



**COASTAL STATES BANK**



**CORNERSTONE BANK**

**Partnering to Create Significant  
Strategic and Financial Value**

May 17, 2021



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## Section I.

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# Transaction Overview

# Transaction Overview

## Combined Franchise Highlights

Combining with Cornerstone Brings Scale Enhanced Through Partnership...

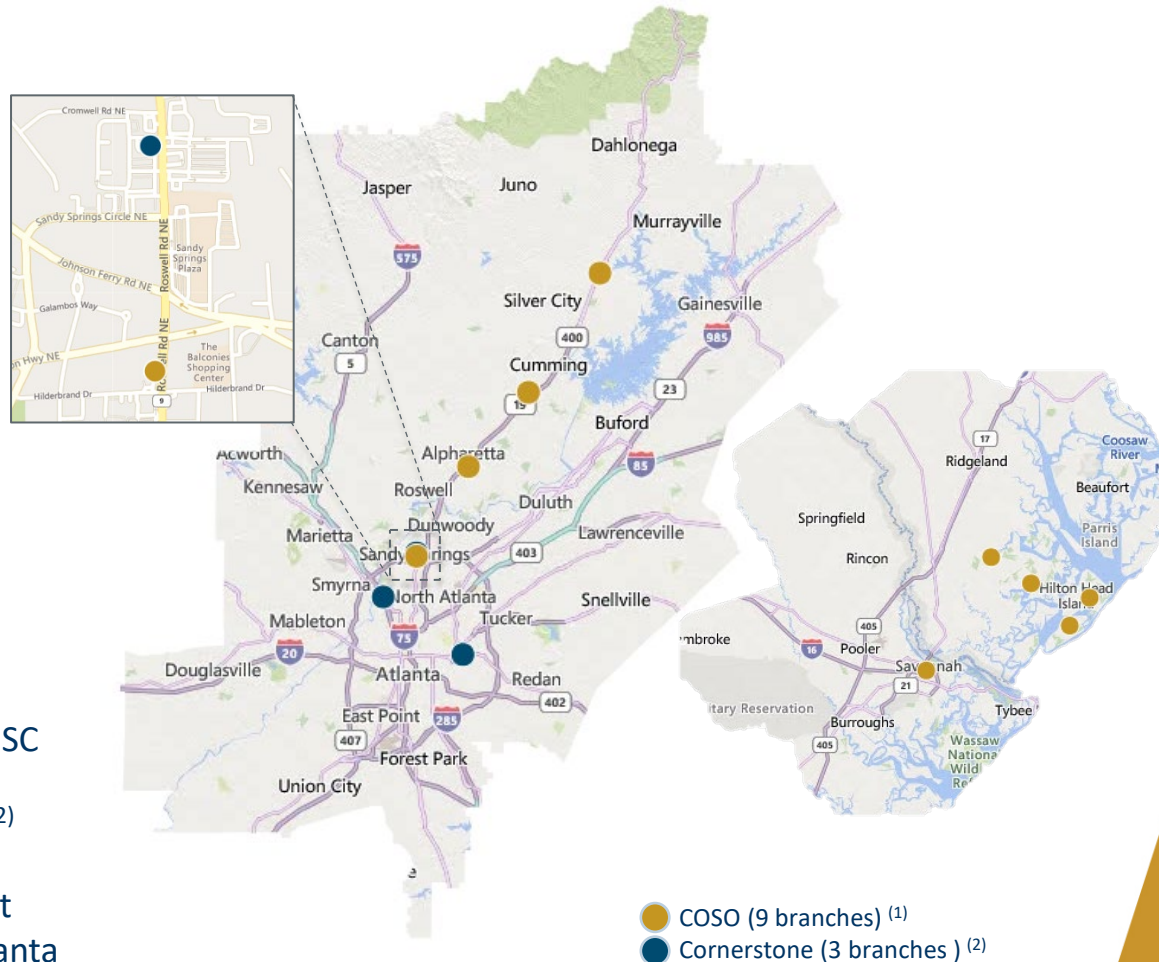
**\$1.4B** in Assets

**\$0.9B** in Loans

**\$1.2B** in Deposits

...Resulting in a Franchise with Multiple Highly Compelling Attributes, Including:

