Other noninterest expense                             | 889             | 52              | 952             | 722             | 735             | 837            | 154           |
| Total noninterest expense                             | 9,172           | 7,896           | 11,960          | 8,139           | 8,086           | 1,276          | 1,086         |
| Net income before taxes                               | 4,972           | 4,909           | 3,083           | 4,151           | 4,192           | 63             | 780           |
| Income tax expense                                    | 1,291           | 1,164           | 360             | 900             | 918             | 127            | 373           |
| <b>Net income</b>                                     | <b>\$ 3,681</b> | <b>\$ 3,745</b> | <b>\$ 2,723</b> | <b>\$ 3,251</b> | <b>\$ 3,274</b> | <b>\$ (64)</b> | <b>\$ 407</b> |
| Earnings per share - basic                            | \$ 0.42         | \$ 0.44         | \$ 0.31         | \$ 0.41         | \$ 0.41         | \$ (0.02)      | \$ 0.01       |
| Earnings per share - diluted                          | \$ 0.42         | \$ 0.42         | \$ 0.31         | \$ 0.39         | \$ 0.40         | \$ (0.00)      | \$ 0.02       |
| Tangible book value                                   | \$ 104,336      | \$ 109,897      | \$ 119,106      | \$ 108,434      | \$ 104,505      | \$ (5,561)     | \$ (170)      |
| Tangible book value per share                         | \$ 12.12        | \$ 12.77        | \$ 13.84        | \$ 13.52        | \$ 13.07        | \$ (0.65)      | \$ (0.95)     |
| Shares outstanding                                    | 8,609,385       | 8,605,985       | 8,604,735       | 8,021,153       | 7,993,653       | 3,400          | 615,732       |
| Weighted average shares - basic                       | 8,606,546       | 8,604,860       | 8,588,600       | 8,003,709       | 7,993,653       | 1,685          | 612,892       |
| Weighted average shares - diluted                     | 8,838,348       | 8,889,431       | 8,826,000       | 8,230,906       | 8,238,909       | (51,084)       | 599,438       |

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

|                                                       | Six Months Ended June 30 |                 | Change          |
|-------------------------------------------------------|--------------------------|-----------------|-----------------|
|                                                       | 2022                     | 2021            |                 |
| <b>Interest income</b>                                |                          |                 |                 |
| Interest on cash and due from banks                   | \$ 11                    | \$ 3            | \$ 8            |
| Interest on federal funds sold and resell agreements  | 458                      | 573             | (115)           |
| Interest and dividends on investment securities       | 3,814                    | 1,550           | 2,264           |
| Interest and fees on LHFS                             | 2,193                    | 3,043           | (850)           |
| Interest and fees on LHFI                             | 21,675                   | 16,644          | 5,031           |
| Total interest income                                 | <u>28,151</u>            | <u>21,813</u>   | <u>6,338</u>    |
| <b>Interest expense</b>                               |                          |                 |                 |
| Deposits                                              | 1,930                    | 1,794           | 136             |
| Other borrowings                                      | 736                      | 617             | 119             |
| Total interest expense                                | <u>2,666</u>             | <u>2,411</u>    | <u>255</u>      |
| Net interest income                                   | 25,485                   | 19,402          | 6,083           |
| Provision for credit losses                           | 3,085                    | 227             | 2,858           |
| Net interest income after provision for credit losses | <u>22,400</u>            | <u>19,175</u>   | <u>3,225</u>    |
| <b>Noninterest income</b>                             |                          |                 |                 |
| Gain on sale of government guaranteed loans           | 1,780                    | 1,223           | 557             |
| Mortgage banking related income                       | 1,031                    | 1,521           | (490)           |
| Interchange and card fee income                       | 581                      | 518             | 63              |
| Bank-owned life insurance                             | 364                      | 426             | (62)            |
| Service charges on deposit accounts                   | 359                      | 278             | 81              |
| Securities gain, net                                  | -                        | 6               | (6)             |
| Other noninterest income                              | 434                      | 635             | (201)           |
| Total noninterest income                              | <u>4,549</u>             | <u>4,607</u>    | <u>(58)</u>     |
| <b>Noninterest expense</b>                            |                          |                 |                 |
| Salaries and employee benefits                        | 11,659                   | 10,080          | 1,579           |
| Occupancy and equipment                               | 1,248                    | 1,030           | 218             |
| Other professional fees                               | 1,182                    | 1,025           | 157             |
| Data processing                                       | 997                      | 684             | 313             |
| Software and other technology expense                 | 917                      | 889             | 28              |
| Regulatory assessment                                 | 567                      | 432             | 135             |
| (Gain) loss on other real estate owned, net           | (443)                    | 32              | (475)           |
| Other noninterest expense                             | 941                      | 1,378           | (437)           |
| Total noninterest expense                             | <u>17,068</u>            | <u>15,550</u>   | <u>1,518</u>    |
| Net income before taxes                               | 9,881                    | 8,232           | 1,649           |
| Income tax expense                                    | 2,455                    | 1,884           | 571             |
| <b>Net income</b>                                     | <u>\$ 7,426</u>          | <u>\$ 6,348</u> | <u>\$ 1,078</u> |
| Earnings per share - basic                            | \$ 0.86                  | \$ 0.79         | \$ 0.07         |
| Earnings per share - diluted                          | \$ 0.84                  | \$ 0.78         | \$ 0.06         |
| Shares outstanding                                    | 8,609,385                | 7,993,653       | 615,732         |
| Weighted average shares - basic                       | 8,605,708                | 7,993,653       | 612,054         |
| Weighted average shares - diluted                     | 8,864,942                | 8,125,061       | 739,880         |

