



November 10, 2021

To our Shareholders:

CoastalSouth Bancshares, Inc. (the "Company") is pleased to announce net income of \$3.3 million, or \$0.39 per diluted share, for the third quarter of 2021, as compared to \$3.3 million net income, or \$0.40 per diluted share, for the second quarter of 2021. With another strong quarter, the Company is positioned to continue its growth trajectory with increased profitability and balance sheet expansion.

"I was pleased with how the Company's growth continued throughout the third quarter," said Steve Stone, President and Chief Executive Officer of the Company and its wholly owned subsidiary, Coastal States Bank ("CSB"). "During the quarter, we saw strong loan growth, with an increase of \$64.1 million in core loans held for investment, as well as \$58.5 million of deposit growth largely driven by new customer acquisition. We expect this momentum to continue in the fourth quarter, especially now that we have closed our acquisition of Cornerstone Bank."

### Highlights for the Third Quarter of 2021

- **Net income of \$3.3 million, and \$0.39 diluted earnings per share ("Diluted EPS")**
- **Total assets grew \$71.4 million, a 5.7% increase from June 30, 2021**
- **Total deposits grew \$58.5 million, a 5.3% increase from June 30, 2021**
- **Efficiency ratio of 62.66% compared to 64.69% and 65.31% in the second quarter of 2021 and third quarter of 2020, respectively**
- **Tangible book value grew to \$13.52 per share, a 3.4% increase from June 30, 2021**

During the third quarter, the Company's momentum continued as deposits grew to \$1.17 billion. This growth was driven by deepening our relationships with existing customers and attracting new customers through our attractive product offerings and our team members' commitment to a great customer experience. CSB also added several new commercial bankers during the third quarter which also helped to drive deposit growth.

During the third quarter, our bankers continued to see strong loan demand and we expect this trend to continue into the fourth quarter. As mentioned above, the Company has continued to recruit and hire talented bankers within our markets to attract new customers and help fuel this growth. Notwithstanding improving loan demand, the Company has a significant amount of liquidity from strong deposit growth. As such, CSB continues to evaluate opportunities to prudently deploy liquidity into earning assets. Core loans held for investment ("LHFI") grew by \$64.1 million and the Company's investment portfolio grew by \$59.0 million during the third quarter.



The Company's credit metrics remained strong throughout the third quarter. The Company's NPA ratio continues to decline and was down to 0.24% at the end of the third quarter of 2021 as compared to 0.30% at the end of the second quarter of 2021. The Company's net charge-offs to total LHF ratio remains low as well, at 0.13% for September 30, 2021. These credit trends continues to perform well, even in industries impacted by COVID-19.

As previously reported, on October 1, 2021, the Company completed its acquisition of Cornerstone Bancshares, Inc. ("Cornerstone"), the parent company of Cornerstone Bank. This acquisition increases the Company's presence in the attractive Atlanta MSA and complements CSB's prior acquisitions and organic growth in the Atlanta market. Cornerstone Bank, had \$229 million in total assets as of September 30, 2021.

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

	Quarterly Trends					3Q21 change vs	
	3Q21	2Q21	1Q21	4Q20	3Q20	2Q21	3Q20
<b>Selected Balance Sheet Data</b>							
Total assets	\$ 1,333,349	\$ 1,261,987	\$ 1,180,621	\$ 1,147,532	\$ 1,103,885	\$ 71,362	\$ 229,464
Total gross loans (LHFS + LHFI)	855,738	865,664	870,271	815,999	807,337	(9,926)	48,401
Total deposits	1,168,370	1,109,913	1,020,496	891,552	856,978	58,457	311,392
<b>Earnings Highlights</b>							
Net income	\$ 3,251	\$ 3,274	\$ 3,074	\$ 1,709	\$ 2,097	\$ (23)	\$ 1,154
Diluted earnings per share (EPS)	\$ 0.39	\$ 0.40	\$ 0.38	\$ 0.21	\$ 0.26	\$ (0.01)	\$ 0.13
Net interest income	\$ 10,117	\$ 9,581	\$ 9,759	\$ 9,627	\$ 8,306	\$ 536	\$ 1,811
<b>Performance Ratios</b>							
Net interest margin	3.29%	3.32%	3.55%	3.59%	3.44%	-0.03%	-0.15%
Net interest spread	3.11%	3.14%	3.37%	3.39%	3.23%	-0.03%	-0.12%
Cost of total deposits	0.29%	0.32%	0.41%	0.48%	0.57%	-0.03%	-0.28%
Cost of total funding	0.38%	0.41%	0.50%	0.56%	0.57%	-0.03%	-0.19%
Efficiency ratio	62.66%	64.69%	64.85%	70.13%	65.31%	-2.03%	-2.65%
Loan-to-deposit ratio	73.24%	77.99%	85.28%	91.53%	94.21%	-4.75%	-20.97%
<b>Return on (annualized):</b>							
Average assets (ROAA) <sup>2</sup>	1.01%	1.08%	1.07%	0.61%	0.82%	-0.07%	0.19%
Average tangible assets (ROTA) <sup>2</sup>	1.01%	1.09%	1.07%	0.61%	0.83%	-0.07%	0.19%
Average tangible common equity (ROTCE) <sup>2</sup>	12.01%	12.77%	12.61%	7.13%	9.01%	-0.76%	3.00%
Tangible common equity to tangible assets <sup>2</sup>	8.44%	8.53%	8.49%	8.55%	9.20%	-0.08%	-0.76%
Tangible book value per share <sup>2</sup>	\$ 13.52	\$ 13.07	\$ 12.56	\$ 12.08	\$ 11.79	\$ 0.45	\$ 1.73
<b>Other Operating Measures<sup>1</sup>:</b>							
Pre-tax pre-provision net revenue (PPNR)	\$ 4,851	\$ 4,414	\$ 4,045	\$ 3,503	\$ 3,488	\$ 437	\$ 1,363
PPNR ROAA	1.51%	1.46%	1.40%	1.24%	1.37%	0.05%	0.14%
Net interest margin excluding PPP income	3.04%	3.18%	3.39%	3.37%	3.58%	-0.14%	-0.53%
Adjusted net income	\$ 3,346	\$ 3,468	\$ 3,102	\$ 1,768	\$ 2,097	\$ (122)	\$ 1,249
Adjusted diluted EPS	\$ 0.42	\$ 0.43	\$ 0.39	\$ 0.22	\$ 0.26	\$ (0.01)	\$ 0.16
Adjusted ROTA	1.04%	1.15%	1.08%	0.63%	0.83%	-0.11%	0.21%
Adjusted ROTCE	12.36%	13.53%	12.73%	7.38%	9.01%	-1.17%	3.35%
Adjusted efficiency ratio	61.69%	62.64%	64.53%	69.47%	65.31%	-0.95%	-3.61%
Net adjusted noninterest expense as a percent of average tangible assets	7.53%	7.68%	7.58%	8.62%	7.15%	-0.15%	0.38%