- Presence in key Southeastern markets including Atlanta, Savannah, and Hilton Head / Bluffton, SC
- 10 branch locations post integration <sup>(2)</sup>
- Pro forma franchise among the largest independent community banks in Atlanta



(1) Inclusive of the Alpharetta and Sandy Springs branches opening Spring, 2021

(2) Certain Cornerstone locations are expected to be consolidated with existing CSB locations

Source: S&P Global Market Intelligence

# Transaction Overview

## Transaction Rationale

### Transaction Rationale

#### Strategic Rationale

- Capitalize on the ongoing dislocation within the Atlanta marketplace to create one of the few independent, \$1+ billion community banks in Georgia and South Carolina, driving financial performance and immediately enhancing franchise scarcity value for shareholders of CoastalSouth Bancshares, Inc. (“CSB”) and Cornerstone Bancshares, Inc. (“Cornerstone”)
- Creates a high-performing and well-capitalized community-focused commercial bank with a highly attractive level of scale in one of the largest metropolitan markets in the U.S.
- Offers broad opportunities for the pro forma organization to continue to pursue strategic initiatives, including organic and acquisitive growth strategies, as well as liquidity strategies

#### Conservatively Structured

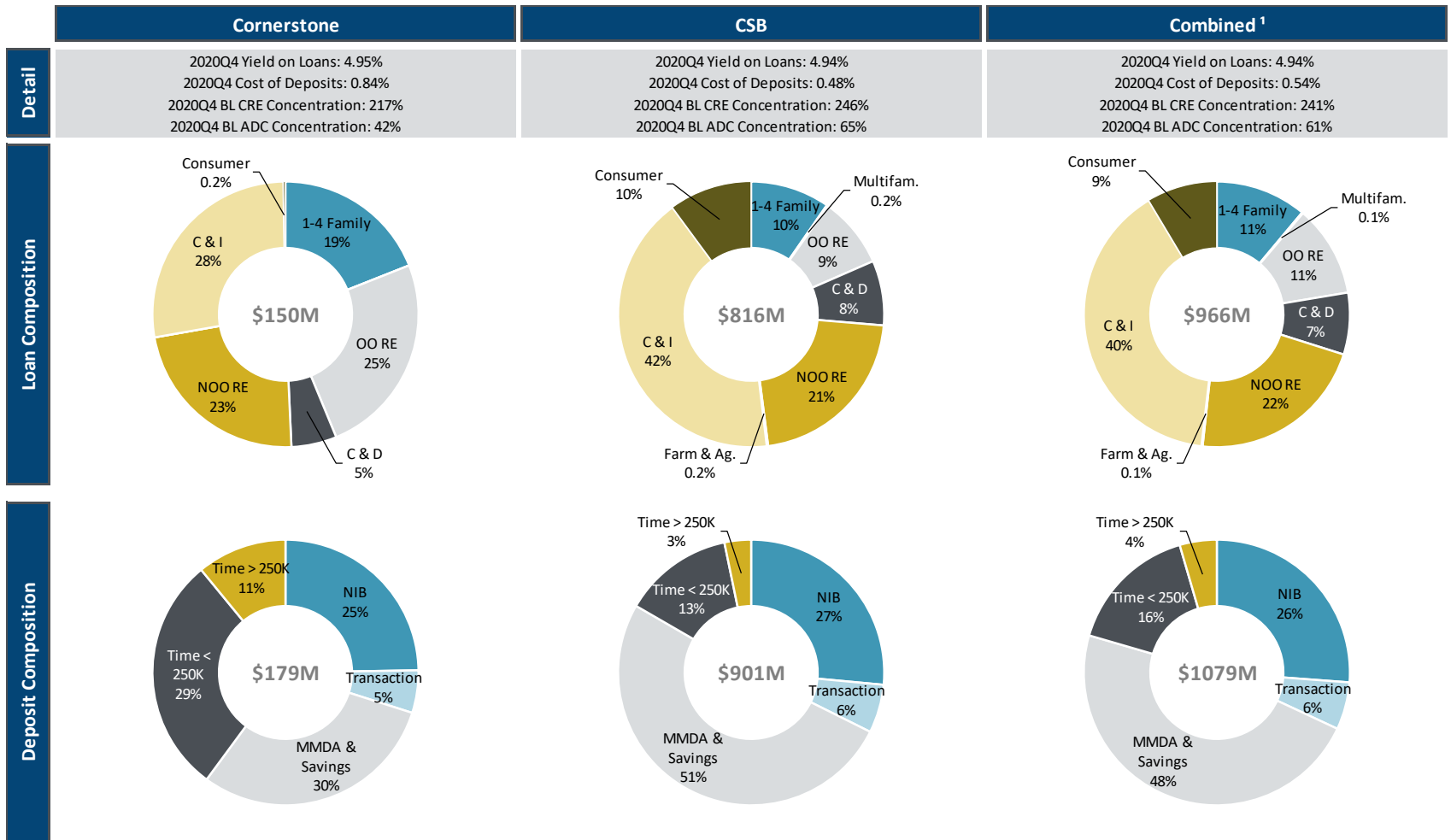
- Extensive credit due diligence performed, with reviews completed by two, independent consulting firms, supplemental to the CSB team’s internal credit view
- **“Contingent Consideration”** deal structure (*see page 9 for details*) provides a two-sided benefit to Cornerstone shareholders and CSB shareholders, with a portion of deal consideration paid only in the event of successful resolution of certain Cornerstone credits
- Required minimum equity test helps protect against additional credit deterioration through closing