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

|                                                  | Quarterly trend     |                     |                     |                     |                     | 2Q22 change vs   |                   |
|--------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------------|-------------------|
|                                                  | 2Q22                | 1Q22                | 4Q21                | 3Q21                | 2Q21                | 1Q22             | 2Q21              |
| <b>Average balances</b>                          |                     |                     |                     |                     |                     |                  |                   |
| Cash and cash equivalents                        | \$ 10,960           | \$ 16,052           | \$ 48,922           | \$ 10,011           | \$ 6,585            | \$ (5,092)       | \$ 4,375          |
| Federal funds sold and resell agreements         | 105,072             | 168,300             | 240,282             | 173,329             | 149,620             | (63,228)         | (44,548)          |
| Investment securities                            | 381,681             | 348,815             | 258,622             | 175,617             | 140,442             | 32,866           | 241,239           |
| Loans held for sale                              | 63,342              | 62,817              | 80,700              | 90,672              | 105,425             | 525              | (42,083)          |
| Loans held for investment                        | 1,025,822           | 953,467             | 909,314             | 772,205             | 753,920             | 72,355           | 271,902           |
| Total earning assets                             | 1,586,877           | 1,549,451           | 1,537,840           | 1,221,834           | 1,155,992           | 37,426           | 430,885           |
| Total nonearning assets                          | 79,895              | 75,060              | 62,303              | 55,305              | 55,521              | 4,835            | 24,374            |
| Total assets                                     | <u>\$ 1,666,772</u> | <u>\$ 1,624,511</u> | <u>\$ 1,600,143</u> | <u>\$ 1,277,139</u> | <u>\$ 1,211,513</u> | <u>\$ 42,261</u> | <u>\$ 455,259</u> |
| Interest-bearing deposits                        | \$ 1,062,591        | \$ 1,020,031        | \$ 994,414          | \$ 797,603          | \$ 754,449          | \$ 42,560        | \$ 308,142        |
| Other borrowings                                 | 42,625              | 44,592              | 36,626              | 34,677              | 36,874              | (1,967)          | 5,751             |
| Total interest bearing liabilities               | 1,105,216           | 1,064,623           | 1,031,040           | 832,280             | 791,323             | 40,593           | 313,893           |
| Noninterest-bearing deposits                     | 426,199             | 417,430             | 429,186             | 325,732             | 305,641             | 8,769            | 120,558           |
| Other liabilities                                | 19,816              | 18,244              | 16,387              | 6,442               | 6,366               | 1,572            | 13,450            |
| Stockholders' equity                             | 115,541             | 124,214             | 123,530             | 112,685             | 108,183             | (8,673)          | 7,358             |
| Total liabilities and stockholders' equity       | <u>\$ 1,666,772</u> | <u>\$ 1,624,511</u> | <u>\$ 1,600,143</u> | <u>\$ 1,277,139</u> | <u>\$ 1,211,513</u> | <u>\$ 42,261</u> | <u>\$ 455,259</u> |
| <b>Interest margins</b>                          |                     |                     |                     |                     |                     |                  |                   |
| Cash and due from banks                          | 0.22%               | 0.13%               | 0.15%               | 0.08%               | 0.12%               | 0.09%            | 0.10%             |
| Federal funds sold and resell agreements         | 1.00%               | 0.47%               | 0.47%               | 0.65%               | 0.77%               | 0.53%            | 0.23%             |
| Investment securities                            | 2.28%               | 1.91%               | 1.81%               | 1.95%               | 2.30%               | 0.37%            | -0.02%            |
| LHFS                                             | 7.38%               | 6.63%               | 5.76%               | 5.73%               | 5.51%               | 0.75%            | 1.87%             |
| LHFI                                             | 4.49%               | 4.34%               | 4.50%               | 4.50%               | 4.39%               | 0.15%            | 0.10%             |
| Total earning assets                             | <u>3.81%</u>        | <u>3.42%</u>        | <u>3.35%</u>        | <u>3.64%</u>        | <u>3.75%</u>        | <u>0.39%</u>     | <u>0.06%</u>      |
| Interest-bearing deposits                        | 0.39%               | 0.36%               | 0.38%               | 0.41%               | 0.45%               | 0.03%            | -0.06%            |
| Other borrowings                                 | 3.58%               | 3.24%               | 3.15%               | 3.19%               | 3.02%               | 0.34%            | 0.56%             |
| Total interest-bearing liabilities               | <u>0.51%</u>        | <u>0.48%</u>        | <u>0.48%</u>        | <u>0.53%</u>        | <u>0.57%</u>        | <u>0.03%</u>     | <u>-0.06%</u>     |
| Cost of total deposits <sup>(1)</sup>            | 0.28%               | 0.25%               | 0.26%               | 0.29%               | 0.32%               | 0.03%            | -0.04%            |
| Cost of total funding <sup>(1)</sup>             | 0.37%               | 0.34%               | 0.34%               | 0.38%               | 0.41%               | 0.03%            | -0.04%            |
| Net interest spread                              | 3.30%               | 2.94%               | 2.87%               | 3.11%               | 3.18%               | 0.36%            | 0.12%             |
| Net interest margin                              | 3.45%               | 3.09%               | 3.03%               | 3.28%               | 3.36%               | 0.36%            | 0.09%             |
| Yield on total loans                             | 4.65%               | 4.48%               | 4.60%               | 4.63%               | 4.53%               | 0.17%            | 0.12%             |
| Yield on loans excluding PPP <sup>(2)</sup>      | 4.58%               | 4.40%               | 4.43%               | 4.37%               | 4.57%               | 0.18%            | 0.01%             |
| Yield on LHFI excluding PPP <sup>(2)</sup>       | 4.40%               | 4.24%               | 4.30%               | 4.19%               | 4.41%               | 0.16%            | 0.00%             |
| Net interest margin excluding PPP <sup>(2)</sup> | 3.39%               | 3.00%               | 2.86%               | 2.98%               | 3.22%               | 0.38%            | 0.17%             |
| Efficiency ratio                                 | 58.01%              | 55.52%              | 77.45%              | 62.66%              | 64.69%              | 2.49%            | -6.68%            |