<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 mortgage servicing assets), and tangible common equity as total shareholders' equity less intangible assets (excluding mortgage servicing assets)

## Financial Results

### Income Statement

**Net income** was \$3.3 million for the third quarter of 2021 compared to net income of \$3.3 million in the second quarter of 2021 and a net income of \$2.1 million in the third quarter of 2020. Compared to the third quarter of 2020, the increase in net income was primarily attributable to an increase in net interest income and noninterest income; offset by an increase in noninterest expense primarily related to salaries and employee benefits in line with growth in revenues.

**Interest income** was \$11.2 million in the third quarter of 2021, compared to \$10.7 million in the second quarter of 2021 and \$9.6 million in the third quarter of 2020. The increase in the third quarter of 2021 compared to the second quarter of 2021 was primarily in loans held for investment. The increase in the third quarter of 2021 compared to the third quarter of 2020 is due to growth in the loan portfolio coupled with the expansion of the investment portfolio throughout 2020 and into 2021. The components of interest income are presented below:

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

	Quarterly Trends					3Q21 change vs	
	3Q21	2Q21	1Q21	4Q20	3Q20	2Q21	3Q20
Interest on cash and due from banks	\$ 1	\$ 2	\$ 1	\$ 1	\$ 2	\$ (1)	\$ (1)
Interest on federal funds sold and resell agreements	283	288	285	282	70	(5)	213
Interest and dividends on investment securities	865	806	744	720	766	59	99
Interest and fees on LHFS	1,309	1,448	1,595	1,840	1,590	(139)	(281)
Interest and fees on LHFI excluding PPP loans	7,199	6,574	6,812	6,421	6,126	625	1,073
Interest and fees on PPP loans	1,566	1,579	1,617	1,791	1,060	(13)	506
<b>Interest income</b>	<b>\$ 11,223</b>	<b>\$ 10,697</b>	<b>\$ 11,054</b>	<b>\$ 11,055</b>	<b>\$ 9,614</b>	<b>\$ 526</b>	<b>\$ 1,609</b>

**Interest expense** was \$1.1 million in the third quarter of 2021, remaining steady compared to \$1.1 million in the second quarter of 2021 and a slight decrease compared to a \$1.3 million in the third quarter of 2020. Compared to the same quarter last year, the decrease in interest expense is due to a 38 basis point decrease in interest-bearing deposits, partially offset by costs for subordinated debt that was issued in the third quarter of 2020.

**Net interest margin** for the third quarter of 2021 was 3.29%, compared to 3.32% for the second quarter of 2021 and 3.44% for the third quarter of 2020. Compared to the second quarter of 2021, net interest margin compressed by 3 basis points, which is related to increased federal funds sold balances in the third quarter of 2021 that earns only a nominal yield. Compared to the same quarter last year, net interest margin compressed by 15 basis points and was attributable to lower market interest rates following the Federal Reserve's rate adjustments at the end of the first quarter of 2020, which has

continued to have an impact on the yield on certain variable rate loans. Management continues to pursue strategies to deploy excess liquidity into additional earning assets, such as investment securities, loan purchases, and a resell agreements, to supplement strong core loan growth.

**The cost of funds** for the third quarter of 2021 was 38 basis points compared to 41 basis points for the second quarter of 2021 and 57 basis points for the third quarter of 2020. Cost of funds decline in both periods is primarily driven by a decrease in costs of interest-bearing deposits.

**The cost of deposits** was 29 basis points in the third quarter of 2021 compared to 32 basis points in the second quarter of 2021 and 57 basis points in the third quarter of 2020. Over the last year, the Bank has lowered deposit rates as the Federal Reserve decreased the federal funds rates down to near zero.

**Provision for credit losses** was \$700 thousand during the third quarter of 2021, compared to \$222 thousand in the second quarter of 2021 and \$718 thousand in the third quarter of 2020. The Company has decreased the allocation of its credit reserves related to COVID-19 during 2021; however, these allocations have been consumed by general reserves related to new loan production and for other changes in loss rates. Charge-offs and recovery activity has not been significant during the first, second and third quarters of 2021.

**Noninterest income** was \$2.9 million in the third quarter of 2021, similar to \$2.9 million in noninterest income reported in the second quarter of 2021, and \$1.7 million in the third quarter of 2020. Compared to the third quarter of 2020, the increase in noninterest income of \$1.1 million was primarily attributable to an increase in gain on government guaranteed loans of \$841 thousand, a gain on BOLI of \$263 primarily related to a death benefit and an increase in mortgage banking related income of \$181, offset by a decrease in gain on sale of investment securities. There was no sale of securities during the current period.

**Noninterest expense** was \$8.1 million during the third quarter of 2021, similar to \$8.1 million in noninterest expense during the second quarter of 2021 and \$6.6 million during the third quarter of 2020. Compared to the third quarter of 2020, the increase of \$1.6 million in noninterest expense is primarily attributable to an increase of \$959 thousand in salaries and employees' benefits, primarily due to growth and performance-based compensation programs, other professional services expense mostly related to legal and consulting fees tied to Cornerstone Bancshares, Inc. merger of \$200 thousand, software and other technology expense of \$181 thousand, and occupancy, equipment expenses related to capital projects completed during 2021 of \$114 thousand, and regulatory assessment of \$112 thousand due to growth in deposits.

