

March 13, 2024

To our Shareholders:

CoastalSouth Bancshares, Inc. (the “Company”) is pleased to announce net income of \$7.2 million, or \$0.75 per diluted share, for the fourth quarter of 2023, compared to \$4.8 million net income, or \$0.49 per diluted share, for the third quarter of 2023, and \$5.5 million net income, or \$0.61 per diluted share for the comparable quarter last year. For the fiscal year 2023, net income was \$24.5 million, or \$2.58 per diluted share, compared to net income of \$18.2 million, or \$2.05 per diluted share in 2022.

“Notwithstanding myriad challenges to performance in 2023, including several historic bank failures, continued inflation, and a difficult rate environment, 2023 was the most profitable year in the Bank’s history,” said Steve Stone, President and Chief Executive Officer of the Company and its wholly owned subsidiary, Coastal States Bank (“CSB” or the “Bank”). “CSB outperformed peers on a number of metrics. I am proud of our 2023 core deposit growth of \$52.0 million and 2023 core loan growth of \$136.9 million, despite these challenges. In addition, we have added seven new commercial bankers and business development officers across the franchise since the end of Q3 and our loan and deposit pipelines look strong.”

Highlights for the Fourth Quarter of 2023

- **Net income of \$7.2 million, or \$0.75 diluted earnings per share (“Diluted EPS”)**
- **Net interest margin was 3.47%, compared to 3.36% for the third quarter of 2023**
- **Total assets grew \$30.4 million, a 1.52% increase from September 30, 2023**
- **Core loans held-for-investment grew \$18.2 million, a 1.4% increase from September 30, 2023**
- **Quarterly return on average assets of 1.42% and year-to-date return on average assets of 1.26%**

The Company recognized net income of \$7.2 million, or \$0.75 per share, for the quarter, and tangible book value per share increased from \$14.23 at September 30, 2023 to \$15.80 at December 31, 2023. The earnings during the quarter reflect the Company's strong net interest income run-rate coupled with an increase in noninterest income as a result of a Company bank-owned life insurance (“BOLI”) restructure during the quarter. The fourth quarter results only included modest gain on sale income from the sale of government guaranteed lending (“GGL”) loans. The Company continues to hold certain GGL loans, which are primarily floating rate, until such time as it is able to recognize higher premiums on the sale of such guarantees.

The Bank's core total deposits excluding brokered CDs, decreased in the fourth quarter from \$1.589 billion at September 30, 2023 to \$1.526 billion at December 31, 2023, which is attributable to normal

seasonal distributions in certain accounts. For the quarter ended December 31, 2023, the Bank estimates that approximately \$625.3 million, or 35.7% of total deposits, excluding accrued interest, were uninsured. Of the uninsured deposits, approximately 66.8% are business accounts and 33.2% are personal accounts.

During the fourth quarter, loans held-for-investment ("LHFI") grew by \$15.6 million. This increase was across multiple lines of business primarily led by Savannah and Atlanta regions of \$11.0 million and \$8.4 million, respectively, and Lowcountry region of \$4.2 million; offset by a net decline in other lines of business of \$8.0 million, primarily in Senior Housing. Overall, LHFI grew by \$119.8 million year over year as of December 31, 2023.

The Federal Reserve (the "Fed") maintained its benchmark interest rate in December while signaling that inflation has eased over the past year, but remained elevated, leaving room for rate hikes, but also a likelihood of interest rates cut in 2024. The Fed indicated that it would take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments in determining the extent to which any additional policy firming may be appropriate to return inflation to a 2% target over time. In January 2024, the Fed maintained its benchmark interest rate and cautioned that it will not begin lowering interest rates until it sees further progress on inflation returning to its 2% target.

Like many other institutions, the Company's available-for-sale ("AFS") investment portfolio experienced a decline in fair value driven by rapid rising interest rates. With changes in interest rates continuing throughout 2023 and shifting views on the anticipated future actions of the Fed, the rate of fair value decline has slowed, but there is still volatility with market values given the economic environment which impacts the Company's tangible book value from quarter to quarter. The Company does not hold any securities in Held-to-Maturity status. The Company's investment portfolio at the end of the fourth quarter of 2023 held approximately 41% in floating rate securities and the overall yield will benefit from this mix as rates continue to increase.

The Company's credit metrics remained strong during the fourth quarter of 2023 with a Non-Performing Assets ("NPA") ratio of 0.21% compared to 0.38% at the end of third quarter of 2023. Nonaccrual loans decreased by approximately \$2.9 million primarily driven by a large payoff of \$3.4 million Senior Housing Credit; offset by net new nonaccrual loans of approximately \$500 thousand. The Company's net charge-offs to total LHFI ratio remains very low at 0.02% for the fourth quarter of 2023.