#### Financially Attractive

- Tangible book value per share **accretive** to CSB shareholders at transaction close (based on all levels of possible contingent consideration recovery)
- **Double-digit EPS accretion in 2022** to CSB shareholders (assuming fully phased-in cost savings)
- Pro forma company remains well-capitalized on all regulatory measures
- Accelerates achievement of CSB’s near term growth and profitability targets

# Transaction Overview

## Combined Loan and Deposit Composition



Note: Bank level regulatory loan and deposit composition, financial data as of December 31, 2020

(1) Simple summation of CSB and Cornerstone loans and deposits as of December 31, 2020; does not include purchase accounting adjustments

Source: S&P Global Market Intelligence



# Transaction Overview

## Pro Forma Market Positioning: Atlanta MSA

- Combined franchise positioned among the largest independent community banks in Atlanta
- Pro forma company projected to have in excess of \$500 million in Atlanta MSA deposits at transaction close
- The combination of the concentration of deposits among super-regional and mega-banks (65%+ deposit market share by top three banks) and the size of the market (~\$190 billion in deposits) provides significant future growth opportunities

Financial data as of or for the twelve months ended December 31, 2020  
Selected Banks and Thrifts Headquartered in the Atlanta MSA with Total Assets > \$500 Million

Ticker	Company	City	Total Assets (\$mm)
ABCB	Ameris Bancorp	Atlanta	\$20,439
ACBI	Atlantic Capital Bcshs Inc.	Atlanta	3,616
--	United Bank Corp.	Zebulon	1,932
MCBS	MetroCity Bankshares Inc.	Doraville	1,897
--	Piedmont Bancorp Inc.	Peachtree Corners	1,369
	<b>Pro Forma Company<sup>1</sup></b>		<b>1,350</b>
AFBI	Affinity Bancshares Inc.	Covington	853
FIEB	First IC Corp.	Doraville	764
--	Vinings Bancshares Inc.	Smyrna	691
--	Quantum Capital Corp.	Suwanee	608
CZBS	Citizens Bancshares Corp.	Atlanta	572
--	PromiseOne Bancorp Inc.	Duluth	523