**Income tax expense** was \$900 thousand in the third quarter of 2021, as compared to \$918 thousand in the second quarter of 2021, and \$673 thousand in the third quarter of 2020. Compared to the second

quarter of 2021, the slight decrease is attributable to a decline of taxable income. Compared to the third quarter of 2020, the increase in income tax expense is primarily attributable to increased earnings due to growth.

### ***Balance Sheet***

**Total assets** as of September 30, 2021 were \$1.333 billion, grew from \$1.262 billion at June 30, 2021 and \$1.104 billion at September 30, 2020. The increase of \$71.4 million as compared to the prior quarter and was primarily attributable to increased federal funds sold and resell agreements as well as growth in investment securities, which was fueled by deposit growth.

**Cash and cash equivalents** at September 30, 2021 was \$206 million, compared to \$183 million at June 30, 2021, and up from \$123 million at September 30, 2020. The increase in cash and cash equivalents as compared to the prior quarter is primarily attributable to an increase in federal funds sold as well as growth in investment securities as the Company's deposit balances continue to grow.

**Investment securities** at September 30, 2021 were \$215 million, compared to \$156 million at June 30, 2021, and up from \$120 million at September 30, 2020. The increase in investment securities for both periods is related to securities purchases. Management has continued to look to deploy liquidity into higher interest-earning assets in the securities portfolio.

**Total gross loans** held for investment at September 30, 2021 were \$774 million, compared to \$762 million at June 30, 2021, and up from \$680 million at September 30, 2020. There was a modest increase in loans held for investment during the quarter as core LHFI increased by \$64.1 million, offset by forgiveness and paydowns of PPP loans of \$49.1 million. As compared to September 30, 2020, core LHFI increased by \$188.1 million, offset by lower PPP balances due to forgiveness and paydowns of \$82.9 million. Total loans held for sale at September 30, 2021 were \$81 million, compared to \$104 million at June 30, 2021 and \$127 million at September 30, 2020.

**Allowance for loan losses** ("ALL") at September 30, 2021 was \$7.7 million, compared to \$7.2 million at June 30, 2021, and from \$5.7 million at September 30, 2020. The increase in the third quarter of 2021 compared to the second quarter of 2021 was primarily due to the growth of the loan portfolio. Compared to the third quarter of 2020, the increase in provision is primarily related to the impacts of COVID-19 and growth of the loan portfolio. Total ALL to total LHFI excluding PPP was 1.10% at September 30, 2021 as compared to 1.12% and 1.08% at June 30, 2021 and September 30, 2020, respectively.

**Nonaccrual loans** decreased by \$340 thousand to \$2.4 million at September 30, 2021 from \$2.8 million at June 30, 2021. Troubled debt restructures ("TDRs") have remained stable over the last year. Total

nonperforming loans to gross LHFI outstanding were 0.34% at September 30, 2021, compared to 0.39% and 0.58% at June 30, 2021, and September 30, 2020, respectively.

**Nonperforming assets** to total assets decreased by 6 and 23 basis points to 0.24% at September 30, 2021, compared to 0.30% at June 30, 2021, and 0.47% at September 30, 2020, respectively. Other real estate owned ("OREO") decreased by \$162 thousand in the third quarter to \$616 thousand from \$778 thousand in second quarter of 2021 due to liquidation of properties. A decrease of \$635 thousand occurred from the third quarter of 2020 to the third quarter of 2021 due to liquidation of properties as well.

**Total deposits** at September 30, 2021 were \$1.168 billion, an increase from \$1.110 billion at June 30, 2021 and from \$857 million at September 30, 2020. The increase in total deposits is attributable to continued new customer acquisition across the franchise and increases in many of our existing customer's deposit accounts as a result of the PPP program. Noninterest bearing deposits accounted for 28.5% of total deposits as compared to 29.2% of total deposits at June 30, 2021 and 30.0% at September 30, 2020. As the Company wins new loan customers and targets new deposit relationships with competitive rates on interest bearing accounts, our bankers are focused on ensuring that we win the entire relationship, including operating accounts, so that we can preserve our attractive mix of deposits.

**Federal Reserve Bank advances** associated with the Paycheck Protection Program Liquidity Facility ("PPPLF") at both September 30, 2021 and June 30, 2021 was nil compared to \$108 million at September 30, 2020. The decrease is attributable to payoff of those advances due to the inflow of customer deposits during 2021.

**Subordinated debt**, net of debt issuance costs, remained at approximately \$14.6 million at September 30, 2021, June 30, 2021 and September 30, 2020.

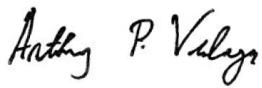
**Federal Home Loan Bank advances ("FHLB")** remained steady at \$20 million at September 30, 2021, and June 30, 2021, and September 30, 2020.

**Tangible book value** per share at September 30, 2021 was \$13.52. CSB is currently well capitalized with a leverage ratio of 8.18%, a common equity tier 1 capital ratio of 10.92%, and a total risk-based capital ratio of 11.74%.

## **Detailed Results**

Supplementary unaudited financial statements are included for the third quarter of 2021 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)*