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

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

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

|                                            | 2Q22                |          |            | 1Q22                |          |            | 2Q21                |          |            |
|--------------------------------------------|---------------------|----------|------------|---------------------|----------|------------|---------------------|----------|------------|
|                                            | 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                    | \$ 10,960           | \$ 6     | 0.22%      | \$ 16,052           | \$ 5     | 0.13%      | \$ 6,585            | \$ 1     | 0.06%      |
| Federal funds sold and resell agreements   | 105,072             | 261      | 1.00%      | 168,300             | 197      | 0.47%      | 149,620             | 289      | 0.77%      |
| Investment securities                      | 381,681             | 2,174    | 2.28%      | 348,815             | 1,640    | 1.91%      | 140,442             | 806      | 2.30%      |
| Loans held for sale                        | 63,342              | 1,166    | 7.38%      | 62,817              | 1,027    | 6.63%      | 105,425             | 1,448    | 5.51%      |
| Loans held for investment                  | 1,025,822           | 11,471   | 4.49%      | 953,467             | 10,204   | 4.34%      | 753,920             | 8,250    | 4.39%      |
| Total earning assets                       | 1,586,877           | 15,078   | 3.81%      | 1,549,451           | 13,073   | 3.42%      | 1,155,992           | 10,794   | 3.75%      |
| Allowance for loan losses                  | (9,228)             |          |            | (8,025)             |          |            | (7,074)             |          |            |
| Bank-owned life insurance                  | 29,275              |          |            | 29,098              |          |            | 19,112              |          |            |
| Premises, furniture and equipment, net     | 17,555              |          |            | 17,610              |          |            | 17,096              |          |            |
| Deferred tax asset                         | 17,627              |          |            | 15,382              |          |            | 9,849               |          |            |
| Goodwill & intangible assets               | 7,400               |          |            | 7,562               |          |            | 6,285               |          |            |
| Other real estate owned                    | 573                 |          |            | 628                 |          |            | 803                 |          |            |
| Other assets                               | 16,693              |          |            | 12,806              |          |            | 9,450               |          |            |
| Total assets                               | <u>\$ 1,666,772</u> |          |            | <u>\$ 1,624,512</u> |          |            | <u>\$ 1,211,513</u> |          |            |
| Interest-bearing deposits                  | 1,062,591           | 1,037    | 0.39%      | 1,020,031           | 893      | 0.36%      | 754,449             | 838      | 0.45%      |
| Federal Reserve Bank advances              | -                   | -        | 0.00%      | -                   | -        | 0.00%      | 2,318               | 3        | 0.52%      |
| Federal Home Loan Bank advances            | 18,022              | 41       | 0.91%      | 20,000              | 37       | 0.75%      | 20,000              | 38       | 0.76%      |
| Revolving commercial line of credit        | 10,000              | 104      | 4.17%      | 10,000              | 84       | 3.41%      | -                   | -        | 0.00%      |
| Subordinated debt, net                     | 14,603              | 235      | 6.45%      | 14,592              | 235      | 6.53%      | 14,556              | 237      | 6.53%      |
| Total interest-bearing liabilities         | 1,105,216           | 1,417    | 0.51%      | 1,064,623           | 1,249    | 0.48%      | 791,323             | 1,116    | 0.57%      |
| Noninterest-bearing deposits               | 426,199             |          |            | 417,430             |          |            | 305,641             |          |            |
| Other liabilities                          | 19,816              |          |            | 18,245              |          |            | 6,366               |          |            |
| Stockholders' equity                       | 115,541             |          |            | 124,214             |          |            | 108,183             |          |            |
| Total liabilities and stockholders' equity | <u>\$ 1,666,772</u> |          |            | <u>\$ 1,624,512</u> |          |            | <u>\$ 1,211,513</u> |          |            |