### Atlanta-Sandy Springs-Alpharetta, GA MSA

Rank	Institution	Branch Count	June 2020	
			Total Deposits (\$000)	Market Share (%)
1	Bank of America Corporation (NC)	125	43,548,796	23.06
2	Truist Financial Corp. (NC)	201	41,212,595	21.83
3	Wells Fargo & Co. (CA)	146	38,769,554	20.53
4	JPMorgan Chase & Co. (NY)	93	8,132,528	4.31
5	Synovus Financial Corp. (GA)	46	6,656,940	3.53
6	Ameris Bancorp (GA)	60	6,238,106	3.30
7	Regions Financial Corp. (AL)	69	4,751,600	2.52
8	The PNC Finl Svcs Grp (PA)	56	3,840,857	2.03
9	United Community Banks Inc. (GA)	32	3,650,364	1.93
10	Bank OZK (AR)	39	2,954,191	1.56
11	Renasant Corp. (MS)	29	2,745,894	1.45
12	BancorpSouth Bank (MS)	8	2,611,227	1.38
13	Atlantic Capital Bcshs Inc. (GA)	2	2,385,267	1.26
14	Fifth Third Bancorp (OH)	28	2,316,141	1.23
15	South State Corporation (FL)	16	1,940,405	1.03
16	First Horizon Corp. (TN)	9	1,402,959	0.74
17	First Citizens BancShares Inc. (NC)	17	1,379,336	0.73
18	United Bank Corp. (GA)	14	1,302,372	0.69
19	East West Bancorp Inc. (CA)	3	1,154,597	0.61
20	MetroCity Bankshares Inc. (GA)	8	1,014,101	0.54
21	Piedmont Bancorp Inc. (GA)	8	844,184	0.45
22	Affinity Bancshares Inc. (GA)	3	629,923	0.33
23	ServisFirst Bancshares Inc. (AL)	2	610,751	0.32
24	First IC Corp. (GA)	5	580,578	0.31
25	Georgia Banking Co. (GA)	2	576,999	0.31
26	Quantum Capital Corp. (GA)	3	489,105	0.26
27	PromiseOne Bancorp Inc. (GA)	6	449,169	0.24
28	Vinings Bancshares Inc. (GA)	2	428,080	0.23
	<b>Pro Forma Company (2)</b>	<b>7</b>	<b>395,269</b>	<b>0.21</b>
29	Touchmark Bancshares Inc. (GA)	1	369,486	0.20
30	Community Banks of Georgia Inc (GA)	2	355,850	0.19
<b>Top 30 Institutions</b>		<b>1,035</b>	<b>183,341,955</b>	<b>97.10</b>
42	CoastalSouth Bancshares Inc. (SC) (2)	4	203,196	0.11
43	Cornerstone Bancshares (GA)	3	192,073	0.10
<b>Total For Institutions In Market</b>		<b>1,172</b>	<b>\$189,479,558</b>	<b>100.00%</b>

(1) Projected pro forma total assets at expected close of the transaction

(2) Inclusive of the CSB Alpharetta and Sandy Springs branches scheduled for opening in the spring of 2021

Source: S&P Global Market Intelligence; deposit information as of June 30, 2020 (per FDIC)



## Section II.

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# Merger Structure



# Merger Structure

## Description of Contingent Consideration Structure

### Description of Contingent Consideration Structure

#### Consideration Structure

- The transaction consideration has been split into a “Non-contingent Consideration” component and a “Contingent Consideration” component, the latter of which is tied to the performance of a selected group of assets defined as the “Carve-out Portfolio” over a specified period of time following closing of the merger (the “Measurement Period”)
- The Carve-out Portfolio is largely comprised of SBA loans formerly repurchased by the SBA, with the Contingent Consideration payment delivered at the conclusion of the measurement period one calendar year from the date of closing of the merger
- Dollar-for-dollar consideration will be provided for recoveries within the Carve-out Portfolio, while the gross credit mark (which includes 100% of the Carve-out Portfolio) will also be subsequently reduced on a dollar-for-dollar basis