	3Q21	2Q21	1Q21	4Q20	3Q20	3Q21 change vs	
						2Q21	3Q20
<b>Assets</b>							
Cash and due from banks	\$ 1,542	\$ 10,444	\$ 4,941	\$ 7,419	\$ 438	\$ (8,902)	\$ 1,104
Federal funds sold and resell agreements	204,314	172,957	119,512	149,584	123,050	31,357	81,264
Investment securities	214,842	155,843	129,804	121,207	120,304	58,999	94,538
Loans held for sale (LHFS)	81,257	104,035	116,334	113,481	127,463	(22,778)	(46,206)
Loans held for investment (LHFI)	774,481	761,629	753,937	702,518	679,874	12,852	94,607
Allowance for loan losses	(7,715)	(7,157)	(7,060)	(7,041)	(5,703)	(558)	(2,012)
Loans held for investment, net	766,766	754,472	746,877	695,477	674,171	12,294	92,595
Bank-owned life insurance	18,918	19,030	19,070	18,950	18,827	(112)	91
Premises, furniture and equipment, net	17,726	17,242	16,743	16,357	16,216	484	1,510
Deferred tax asset	10,472	9,820	9,922	10,111	9,788	652	684
Goodwill & intangible assets <sup>(1)</sup>	6,437	6,322	6,274	6,322	6,301	115	136
Other real estate owned	616	778	810	810	1,251	(162)	(635)
Other assets	10,459	11,044	10,334	7,814	6,076	(585)	4,383
<b>Total assets</b>	<b>\$ 1,333,349</b>	<b>\$ 1,261,987</b>	<b>\$ 1,180,621</b>	<b>\$ 1,147,532</b>	<b>\$ 1,103,885</b>	<b>\$ 71,362</b>	<b>\$ 229,464</b>
<b>Liabilities and stockholders' equity</b>							
<b>Liabilities</b>							
Deposits							
Noninterest bearing DDA	\$ 332,701	\$ 324,425	\$ 285,005	\$ 229,361	\$ 256,820	\$ 8,276	\$ 75,881
Interest bearing DDA	171,574	184,549	188,964	134,934	137,804	(12,975)	33,770
Savings and money market	539,563	472,981	409,882	377,381	307,098	66,582	232,465
Certificates of deposit	124,532	127,958	136,645	149,876	155,256	(3,426)	(30,724)
Total deposits	1,168,370	1,109,913	1,020,496	891,552	856,978	58,457	311,392
Federal Home Loan Bank advances	20,000	20,000	20,000	20,000	20,000	-	-
Subordinated debt, net	14,575	14,563	14,551	14,539	14,556	12	19
Federal Reserve Bank PPPLF advances	-	-	11,145	111,497	107,606	-	(107,606)
Other liabilities	16,680	7,673	8,635	7,956	5,120	9,007	11,560
<b>Total liabilities</b>	<b>1,219,625</b>	<b>1,152,149</b>	<b>1,074,827</b>	<b>1,045,544</b>	<b>1,004,260</b>	<b>67,476</b>	<b>215,365</b>
<b>Stockholders' equity</b>							
Voting common stock	6,031	6,003	6,003	6,003	5,993	28	38
Nonvoting common stock	1,991	1,991	1,991	1,991	1,991	-	-
Capital surplus	122,732	122,411	122,070	121,756	121,442	321	1,290
Accumulated deficit	(20,998)	(24,249)	(27,525)	(30,598)	(32,307)	3,251	11,309
Accumulated other comprehensive income	3,968	3,682	3,255	2,836	2,506	286	1,462
<b>Total stockholders' equity</b>	<b>113,724</b>	<b>109,838</b>	<b>105,794</b>	<b>101,988</b>	<b>99,625</b>	<b>3,886</b>	<b>14,099</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,333,349</b>	<b>\$ 1,261,987</b>	<b>\$ 1,180,621</b>	<b>\$ 1,147,532</b>	<b>\$ 1,103,885</b>	<b>\$ 71,362</b>	<b>\$ 229,464</b>
<b>Capital ratios <sup>(2)</sup></b>							
Leverage ratio	8.18%	8.32%	8.87%	9.15%	9.62%	-0.14%	-1.44%
CET1 risk-based capital ratio	10.92	11.22	11.60	11.46	11.94	-0.30	-1.01
Tier 1 risk-based capital ratio	10.92	11.22	11.60	11.46	11.94	-0.30	-1.01
Total risk-based capital ratio	11.74	12.03	12.45	12.34	12.70	-0.29	-0.97

<sup>(1)</sup> Includes commercial mortgage servicing assets of \$1,147, \$989, \$897, \$899, and \$830 for 3Q21, 2Q21, 1Q21, 4Q20, and 3Q20, 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)*

	3Q21	2Q21	1Q21	4Q20	3Q20	3Q21 change vs	
						2Q21	3Q20
<b>Interest income</b>							
Interest on cash and due from banks	\$ 1	\$ 2	\$ 1	\$ 1	\$ 2	\$ (1)	\$ (1)
Interest on federal funds sold and resell agreements	283	288	285	282	70	(5)	213
Interest and dividends on investment securities	865	806	744	720	766	59	99
Interest and fees on LHFS	1,309	1,448	1,595	1,840	1,590	(139)	(281)
Interest and fees on LHFI	8,765	8,153	8,429	8,212	7,186	612	1,579
Total interest income	<u>11,223</u>	<u>10,697</u>	<u>11,054</u>	<u>11,055</u>	<u>9,614</u>	<u>526</u>	<u>1,609</u>
<b>Interest expense</b>							
Deposits	827	838	956	1,054	1,145	(11)	(318)
Other borrowings	279	278	339	374	163	1	116
Total interest expense	<u>1,106</u>	<u>1,116</u>	<u>1,295</u>	<u>1,428</u>	<u>1,308</u>	<u>(10)</u>	<u>(202)</u>
Net interest income	10,117	9,581	9,759	9,627	8,306	536	1,811
Provision for credit losses	700	222	5	1,385	718	478	(18)
Net interest income after provision for credit losses	<u>9,417</u>	<u>9,359</u>	<u>9,754</u>	<u>8,242</u>	<u>7,588</u>	<u>58</u>	<u>1,829</u>
<b>Noninterest income</b>							
Mortgage banking related income	785	845	676	646	604	(60)	181
Interchange and card fee Income	236	261	257	187	176	(25)	60
Gain on sale of government guaranteed loans	1,132	977	246	443	291	155	841
Service charges on deposit accounts	156	140	138	143	118	16	38
Gain on BOLI	384	307	119	122	121	77	263
Securities gains, net	-	6	-	302	348	(6)	(348)
Other noninterest income	180	383	314	259	90	(203)	90
Total noninterest income	<u>2,873</u>	<u>2,919</u>	<u>1,750</u>	<u>2,102</u>	<u>1,748</u>	<u>(46)</u>	<u>1,125</u>
<b>Noninterest expense</b>							
Salaries and employee benefits	5,258	5,139	4,941	5,464	4,299	119	959
Occupancy and equipment	535	521	509	439	421	14	114
Software and other technology expense	510	445	444	330	329	65	181
Other professional services	485	638	387	638	285	(153)	200
Data processing	355	353	331	316	315	2	40
Regulatory assessment	249	223	209	168	137	26	112
Loss on other real estate owned, net	25	32	-	135	1	(7)	24
Other noninterest expense	722	735	643	736	779	(13)	(57)
Total noninterest expense	<u>8,139</u>	<u>8,086</u>	<u>7,464</u>	<u>8,226</u>	<u>6,566</u>	<u>53</u>	<u>1,573</u>
Net income before taxes	4,151	4,192	4,040	2,118	2,770	(41)	1,381
Income tax expense	900	918	966	409	673	(18)	227
<b>Net income</b>	<u>\$ 3,251</u>	<u>\$ 3,274</u>	<u>\$ 3,074</u>	<u>\$ 1,709</u>	<u>\$ 2,097</u>	<u>\$ (23)</u>	<u>\$ 1,154</u>
Earnings per share - basic	\$ 0.41	\$ 0.41	\$ 0.38	\$ 0.21	\$ 0.27	\$ (0.00)	\$ 0.13
Earnings per share - diluted	\$ 0.39	\$ 0.40	\$ 0.38	\$ 0.21	\$ 0.26	\$ (0.00)	\$ 0.13
Tangible book value	\$ 108,434	\$ 104,505	\$ 100,417	\$ 96,565	\$ 94,154	\$ 3,929	\$ 14,280
Tangible book value per share	\$ 13.52	\$ 13.07	\$ 12.56	\$ 12.08	\$ 11.79	\$ 0.45	\$ 1.73
Shares outstanding	8,021,153	7,993,653	7,993,653	7,993,653	7,983,753	27,500	37,400
Weighted average shares - basic	8,003,709	7,993,653	7,993,653	7,983,753	7,966,274	10,056	37,435
Weighted average shares - diluted	8,230,906	8,238,909	8,011,481	7,992,332	7,988,490	(8,003)	242,416