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

|                                            | Six Months Ended June 30,<br>2022 |          |                | Six Months Ended June 30,<br>2021 |          |                |
|--------------------------------------------|-----------------------------------|----------|----------------|-----------------------------------|----------|----------------|
|                                            | Average<br>Balance                | Interest | Yield/<br>Rate | Average<br>Balance                | Interest | Yield/<br>Rate |
| <b>Assets</b>                              |                                   |          |                |                                   |          |                |
| <b>Earning assets:</b>                     |                                   |          |                |                                   |          |                |
| Cash and due from banks                    | \$ 13,492                         | \$ 11    | 0.16%          | \$ 7,454                          | \$ 3     | 0.08%          |
| Federal funds sold and resell agreements   | 136,511                           | 458      | 0.68%          | 141,439                           | 573      | 0.82%          |
| Investment securities                      | 365,339                           | 3,814    | 2.11%          | 134,218                           | 1,550    | 2.33%          |
| Loans held for sale                        | 63,081                            | 2,193    | 7.01%          | 114,103                           | 3,043    | 5.38%          |
| Loans held for investment                  | 989,844                           | 21,675   | 4.42%          | 738,823                           | 16,643   | 4.54%          |
| Total earning assets                       | 1,568,267                         | 28,151   | 3.62%          | 1,136,037                         | 21,812   | 3.87%          |
| Allowance for loan losses                  | (8,630)                           |          |                | (7,052)                           |          |                |
| Bank-owned life insurance                  | 29,187                            |          |                | 19,056                            |          |                |
| Premises, furniture and equipment, net     | 17,582                            |          |                | 16,815                            |          |                |
| Deferred tax asset                         | 16,510                            |          |                | 9,920                             |          |                |
| Goodwill & intangible assets               | 7,480                             |          |                | 6,289                             |          |                |
| Other real estate owned                    | 600                               |          |                | 806                               |          |                |
| Other assets                               | 14,762                            |          |                | 8,972                             |          |                |
| Total assets                               | \$ 1,645,758                      |          |                | \$ 1,190,843                      |          |                |
| Interest-bearing deposits                  | 1,041,428                         | 1,930    | 0.37%          | 720,886                           | 1,794    | 0.50%          |
| Federal Reserve Bank advances              | -                                 | -        | 0.00%          | 39,998                            | 70       | 0.35%          |
| Federal Home Loan Bank advances            | 19,006                            | 78       | 0.83%          | 21,657                            | 77       | 0.72%          |
| Revolving commercial line of credit        | 10,000                            | 188      | 3.79%          | -                                 | -        | 0.00%          |
| Subordinated debt, net                     | 14,597                            | 470      | 6.49%          | 14,551                            | 470      | 6.51%          |
| Total interest-bearing liabilities         | 1,085,031                         | 2,666    | 0.50%          | 797,092                           | 2,411    | 0.61%          |
| Noninterest bearing deposits               | 421,839                           |          |                | 280,286                           |          |                |
| Other liabilities                          | 19,034                            |          |                | 7,249                             |          |                |
| Stockholders' equity                       | 119,854                           |          |                | 106,216                           |          |                |
| Total liabilities and stockholders' equity | \$ 1,645,758                      |          |                | \$ 1,190,843                      |          |                |
| <b>Interest margins</b>                    |                                   |          |                |                                   |          |                |
| Cost of total deposits <sup>(1)</sup>      |                                   | 0.27%    |                |                                   | 0.36%    |                |
| Cost of total funding <sup>(1)</sup>       |                                   | 0.36%    |                |                                   | 0.45%    |                |
| Net interest spread                        |                                   | 3.11%    |                |                                   | 3.26%    |                |
| Net interest margin                        |                                   | 3.28%    |                |                                   | 3.44%    |                |
| Efficiency ratio                           |                                   | 56.83%   |                |                                   | 64.77%   |                |