#### Non-contingent Consideration <sup>1</sup>

- **Non-contingent Consideration:** \$11.059 million, or \$0.85 per Cornerstone share
- 15% payable in cash equating to \$1.659 million
- 85% payable in CSB common stock, equating to \$9.400 million, or 569,694 CSB common shares  
✓ CSB common stock valued at \$16.50 for purposes of the exchange ratio

#### Contingent Consideration <sup>1</sup>

- **Contingent Consideration:** Up to \$5.732 million, or up to \$0.44 per Cornerstone share
- Cash component of Contingent Consideration is assumed to be no larger than ~\$70,000
- Remaining Contingent Consideration payable in CSB common shares

#### Maximum Possible Consideration <sup>1, 2, 3</sup>

- **Maximum Possible Consideration:** \$16.791 million, or \$1.29 per Cornerstone share (assuming 100% Contingent Consideration recovery)
- 10.3% payable in cash equating to \$1.729 million
- 89.7% payable in CSB common stock, equating to \$15.062 million, or 912,846 CSB common shares

(1) Assumes 12,976,877 Cornerstone common shares outstanding and no other options, warrants or other common stock equivalents outstanding at the close of the transaction

(2) Maximum possible consideration assumes 100% recovery of Contingent Consideration

(3) For modeling purposes, the cash portion of Contingent Consideration is ~\$70,000

# Merger Structure

## Summary of Merger Terms

Summary of Merger Terms	
<b>Transaction Structure</b>	<ul style="list-style-type: none"> <li>▪ Cornerstone Bancshares, Inc. to merge with and into CoastalSouth Bancshares, Inc.</li> <li>▪ Cornerstone Bank to merge with and into Coastal States Bank</li> </ul>
<b>Maximum Price per Share <sup>1,2</sup></b>	<ul style="list-style-type: none"> <li>▪ \$1.29 per Cornerstone share</li> </ul>
<b>Maximum Aggregate Value <sup>1,2</sup></b>	<ul style="list-style-type: none"> <li>▪ \$16.791 million</li> </ul>
<b>CSB Stock Valuation</b>	<ul style="list-style-type: none"> <li>▪ \$16.50 per share</li> </ul>
<b>Cost Savings</b>	<ul style="list-style-type: none"> <li>▪ &gt; 40% of Cornerstone's operating expense               <ul style="list-style-type: none"> <li>✓ 50% realization rate in year 1</li> <li>✓ 100% realization rate in year 2 forward</li> </ul> </li> </ul>
<b>Gross Credit Mark</b>	<ul style="list-style-type: none"> <li>▪ ~\$12.4 million equating to ~9% of Cornerstone's loan portfolio               <ul style="list-style-type: none"> <li>✓ \$6.6 million related to the non-contingent asset pool</li> <li>✓ \$5.7 million related to the Carve-out Portfolio</li> </ul> </li> </ul>
<b>Core Deposit Intangible</b>	<ul style="list-style-type: none"> <li>▪ 1.00% amortized straight-line over 8 years</li> </ul>

(1) Assumes 12,976,877 Cornerstone common shares outstanding and no other options, warrants or other common stock equivalents outstanding at the close of the transaction; maximum aggregate value assumes 100% recovery of Contingent Consideration

(2) Assumes 100% recovery of Contingent Consideration of \$5.732 million

# Merger Structure

## Summary of Merger Terms (cont.)

### Summary of Merger Terms (cont.)

#### Tax Treatment

- Tax-deferred treatment for Cornerstone shareholders related to CSB common stock consideration

#### Board Representation

- One existing member of the Cornerstone Board of Directors to be named to the CSB Board of Directors

#### Required Approvals

- Customary regulatory approval
- Cornerstone shareholder approval

#### Expected Closing

- Third quarter of 2021

# Merger Structure

## Projected Financial Benefits

### Projected Financial Benefits

#### CSB EPS Accretion

- ~8.3% EPS accretion in year one
- ~17.5% EPS accretion in year one including fully phased-in cost savings