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

	Nine Months Ended September 30		Change
	2021	2020	
<b>Interest income</b>			
Interest on cash and due from banks	\$ 4	\$ 94	\$ (90)
Interest on federal funds sold and resell agreements	856	231	625
Interest and dividends on investment securities	2,415	1,838	577
Interest and fees on LHFS	4,352	3,994	358
Interest and fees on LHF1	25,347	20,306	5,041
Total interest income	<u>32,974</u>	<u>26,463</u>	<u>6,511</u>
<b>Interest expense</b>			
Deposits	2,621	4,040	(1,419)
Other borrowings	896	298	598
Total interest expense	<u>3,517</u>	<u>4,338</u>	<u>(821)</u>
Net interest income	29,457	22,125	7,332
Provision for credit losses	927	1,851	(924)
Net interest income after provision for credit losses	<u>28,530</u>	<u>20,274</u>	<u>8,256</u>
<b>Noninterest income</b>			
Mortgage banking related income	2,306	1,504	802
Interchange and card fee income	754	555	199
Gain on sale of government guaranteed loans	2,355	820	1,535
Service charges on deposit accounts	434	404	30
Gain on BOLI	810	294	516
Securities gains, net	6	646	(640)
Other noninterest income	877	258	619
Total noninterest income	<u>7,542</u>	<u>4,481</u>	<u>3,061</u>
<b>Noninterest expense</b>			
Salaries and employee benefits	15,338	12,011	3,327
Occupancy and equipment	1,565	1,205	360
Software and other technology expense	1,399	1,020	379
Professional services	1,510	832	678
Data processing	1,039	940	99
Regulatory assessment	681	453	228
Loss on other real estate owned, net	57	93	(36)
Other noninterest expense	2,100	2,098	2
Total noninterest expense	<u>23,689</u>	<u>18,652</u>	<u>5,037</u>
Net income before taxes	12,383	6,103	6,280
Income tax expense	2,784	1,444	1,340
<b>Net income</b>	<u>\$ 9,599</u>	<u>\$ 4,659</u>	<u>\$ 4,940</u>
Earnings per share - basic	\$ 1.21	\$ 0.59	\$ 0.62
Earnings per share - diluted	\$ 1.19	\$ 0.58	\$ 0.60
Shares outstanding	8,021,153	7,983,753	37,400
Weighted average shares - basic	7,934,733	7,957,056	(22,323)
Weighted average shares - diluted	8,098,158	7,976,797	121,361