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

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

|                                                                                   | 2Q22      |                  | 1Q22      |                | 4Q21      |                | 3Q21      |                | 2Q21      |                | 2Q22 change vs |                |           |                |
|-----------------------------------------------------------------------------------|-----------|------------------|-----------|----------------|-----------|----------------|-----------|----------------|-----------|----------------|----------------|----------------|-----------|----------------|
|                                                                                   |           |                  |           |                |           |                |           |                |           |                | 1Q22           | 2Q21           |           |                |
| <b>Loans held for investment ("LHFI")</b>                                         |           |                  |           |                |           |                |           |                |           |                |                |                |           |                |
| <b>Commercial loans</b>                                                           |           |                  |           |                |           |                |           |                |           |                |                |                |           |                |
| Construction and land                                                             | \$        | 96,331           | \$        | 82,185         | \$        | 76,547         | \$        | 58,297         | \$        | 55,778         | \$             | 14,146         | \$        | 40,553         |
| Commercial real estate                                                            |           | 490,572          |           | 437,453        |           | 404,797        |           | 328,856        |           | 295,990        |                | 53,119         |           | 194,582        |
| Commercial and industrial                                                         |           | 197,535          |           | 183,262        |           | 167,360        |           | 137,198        |           | 113,555        |                | 14,273         |           | 83,980         |
| Paycheck Protection Program                                                       |           | 7,974            |           | 25,958         |           | 47,655         |           | 70,866         |           | 119,966        |                | (17,984)       |           | (111,992)      |
| <b>Consumer loans</b>                                                             |           |                  |           |                |           |                |           |                |           |                |                |                |           |                |
| Residential real estate                                                           |           | 115,775          |           | 105,739        |           | 101,198        |           | 75,866         |           | 72,850         |                | 10,036         |           | 42,925         |
| Other consumer                                                                    |           | 162,343          |           | 121,352        |           | 104,664        |           | 103,398        |           | 103,490        |                | 40,991         |           | 58,853         |
| <b>Purchased Credit Impaired (PCI) loans</b>                                      |           |                  |           |                |           |                |           |                |           |                |                |                |           |                |
| Construction and land                                                             |           | 613              |           | 688            |           | 702            |           | -              |           | -              |                | (75)           |           | 613            |
| Commercial real estate                                                            |           | 24,364           |           | 24,308         |           | 26,843         |           | -              |           | -              |                | 56             |           | 24,364         |
| Commercial and industrial                                                         |           | 5,231            |           | 5,165          |           | 5,935          |           | -              |           | -              |                | 66             |           | 5,231          |
| Residential real estate                                                           |           | 1,195            |           | 3,121          |           | 2,412          |           | -              |           | -              |                | (1,926)        |           | 1,195          |
| Other consumer                                                                    |           | 1                |           | 1              |           | 3              |           | -              |           | -              |                | -              |           | 1              |
| <b>Total loans held for investment</b>                                            | <b>\$</b> | <b>1,101,934</b> | <b>\$</b> | <b>989,232</b> | <b>\$</b> | <b>938,116</b> | <b>\$</b> | <b>774,481</b> | <b>\$</b> | <b>761,629</b> | <b>\$</b>      | <b>112,702</b> | <b>\$</b> | <b>340,305</b> |
| Core LHFI                                                                         |           | 984,195          |           | 846,689        |           | 763,357        |           | 673,442        |           | 609,339        |                | 137,506        |           | 374,856        |
| Acquired LHFI <sup>(1)</sup>                                                      |           | 109,765          |           | 116,585        |           | 127,104        |           | 30,173         |           | 32,324         |                | (6,820)        |           | 77,441         |
| Paycheck Protection Program                                                       |           | 7,974            |           | 25,958         |           | 47,655         |           | 70,866         |           | 119,966        |                | (17,984)       |           | (111,992)      |
| <b>Total loans held for investment</b>                                            | <b>\$</b> | <b>1,101,934</b> | <b>\$</b> | <b>989,232</b> | <b>\$</b> | <b>938,116</b> | <b>\$</b> | <b>774,481</b> | <b>\$</b> | <b>761,629</b> | <b>\$</b>      | <b>112,702</b> | <b>\$</b> | <b>340,305</b> |
| Total loans held for sale                                                         |           | 69,533           |           | 63,685         |           | 81,453         |           | 81,257         |           | 104,035        |                | 5,848          |           | (34,502)       |
| Total allowance for loan losses                                                   |           | 10,599           |           | 8,946          |           | 8,148          |           | 7,715          |           | 7,157          |                | 1,653          |           | 3,442          |
| <b>Nonperforming assets</b>                                                       |           |                  |           |                |           |                |           |                |           |                |                |                |           |                |
| Nonaccrual loans                                                                  |           | 3,843            |           | 1,992          |           | 2,184          |           | 2,412          |           | 2,752          |                | 1,851          |           | 1,091          |
| Troubled debt restructurings                                                      |           | 391              |           | 393            |           | 394            |           | 225            |           | 230            |                | (2)            |           | 161            |
| Other real estate owned                                                           |           | 573              |           | 573            |           | 640            |           | 616            |           | 778            |                | -              |           | (205)          |
| <b>Total nonperforming assets</b>                                                 | <b>\$</b> | <b>4,807</b>     | <b>\$</b> | <b>2,958</b>   | <b>\$</b> | <b>3,218</b>   | <b>\$</b> | <b>3,253</b>   | <b>\$</b> | <b>3,760</b>   | <b>\$</b>      | <b>1,849</b>   | <b>\$</b> | <b>1,047</b>   |
| <b>Credit Analysis</b>                                                            |           |                  |           |                |           |                |           |                |           |                |                |                |           |                |
| QTD net charge-offs (recoveries)                                                  | \$        | 14               | \$        | 620            | \$        | (34)           | \$        | 142            | \$        | (28)           | \$             | (606)          | \$        | 42             |
| Net charge-offs to total LHFI                                                     |           | 0.01%            |           | 0.25%          |           | -0.01%         |           | 0.07%          |           | -0.01%         |                | -0.25%         |           | 0.02%          |
| Total allowance for loan losses to total LHFI                                     |           | 0.96%            |           | 0.90%          |           | 0.87%          |           | 1.00%          |           | 0.94%          |                | 0.06%          |           | 0.02%          |
| Total allowance for loan losses to total LHFI, excluding PPP loans <sup>(2)</sup> |           | 0.97%            |           | 0.93%          |           | 0.92%          |           | 1.10%          |           | 1.12%          |                | 0.04%          |           | -0.15%         |
| Nonperforming loans to gross LHFI                                                 |           | 0.38%            |           | 0.24%          |           | 0.27%          |           | 0.34%          |           | 0.39%          |                | 0.14%          |           | -0.01%         |
| Nonperforming assets to total assets                                              |           | 0.28%            |           | 0.18%          |           | 0.20%          |           | 0.24%          |           | 0.30%          |                | 0.10%          |           | -0.02%         |