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

CoastalSouth Bancshares, Inc. and Subsidiary Consolidated Financial Highlights - Unaudited (dollars in thousands except per share data)							
	Quarterly Trends					4Q23 change vs	
	4Q23	3Q23	2Q23	1Q23	4Q22	3Q23	4Q22
Selected Balance Sheet Data							
Total assets	\$ 2,028,599	\$ 1,998,195	\$ 1,963,496	\$ 2,022,876	\$ 1,835,478	\$ 30,404	\$ 193,121
Total gross loans (LHFS + LHFI)	1,500,550	1,476,102	1,434,279	1,388,646	1,343,103	24,448	157,447
Total deposits	1,750,657	1,789,195	1,758,784	1,732,512	1,548,646	(38,538)	202,011
Total deposits excluding brokered CDs	1,525,689	1,589,201	1,530,581	1,479,082	1,473,655	(63,512)	52,034
Earnings Highlights							
Net income	\$ 7,157	\$ 4,774	\$ 5,787	\$ 6,760	\$ 5,504	\$ 2,383	\$ 1,653
Diluted earnings per share (EPS)	\$ 0.75	\$ 0.49	\$ 0.60	\$ 0.74	\$ 0.61	\$ 0.26	\$ 0.14
Net interest income	\$ 16,564	\$ 15,805	\$ 16,373	\$ 15,552	\$ 16,295	\$ 759	\$ 269
Performance Ratios							
Net interest margin	3.47%	3.36%	3.47%	3.56%	3.86%	0.11%	-0.39%
Net interest spread	2.68%	2.62%	2.80%	2.96%	3.44%	0.06%	-0.76%
Cost of total deposits	2.69%	2.51%	2.23%	1.63%	0.90%	0.18%	1.79%
Cost of total funding	2.79%	2.61%	2.34%	1.83%	1.09%	0.18%	1.70%
Efficiency ratio	57.90%	58.39%	52.26%	49.94%	54.62%	-0.49%	3.28%
Loan-to-deposit ratio	85.71%	82.50%	81.55%	80.15%	86.73%	3.21%	-1.01%
Return on (annualized):							
Average assets (ROAA) ¹	1.42%	0.97%	1.17%	1.47%	1.24%	0.45%	0.18%
Average tangible assets (ROTA) ¹	1.43%	0.97%	1.17%	1.48%	1.24%	0.45%	0.18%
Average tangible common equity (ROTCE) ¹	20.31%	13.92%	17.60%	23.83%	20.05%	6.39%	0.26%
Tangible common equity to tangible assets ⁽¹⁾	7.45%	6.80%	6.83%	6.33%	6.19%	0.65%	1.26%
Tangible book value per share ⁽¹⁾	\$ 15.80	\$ 14.23	\$ 14.05	\$ 13.43	\$ 12.64	\$ 1.57	\$ 3.16
Other Operating Measures⁽²⁾:							
Pre-tax pre-provision net revenue (PPNR)	\$ 8,470	\$ 7,095	\$ 8,418	\$ 9,055	\$ 7,923	\$ 1,375	\$ 547
PPNR ROAA	1.68%	1.44%	1.70%	1.97%	1.78%	0.24%	-0.10%

⁽¹⁾ 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)

⁽²⁾ Non-GAAP measure, see "GAAP to Non-GAAP Reconciliation" schedule.

On January 26, 2024, the Company completed a private placement of common stock for gross proceeds of approximately \$12.3 million resulting in an issuance of 701,442 shares of voting common stock. The Company intends to use the net proceeds from the private placement for general corporate purposes, including continued growth and maintenance of bank level regulatory capital ratios.

In February 2024, the Company sold AFS securities with an amortized cost basis of \$39.1 million, resulting in a pre-tax loss of approximately \$3.5 million. The proceeds from the sale were strategically redeployed into higher earning investments. The Company's capital ratios remain strong following this transaction, especially considering the January 2024 capital raise.

Financial Results

Income Statement

Net income was \$7.2 million for the fourth quarter of 2023, compared to net income of \$4.8 million and \$5.5 million for the third and fourth quarters of 2023 and 2022, respectively. Compared to the third quarter of 2023, the increase in net income was principally attributable to an increase in net interest income after provision for credit losses of \$2.0 million due to a higher net interest income and a lower provision for credit losses, coupled with an increase in noninterest income, primarily from BOLI of \$1.9 million; partially offset by an increase in salaries and employees benefits and income tax expense of \$1.2 million and \$273 thousand, respectively. Compared to the fourth quarter of 2022, the increase in net income was mainly attributable to a higher net interest income after provision for credit losses and noninterest income of \$1.4 million and \$2.4 million, respectively; partially offset by an increase in noninterest expense of \$2.1 million.

Interest income was \$29.3 million during the fourth quarter of 2023, compared to \$27.5 million and \$20.7 million for the third and fourth quarters of 2023 and 2022, respectively. The increase during the fourth quarter of 2023 compared to the third quarter of 2023 was principally in interest income on LHFI due to loan growth, and interest and dividends on investment securities. The increase during the fourth quarter of 2023 compared to the fourth quarter of 2022 is principally attributable to growth of the loan portfolio as well as higher yields, coupled with better yields for all other interest-earning assets categories.