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

	Quarterly trend					3Q21 change vs	
	3Q21	2Q21	1Q21	4Q20	3Q20	2Q21	3Q20
<b>Average balances</b>							
Cash and cash equivalents	\$ 10,011	\$ 6,585	\$ 8,333	\$ 8,817	\$ 6,176	\$ 3,426	\$ 3,835
Federal funds sold and resell agreements	173,329	149,620	133,167	121,233	56,184	23,709	117,145
Investment securities	175,617	140,442	127,926	124,010	120,837	35,175	54,780
Loans held for sale	90,672	105,425	122,878	128,112	114,437	(14,753)	(23,765)
Loans held for investment	772,205	753,920	723,559	685,751	661,665	18,285	110,540
Total earning assets	1,221,834	1,155,992	1,115,863	1,067,923	959,299	65,842	262,535
Total nonearning assets	55,305	55,521	54,081	52,754	52,630	(216)	2,675
Total assets	<u>\$ 1,277,139</u>	<u>\$ 1,211,513</u>	<u>\$ 1,169,944</u>	<u>\$ 1,120,677</u>	<u>\$ 1,011,929</u>	<u>\$ 65,626</u>	<u>\$ 265,210</u>
Interest-bearing deposits	\$ 797,603	\$ 754,449	\$ 686,949	\$ 639,995	\$ 577,146	\$ 43,154	\$ 220,457
Other borrowings	34,677	36,874	115,974	142,173	104,501	(2,197)	(69,824)
Total interest bearing liabilities	832,280	791,323	802,923	782,168	681,647	40,957	150,633
Noninterest-bearing deposits	325,732	305,641	254,650	232,377	227,902	20,091	97,830
Other liabilities	6,442	6,366	8,143	5,327	4,298	76	2,144
Stockholders' equity	112,685	108,183	104,228	100,805	98,082	4,502	14,603
Total liabilities and stockholders' equity	<u>\$ 1,277,139</u>	<u>\$ 1,211,513</u>	<u>\$ 1,169,944</u>	<u>\$ 1,120,677</u>	<u>\$ 1,011,929</u>	<u>\$ 65,626</u>	<u>\$ 265,210</u>
<b>Interest margins</b>							
Cash and due from banks	0.04%	0.12%	0.05%	0.05%	0.13%	-0.08%	-0.09%
Federal funds sold and resell agreements	0.65%	0.77%	0.87%	0.93%	0.50%	-0.12%	0.15%
Investment securities	1.95%	2.30%	2.36%	2.31%	2.52%	-0.35%	-0.57%
LHFS	5.73%	5.51%	5.26%	5.71%	5.53%	0.22%	0.20%
LHFI	4.50%	4.34%	4.72%	4.76%	4.32%	0.16%	0.18%
Total earning assets	<u>3.64%</u>	<u>3.71%</u>	<u>4.02%</u>	<u>4.12%</u>	<u>3.99%</u>	<u>-0.07%</u>	<u>-0.35%</u>
Interest-bearing deposits	0.41%	0.45%	0.56%	0.66%	0.79%	-0.04%	-0.38%
Other borrowings	3.19%	3.02%	1.19%	1.05%	0.62%	0.17%	2.57%
Total interest-bearing liabilities	<u>0.53%</u>	<u>0.57%</u>	<u>0.65%</u>	<u>0.73%</u>	<u>0.76%</u>	<u>-0.10%</u>	<u>-0.54%</u>
Cost of total deposits <sup>(1)</sup>	0.29%	0.32%	0.41%	0.48%	0.57%	-0.03%	-0.28%
Cost of total funding <sup>(1)</sup>	0.38%	0.41%	0.50%	0.56%	0.57%	-0.03%	-0.19%
Net interest spread	3.11%	3.14%	3.37%	3.39%	3.23%	-0.03%	-0.12%
Net interest margin	3.29%	3.32%	3.55%	3.59%	3.44%	-0.03%	-0.15%
Yield on total loans	4.63%	4.48%	4.80%	4.91%	4.50%	0.15%	0.13%
Yield on loans excluding PPP <sup>(2)</sup>	4.47%	4.52%	4.83%	4.89%	4.93%	-0.05%	-0.46%
Yield on LHFI excluding PPP <sup>(2)</sup>	4.30%	4.34%	4.74%	4.70%	4.79%	-0.05%	-0.49%
Net interest margin excluding PPP <sup>(2)</sup>	3.04%	3.18%	3.39%	3.37%	3.58%	-0.14%	-0.53%
Efficiency ratio	62.66%	64.69%	64.85%	70.13%	65.31%	-2.03%	-2.65%

<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)*

	3Q21			2Q21			3Q20		
	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	\$ 10,011	\$ 1	0.04%	\$ 6,585	\$ 1	0.06%	\$ 6,176	\$ 2	0.13%
Federal funds sold and resell agreements	173,329	283	0.65%	149,620	289	0.77%	56,184	71	0.50%
Investment securities	175,617	865	1.95%	140,442	806	2.30%	120,837	766	2.52%
Loans held for sale	90,672	1,309	5.73%	105,425	1,448	5.51%	114,437	1,590	5.53%
Loans held for investment	772,205	8,765	4.50%	753,920	8,153	4.34%	661,665	7,186	4.32%
Total earning assets	1,221,834	11,223	3.64%	1,155,992	10,697	3.71%	959,299	9,615	3.99%
Allowance for loan losses	(7,212)			(7,074)			(5,006)		
Bank-owned life insurance	18,795			19,112			18,485		
Premises, furniture and equipment, net	17,678			17,096			15,782		
Deferred tax asset	10,448			9,849			9,844		
Goodwill & intangible assets	6,341			6,285			6,288		
Other real estate owned	718			803			1,223		
Other assets	8,537			9,450			6,014		
Total assets	<u>\$ 1,277,139</u>			<u>\$ 1,211,513</u>			<u>\$ 1,011,929</u>		
Interest-bearing deposits	797,603	826	0.41%	754,449	838	0.45%	577,146	1,145	0.79%
Federal Reserve Bank advances	109	-	0.00%	2,318	3	0.52%	74,715	66	0.35%
Federal Home Loan Bank advances	20,000	38	0.75%	20,000	38	0.76%	26,304	43	0.65%
Subordinated debt, net	14,568	240	6.54%	14,556	237	6.53%	3,482	55	6.28%
Total interest-bearing liabilities	832,280	1,104	0.53%	791,323	1,116	0.57%	681,647	1,309	0.76%
Noninterest-bearing deposits	325,732			305,641			227,902		
Other liabilities	6,442			6,366			4,298		
Stockholders' equity	112,685			108,183			98,082		
Total liabilities and stockholders' equity	<u>\$ 1,277,139</u>			<u>\$ 1,211,513</u>			<u>\$ 1,011,929</u>		

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

	Nine Months Ended September 30, 2021			Nine Months Ended September 30, 2020		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
<b>Assets</b>						
<b>Earning assets:</b>						
Cash and due from banks	\$ 8,316	\$ 4	0.06%	\$ 19,586	\$ 94	0.64%
Federal funds sold and resell agreements	152,186	856	0.75%	52,504	231	0.59%
Investment securities	148,170	2,415	2.18%	95,581	1,838	2.57%
Loans held for sale	106,207	4,352	5.48%	97,294	3,994	5.48%
Loans held for investment	750,073	25,347	4.52%	580,102	20,306	4.68%
Total earning assets	1,164,952	32,974	3.78%	845,067	26,463	4.18%
Allowance for loan losses	(7,106)			(4,496)		
Bank-owned life insurance	18,968			15,245		
Premises, furniture and equipment, net	17,106			15,184		
Deferred tax asset	10,098			10,277		
Goodwill & intangible assets	6,306			6,326		
Other real estate owned	776			1,304		
Other assets	8,824			5,474		
Total assets	<u>\$ 1,219,924</u>			<u>\$ 894,381</u>		
Interest-bearing deposits	746,740	2,621	0.47%	532,610	4,040	1.01%
Federal Reserve Bank advances	26,555	70	0.35%	41,369	109	0.35%
Federal Home Loan Bank advances	21,099	116	0.74%	29,197	135	0.62%
Subordinated debt, net	14,556	710	6.52%	1,169	55	6.28%
Total interest-bearing liabilities	808,950	3,517	0.58%	604,345	4,339	0.96%
Noninterest bearing deposits	295,601			190,331		
Other liabilities	6,977			4,191		
Stockholders' equity	108,396			95,514		
Total liabilities and stockholders' equity	<u>\$ 1,219,924</u>			<u>\$ 894,381</u>		
<b>Interest margins</b>						
Cost of total deposits <sup>(1)</sup>		0.34%			0.75%	
Cost of total funding <sup>(1)</sup>		0.43%			0.73%	
Net interest spread		3.20%			3.22%	
Net interest margin		3.38%			3.50%	
Efficiency ratio		64.03%			70.10%	