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

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



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

|                                                 | Quarterly Trends    |                     |                     |                     |                     |
|-------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                                 | 2Q22                | 1Q22                | 4Q21                | 3Q21                | 2Q21                |
| <b>Net Income</b>                               | \$ 3,681            | \$ 3,745            | \$ 2,723            | \$ 3,251            | \$ 3,274            |
| Total noninterest income                        | 2,150               | 2,399               | 3,703               | 2,885               | 2,822               |
| Adjustments to noninterest income *             | -                   | -                   | (1,649)             | -                   | -                   |
| Total noninterest expense                       | 9,172               | 7,896               | 11,960              | 8,139               | 8,086               |
| Adjustments to noninterest expense **           | 16                  | 123                 | 1,744               | 125                 | 256                 |
| Income Taxes                                    | 1,291               | 1,164               | 360                 | 900                 | 918                 |
| Tax effect of adjustments                       | (4)                 | (30)                | (23)                | (30)                | (62)                |
| <b>Adjusted net income</b>                      | <b>\$ 3,693</b>     | <b>\$ 3,838</b>     | <b>\$ 2,795</b>     | <b>\$ 3,346</b>     | <b>\$ 3,468</b>     |
| Net Income                                      | 3,681               | 3,745               | 2,723               | 3,251               | 3,274               |
| Provision for allowance for loan losses         | 1,667               | 1,418               | 399                 | 700                 | 222                 |
| Provision for income taxes                      | 1,291               | 1,164               | 360                 | 900                 | 918                 |
| <b>Pre-tax pre-provision net revenue (PPNR)</b> | <b>\$ 6,639</b>     | <b>\$ 6,327</b>     | <b>\$ 3,482</b>     | <b>\$ 4,851</b>     | <b>\$ 4,414</b>     |
| Adjustments to noninterest income *             | -                   | -                   | (1,649)             | -                   | -                   |
| Adjustments to noninterest expense **           | 16                  | 123                 | 1,744               | 125                 | 256                 |
| <b>Adjusted Pre-Tax Pre-Provision Income</b>    | <b>\$ 6,655</b>     | <b>\$ 6,450</b>     | <b>\$ 3,577</b>     | <b>\$ 4,976</b>     | <b>\$ 4,670</b>     |
| Return on average tangible assets (ROTA)        | 0.89%               | 0.94%               | 0.68%               | 1.01%               | 1.09%               |
| Adjustments to net income                       | 0.00%               | 0.02%               | 0.02%               | 0.03%               | 0.06%               |
| <b>Adjusted ROTA</b>                            | <b>0.89%</b>        | <b>0.96%</b>        | <b>0.70%</b>        | <b>1.04%</b>        | <b>1.15%</b>        |
| Return on Tangible Common Equity (ROTCE)        | 13.44%              | 12.83%              | 9.10%               | 12.01%              | 12.77%              |
| Adjustments to net income                       | 0.05%               | 0.31%               | 0.24%               | 0.35%               | 0.76%               |
| <b>Adjusted ROTCE</b>                           | <b>13.49%</b>       | <b>13.14%</b>       | <b>9.34%</b>        | <b>12.36%</b>       | <b>13.53%</b>       |