#### CSB TBVPS Impact

- ~0.4% TBVPS accretion at transaction close

#### Pro Forma Consolidated Capital

- ~8.1% tangible common equity / tangible assets
- ~10.2% common equity tier 1 ratio
- ~12.6% total risk-based capital ratio

#### Internal Rate of Return

- ~19%

#### Pro Forma ROAA

- 1.05% in first full year including fully phased-in cost savings



## **Section III.**

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## **Summary**

# Summary

## Partnering to Create Significant Strategic and Financial Value

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1

Complementary partners, combining to drive superior growth and profitability

2

Conservatively underwritten and conservatively structured to address legacy credit issues

3

Exceptional financial benefits and value creation for shareholders of both companies

4

Creates a highly attractive level of scale in Atlanta, one of the largest metropolitan markets in the U.S.

5

Shared values – strong community ties, customer-centric focus, and commitment to performance

6

Enhanced banking platform to continue to pursue strategic initiatives and growth strategies

# Forward Looking Statements

## Legal Disclosure

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This presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, with respect to the financial condition, liquidity, results of operations, future performance, and business of the Company. These forward-looking statements are intended to be covered by the safe harbor for “forward-looking statements” provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that are not historical facts. Forward-looking statements include statements with respect to beliefs, plans, objectives, goals, budgets, expectations, anticipations, estimates, and intentions that are subject to significant risks and uncertainties, and are subject to change based on various factors (some of which are beyond our control). Forward-looking statements often include the words “believes,” “expects,” “anticipates,” “estimates,” “forecasts,” “intends,” “plans,” “targets,” “potentially,” “probably,” “projects,” “outlook,” “positioned” or similar expressions, or future conditional verbs such as “may,” “will,” “should,” “would,” and “could.” Such known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the statements include, but are not limited to: (i) changes in general business, industry or economic conditions, or competition; (ii) changes in any applicable law, rule, regulation, policy, guideline, or practice governing or affecting financial holding companies and their subsidiaries or with respect to tax or accounting principles or otherwise; (iii) adverse changes or conditions in capital and financial markets; (iv) changes in interest rates; (v) higher-than-expected costs or other difficulties related to integration of combined or merged businesses; (vi) the inability to realize expected cost savings or achieve other anticipated benefits in connection with the Cornerstone acquisition and other future acquisitions; (vii) the continued impact of the ongoing COVID-19 pandemic on our business and the businesses of our customers, including the impact of the actions taken by governmental authorities to contain the virus or address the impact of the virus on the United States economy (including, without limitation, the Coronavirus Aid, Relief and Economic Security (“CARES”) Act), and the resulting effect of all of such items on our operations, liquidity and capital position, and on the financial condition of our borrowers and other customers; (viii) the costs and effects of litigation, investigations, inquiries or similar matters, or adverse facts and developments related thereto, including the costs and effects of litigation related to our participation in government stimulus programs associated with the COVID-19 pandemic; (ix) changes in the quality or composition of our loan and investment portfolios; (x) adequacy of loan loss reserves; (xi) increased competition; (xii) loss of certain key officers; (xiii) continued relationships with major customers; (xiv) deposit attrition; (xv) rapidly changing technology; (xvi) unanticipated regulatory or judicial proceedings and liabilities and other costs; (xvii) changes in the cost of funds, demand for loan products, or demand for financial services; (xviii) other economic, competitive, governmental, or technological factors affecting our operations, markets, products, services, and prices including, but not limited to, the impact of the ongoing COVID-19 pandemic and actions taken in response to COVID-19 by governments and businesses; and (xix) our success at managing the foregoing items. Such developments could have an adverse impact on our financial position and our results of operations.

The forward-looking statements are based upon management’s beliefs and assumptions. Any forward-looking statement made herein speaks only as of the date of this presentation. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments, or otherwise, except as may be required by law. Potential investors should not rely on forward-looking statements as predictions of future performance.





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