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

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

	3Q21	2Q21	1Q21	4Q20	3Q20	3Q21 change vs	
						2Q21	3Q20
<b>Loans held for investment ("LHFI")</b>							
<b>Commercial Loans</b>							
Construction and land	\$ 58,297	\$ 55,778	\$ 61,075	\$ 62,079	\$ 46,857	\$ 2,519	\$ 11,440
Commercial real estate	328,856	295,990	275,817	261,102	237,253	32,866	91,603
Commercial and industrial	137,198	113,555	106,616	104,955	101,307	23,643	35,891
Paycheck Protection Program	70,866	119,966	159,806	122,517	153,791	(49,100)	(82,925)
<b>Consumer Loans</b>							
Residential real estate	75,866	72,850	67,359	67,215	63,340	3,016	12,526
Other consumer	103,398	103,490	83,264	84,650	77,326	(92)	26,072
<b>Total loans held for investment</b>	<b>\$ 774,481</b>	<b>\$ 761,629</b>	<b>\$ 753,937</b>	<b>\$ 702,518</b>	<b>\$ 679,874</b>	<b>\$ 12,852</b>	<b>\$ 94,607</b>
Core LHFI	673,442	609,339	556,308	542,722	485,325	64,103	188,117
Acquired LHFI <sup>(1)</sup>	30,173	32,324	37,823	37,279	40,758	(2,151)	(10,585)
Paycheck Protection Program loans	70,866	119,966	159,806	122,517	153,791	(49,100)	(82,925)
<b>Total loans held for investment</b>	<b>\$ 774,481</b>	<b>\$ 761,629</b>	<b>\$ 753,937</b>	<b>\$ 702,518</b>	<b>\$ 679,874</b>	<b>\$ 12,852</b>	<b>\$ 94,607</b>
Total loans held for sale	81,257	104,035	116,334	113,481	127,463	(22,778)	(46,206)
Total allowance for loan losses	7,715	7,157	7,060	7,041	5,703	558	2,012
<b>Nonperforming assets</b>							
Nonaccrual loans	2,412	2,752	2,710	3,494	3,706	(340)	(1,294)
Troubled debt restructurings	225	230	234	239	244	(5)	(19)
Other real estate owned	616	778	810	810	1,251	(162)	(635)
<b>Total nonperforming assets</b>	<b>\$ 3,253</b>	<b>\$ 3,760</b>	<b>\$ 3,754</b>	<b>\$ 4,543</b>	<b>\$ 5,201</b>	<b>\$ (507)</b>	<b>\$ (1,948)</b>
<b>Credit Analysis</b>							
Total net charge-offs (recoveries)	\$ 253	\$ 111	\$ (14)	\$ 131	\$ 84	\$ 142	\$ 169
Net charge-offs to total LHFI	0.13%	0.06%	-0.01%	0.07%	0.05%	0.07%	0.08%
Total allowance for loan losses to total LHFI	1.00%	0.94%	0.94%	1.00%	0.84%	0.06%	0.16%
Total allowance for loan losses to total LHFI, excluding PPP loans <sup>(2)</sup>	1.10%	1.12%	1.19%	1.21%	1.08%	-0.02%	0.01%
Nonperforming loans to gross LHFI	0.34%	0.39%	0.39%	0.53%	0.58%	-0.05%	-0.24%
Nonperforming assets to total assets	0.24%	0.30%	0.32%	0.40%	0.47%	-0.06%	-0.23%

<sup>(1)</sup> Includes loans acquired from the 2018 acquisition of First Citizens Financial Corporation.