| Diluted EPS                                     | \$ 0.42             | \$ 0.42             | \$ 0.31             | \$ 0.39             | \$ 0.40             |
| Adjustments to net income                       | 0.01                | 0.03                | 0.02                | 0.03                | 0.03                |
| <b>Adjusted diluted EPS</b>                     | <b>\$ 0.43</b>      | <b>\$ 0.45</b>      | <b>\$ 0.33</b>      | <b>\$ 0.42</b>      | <b>\$ 0.43</b>      |
| Efficiency ratio                                | 58.01%              | 55.52%              | 77.45%              | 62.66%              | 64.69%              |
| Adjustments to net income                       | -0.10%              | -0.87%              | -3.38%              | -0.97%              | -2.05%              |
| <b>Adjusted efficiency ratio</b>                | <b>57.91%</b>       | <b>54.65%</b>       | <b>74.07%</b>       | <b>61.69%</b>       | <b>62.64%</b>       |
| Interest and fees on LHFS                       | \$ 1,166            | \$ 1,027            | \$ 1,172            | \$ 1,309            | \$ 1,448            |
| Interest and fees on LHFI                       | 11,471              | 10,204              | 10,318              | 8,753               | 8,250               |
| Interest and fees on PPP loans                  | (433)               | (621)               | (1,054)             | (1,736)             | (1,579)             |
| <b>Loan interest income excluding PPP loans</b> | <b>\$ 12,204</b>    | <b>\$ 10,610</b>    | <b>\$ 10,436</b>    | <b>\$ 8,326</b>     | <b>\$ 8,119</b>     |
| Interest and fees on LHFI                       | 11,471              | 10,204              | 10,318              | 8,753               | 8,250               |
| Interest and fees on PPP loans                  | (433)               | (621)               | (1,054)             | (1,736)             | (1,579)             |
| <b>LHFI interest income excluding PPP loans</b> | <b>\$ 11,038</b>    | <b>\$ 9,583</b>     | <b>\$ 9,264</b>     | <b>\$ 7,017</b>     | <b>\$ 6,671</b>     |
| Net interest income                             | 13,661              | 11,824              | 11,739              | 10,105              | 9,678               |
| Interest and fees on PPP loans                  | (433)               | (621)               | (1,054)             | (1,736)             | (1,579)             |
| <b>Net interest income excluding PPP loans</b>  | <b>\$ 13,228</b>    | <b>\$ 11,203</b>    | <b>\$ 10,685</b>    | <b>\$ 8,369</b>     | <b>\$ 8,099</b>     |
| Total earning assets                            | 1,586,877           | 1,549,451           | 1,537,840           | 1,221,834           | 1,155,992           |
| Average PPP loans                               | (20,146)            | (37,288)            | (55,194)            | (107,622)           | (146,772)           |
| <b>Adjusted earning assets</b>                  | <b>\$ 1,566,731</b> | <b>\$ 1,512,163</b> | <b>\$ 1,482,646</b> | <b>\$ 1,114,212</b> | <b>\$ 1,009,220</b> |
| Average loans (LHFI + LHFS)                     | 1,089,164           | 1,016,284           | 990,014             | 862,877             | 859,345             |
| Average PPP Loans                               | (20,146)            | (37,288)            | (55,194)            | (107,622)           | (146,772)           |
| <b>Average loans excluding PPP</b>              | <b>\$ 1,069,018</b> | <b>\$ 978,996</b>   | <b>\$ 934,820</b>   | <b>\$ 755,255</b>   | <b>\$ 712,573</b>   |
| Average LHFI                                    | 1,025,822           | 953,467             | 909,314             | 772,205             | 753,920             |
| Average PPP Loans                               | (20,146)            | (37,288)            | (55,194)            | (107,622)           | (146,772)           |
| <b>Average LHFI excluding PPP</b>               | <b>\$ 1,005,676</b> | <b>\$ 916,179</b>   | <b>\$ 854,120</b>   | <b>\$ 664,583</b>   | <b>\$ 607,148</b>   |