<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				
	3Q21	2Q21	1Q21	4Q20	3Q20
<b>Net Income</b>	\$ 3,251	\$ 3,274	\$ 3,074	\$ 1,709	\$ 2,097
Total noninterest income	2,873	2,919	1,750	2,102	1,748
Adjustments to noninterest income	-	-	-	-	-
Total noninterest expense	8,139	8,086	7,464	8,226	6,566
Adjustments to noninterest expense <sup>(1)</sup>	125	256	37	78	-
Income Taxes	900	918	966	409	673
Tax effect of adjustments	(30)	(62)	(9)	(19)	-
<b>Adjusted net income</b>	<b>\$ 3,346</b>	<b>\$ 3,468</b>	<b>\$ 3,102</b>	<b>\$ 1,768</b>	<b>\$ 2,097</b>
Net Income	3,251	3,274	3,074	1,709	2,097
Provision for allowance for loan losses	700	222	5	1,385	718
Provision for income taxes	900	918	966	409	673
<b>Pre-tax pre-provision net revenue (PPNR)</b>	<b>\$ 4,851</b>	<b>\$ 4,414</b>	<b>\$ 4,045</b>	<b>\$ 3,503</b>	<b>\$ 3,488</b>
Adjustments to noninterest income	-	-	-	-	-
Adjustments to noninterest expense <sup>(1)</sup>	125	256	37	78	-
<b>Adjusted Pre-Tax Pre-Provision Income</b>	<b>\$ 4,976</b>	<b>\$ 4,670</b>	<b>\$ 4,082</b>	<b>\$ 3,581</b>	<b>\$ 3,488</b>
Return on average tangible (ROTA)	1.01%	1.09%	1.07%	0.61%	0.83%
Adjustments to net income	0.03%	0.06%	0.01%	0.02%	0.00%
<b>Adjusted ROTA</b>	<b>1.04%</b>	<b>1.15%</b>	<b>1.08%</b>	<b>0.63%</b>	<b>0.83%</b>
Return on Tangible Common Equity (ROTCE)	12.01%	12.77%	12.61%	7.13%	9.01%
Adjustments to net income	0.35%	0.76%	0.11%	0.25%	0.00%
<b>Adjusted ROTCE</b>	<b>12.36%</b>	<b>13.53%</b>	<b>12.73%</b>	<b>7.38%</b>	<b>9.01%</b>
Diluted EPS	\$ 0.39	\$ 0.40	\$ 0.38	\$ 0.21	\$ 0.26
Adjustments to net income	0.03	0.03	0.01	0.01	(0.00)
<b>Adjusted diluted EPS</b>	<b>\$ 0.42</b>	<b>\$ 0.43</b>	<b>\$ 0.39</b>	<b>\$ 0.22</b>	<b>\$ 0.26</b>
Efficiency ratio	62.66%	64.69%	64.85%	70.13%	65.31%
Adjustments to net income	-0.97%	-2.05%	-0.32%	-0.66%	0.00%
<b>Adjusted efficiency ratio</b>	<b>61.69%</b>	<b>62.64%</b>	<b>64.53%</b>	<b>69.47%</b>	<b>65.31%</b>
Interest and fees on LHFS	\$ 1,309	\$ 1,448	\$ 1,595	\$ 1,840	\$ 1,590
Interest and fees on LHFI	8,765	8,153	8,429	8,212	7,186
Interest and fees on PPP loans	(1,566)	(1,579)	(1,617)	(1,791)	(1,060)
<b>Loan interest income excluding PPP loans</b>	<b>\$ 8,508</b>	<b>\$ 8,022</b>	<b>\$ 8,407</b>	<b>\$ 8,261</b>	<b>\$ 7,716</b>
Interest and fees on LHFI	8,765	8,153	8,429	8,213	7,186
Interest and fees on PPP loans	(1,566)	(1,579)	(1,617)	(1,791)	(1,060)
<b>LHFI interest income excluding PPP loans</b>	<b>\$ 7,199</b>	<b>\$ 6,574</b>	<b>\$ 6,812</b>	<b>\$ 6,422</b>	<b>\$ 6,126</b>
Net interest income	10,117	9,581	9,759	9,627	8,306
Interest and fees on PPP loans	(1,566)	(1,579)	(1,617)	(1,791)	(1,060)
<b>Net interest income excluding PPP loans</b>	<b>\$ 8,551</b>	<b>\$ 8,002</b>	<b>\$ 8,142</b>	<b>\$ 7,836</b>	<b>\$ 7,246</b>
Total earning assets	1,221,834	1,155,992	1,115,863	1,067,923	959,299
Average PPP loans	(107,622)	(146,772)	(141,248)	(142,054)	(153,098)
<b>Adjusted earning assets</b>	<b>\$ 1,114,212</b>	<b>\$ 1,009,220</b>	<b>\$ 974,615</b>	<b>\$ 925,869</b>	<b>\$ 806,201</b>
Average loans (LHFI + LHFS)	862,877	859,345	846,437	813,863	776,102
Average PPP Loans	(107,622)	(146,772)	(141,248)	(142,054)	(153,098)
<b>Average loans excluding PPP</b>	<b>\$ 755,255</b>	<b>\$ 712,573</b>	<b>\$ 705,189</b>	<b>\$ 671,809</b>	<b>\$ 623,004</b>
Average LHFI	772,205	753,920	723,559	685,751	661,665
Average PPP Loans	(107,622)	(146,772)	(141,248)	(142,054)	(153,098)
<b>Average LHFI excluding PPP</b>	<b>\$ 664,583</b>	<b>\$ 607,148</b>	<b>\$ 582,311</b>	<b>\$ 543,697</b>	<b>\$ 508,567</b>

<sup>(1)</sup> Consists of merger and acquisition costs.

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

	Quarterly Trends				
	3Q21	2Q21	1Q21	4Q20	3Q20
Yield on total loans	4.63%	4.48%	4.80%	4.91%	4.50%
Impact of PPP loans	-0.16%	0.04%	0.03%	-0.02%	0.43%
<b>Yield on total loans excluding PPP loans</b>	<b>4.47%</b>	<b>4.52%</b>	<b>4.83%</b>	<b>4.89%</b>	<b>4.93%</b>
Yield on LHFI	4.50%	4.34%	4.72%	4.76%	4.32%
Impact of PPP loans	-0.20%	0.00%	0.02%	-0.06%	0.47%
<b>Yield on LHFI excluding PPP loans</b>	<b>4.30%</b>	<b>4.34%</b>	<b>4.74%</b>	<b>4.70%</b>	<b>4.79%</b>
Net interest margin	3.29%	3.32%	3.55%	3.59%	3.44%
Impact of PPP loans	-0.25%	-0.14%	-0.16%	-0.22%	0.14%
<b>Net interest margin excluding PPP loans</b>	<b>3.04%</b>	<b>3.18%</b>	<b>3.39%</b>	<b>3.37%</b>	<b>3.58%</b>
Average assets	\$ 1,277,139	\$ 1,211,513	\$ 1,169,944	\$ 1,120,677	\$ 1,011,929
Average goodwill & intangible assets	(6,341)	(6,285)	(6,293)	(6,285)	(6,288)
Average commercial mortgage servicing rights	1,029	929	891	836	790
<b>Average tangible assets</b>	<b>\$ 1,271,827</b>	<b>\$ 1,206,157</b>	<b>\$ 1,164,542</b>	<b>\$ 1,115,228</b>	<b>\$ 1,006,431</b>
Average stockholders' equity	\$ 112,685	\$ 108,183	\$ 104,228	\$ 100,805	\$ 98,082
Average goodwill & intangible assets	(6,341)	(6,285)	(6,293)	(6,285)	(6,288)
Average commercial mortgage servicing rights	1,029	929	891	836	790
<b>Average tangible equity</b>	<b>\$ 107,373</b>	<b>\$ 102,827</b>	<b>\$ 98,826</b>	<b>\$ 95,356</b>	<b>\$ 92,584</b>