(\*) Consists of bargain purchase gain as a result of Cornerstone Bancshares, Inc. acquisition.

(\*\*) Consists of merger and acquisition and due diligence costs.

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

|                                                 | Quarterly Trends    |                     |                     |                     |                     |
|-------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                                 | 2Q22                | 1Q22                | 4Q21                | 3Q21                | 2Q21                |
| Yield on total loans                            | 4.65%               | 4.48%               | 4.60%               | 4.63%               | 4.53%               |
| Impact of PPP loans                             | -0.07%              | -0.08%              | -0.17%              | -0.26%              | 0.04%               |
| <b>Yield on total loans excluding PPP loans</b> | <b>4.58%</b>        | <b>4.40%</b>        | <b>4.43%</b>        | <b>4.37%</b>        | <b>4.57%</b>        |
| Yield on LHFI                                   | 4.49%               | 4.34%               | 4.50%               | 4.50%               | 4.39%               |
| Impact of PPP loans                             | -0.09%              | -0.10%              | -0.20%              | -0.31%              | 0.02%               |
| <b>Yield on LHFI excluding PPP loans</b>        | <b>4.40%</b>        | <b>4.24%</b>        | <b>4.30%</b>        | <b>4.19%</b>        | <b>4.41%</b>        |
| Net interest margin                             | 3.45%               | 3.09%               | 3.03%               | 3.28%               | 3.36%               |
| Impact of PPP loans                             | -0.06%              | -0.09%              | -0.17%              | -0.30%              | -0.14%              |
| <b>Net interest margin excluding PPP loans</b>  | <b>3.39%</b>        | <b>3.00%</b>        | <b>2.86%</b>        | <b>2.98%</b>        | <b>3.22%</b>        |
| Average assets                                  | \$ 1,666,772        | \$ 1,624,511        | \$ 1,600,143        | \$ 1,277,139        | \$ 1,211,513        |
| Average goodwill & intangible assets            | (7,400)             | (7,562)             | (6,567)             | (6,341)             | (6,285)             |
| Average commercial mortgage servicing rights    | 1,676               | 1,768               | 1,728               | 1,029               | 929                 |
| <b>Average tangible assets</b>                  | <b>\$ 1,661,048</b> | <b>\$ 1,618,717</b> | <b>\$ 1,595,304</b> | <b>\$ 1,271,827</b> | <b>\$ 1,206,157</b> |
| Average stockholders' equity                    | \$ 115,541          | \$ 124,214          | \$ 123,530          | \$ 112,685          | \$ 108,183          |
| Average goodwill & intangible assets            | (7,400)             | (7,562)             | (6,567)             | (6,341)             | (6,285)             |
| Average commercial mortgage servicing rights    | 1,676               | 1,768               | 1,728               | 1,029               | 929                 |
| <b>Average tangible equity</b>                  | <b>\$ 109,817</b>   | <b>\$ 118,420</b>   | <b>\$ 118,691</b>   | <b>\$ 107,373</b>   | <b>\$ 102,827</b>   |