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

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

	Quarterly Trends					4Q23 change vs	
	4Q23	3Q23	2Q23	1Q23	4Q22	3Q23	4Q22
Interest on cash and due from banks	\$ 113	\$ 100	\$ 67	\$ 16	\$ 16	\$ 13	\$ 97
Interest on federal funds sold and resale agreements	833	1,028	1,603	619	312	(195)	521
Interest and dividends on investment securities	3,128	2,874	2,602	2,699	2,818	254	310
Interest and fees on LHFS	1,548	1,380	1,334	825	749	168	799
Interest and fees on LHFI	23,724	22,113	21,319	19,092	16,848	1,611	6,876
Interest income	\$ 29,346	\$ 27,495	\$ 26,925	\$ 23,251	\$ 20,743	\$ 1,851	\$ 8,603

Interest expense was \$12.8 million during the fourth quarter of 2023, compared to \$11.7 million and \$4.4 million for the third and fourth quarters of 2023 and 2022, respectively. Compared to the third quarter of 2023, the increase in interest expense was principally due to a 23 basis points increase in cost of interest-bearing deposits. Compared to the same quarter last year, the increase in interest expense is principally due to higher deposit costs and an increase in average balance of interest-bearing deposits.

Higher funding costs in 2023 has been driven by the migration toward time deposits away from noninterest-bearing deposits, which helped mitigate deposit outflows industry-wide as the monetary policy tightening has had a meaningful effect on deposit mix, cost and flows in the banking industry.

Net interest income was \$16.6 million during the fourth quarter of 2023, compared to \$15.8 million and \$16.3 million for the third and fourth quarters of 2023 and 2022, respectively. Compared to the third quarter of 2023, the increase in net interest income was attributable to higher interest income, primarily in LHFI portfolio; offset by higher costs in interest-bearing deposits as discussed above. Compared to the fourth quarter of 2022, the increase in net interest income was attributable to growth in interest income as discussed above, partially offset by higher costs in interest-bearing deposits.

Net interest margin for the fourth quarter of 2023 was 3.47%, compared to 3.36% and 3.86% for the third and fourth quarters of 2023 and 2022, respectively. Compared to the third quarter of 2023, net interest margin increased by 11 basis points principally driven by a higher net interest income and a lower rate increase in interest-bearing deposits costs. Compared to the same quarter last year, net interest margin compressed by 39 basis points principally attributable to yield on interest-bearing liabilities growing at a much higher rate compared to total earning assets yields growth despite growth of total earning assets.

The cost of funds for the fourth quarter of 2023 was 279 basis points, compared to 261 and 109 basis points during the third and fourth quarters of 2023 and 2022, respectively. The cost of funds increase from the third quarter of 2023 was primarily due to higher interest-bearing deposits costs per discussed above as deposits rates are adjusted to align with the current competitive market prices. The cost of funds increase compared to the fourth quarter of 2022 was primarily driven by the growth of interest-bearing deposits and higher interest rates throughout 2023.

The cost of deposits was 269 basis points in the fourth quarter of 2023, compared to 251 and 90 basis points in the third and fourth quarters of 2023 and 2022, respectively. Compared to the third quarter of 2023, the increase was attributable to an overall increase in interest-bearing deposit costs. Compared to the fourth quarter of 2022, the increase is attributable to the growth of interest-bearing deposits coupled with rising interest rates throughout 2023.

Provision (recovery) for credit losses was (\$434) thousand during the fourth quarter of 2023, compared to \$847 thousand and \$719 thousand for the third and fourth quarters of 2023 and 2022, respectively. As previously disclosed, the Company adopted Current Expected Credit Losses ("CECL") methodology in the first quarter of 2023 which also now includes provision for credit losses for unfunded commitments and other assets. During the period, the allowance for loan credit losses was \$174 thousand; offset by recapture of allowance for credit losses ("ACL") for unfunded commitments and ACL related to AFS securities of (\$575) thousand and (\$33) thousand, respectively. Compared to the third quarter of 2023,

the decrease is primarily attributable to lower loan credit losses provision and the aforementioned recapture of credit losses during the quarter. Compared to the fourth quarter of 2022, the increase was principally attributable to adoption of the Current Expected Credit Losses (“CECL”) methodology in the first quarter of 2023 and growth of the LHFI portfolio. Net charge-offs were \$61 thousand during the fourth quarter of 2023, compared to net charge-offs of \$113 thousand in the third quarter of 2023.

Noninterest income was \$3.6 million during the fourth quarter of 2023, compared to \$1.2 million and \$1.2 million for the third and fourth quarters of 2023 and 2022, respectively. Compared to the third quarter of 2023, the increase was principally attributable to BOLI income, as noted previously, coupled with a modest increase of gains on GGL sales. Compared to the fourth quarter of 2022, the increase in noninterest income of \$2.4 million was principally in BOLI and GGL sales as well.

Noninterest expense was \$11.6 million during the fourth quarter of 2023, compared to \$10.0 million and \$9.5 million for the third and fourth quarters of 2023 and 2022, respectively. Compared to the third quarter of 2023, the increase of \$1.7 million was primarily in salaries and employees benefits of \$1.2 million, other professional fees of \$278 thousand, and net of other noninterest expense categories. Compared to the fourth quarter of 2022, the increase was in multiple categories, primarily in salaries and employees benefits of \$946 thousand, other professional fees of \$422 thousand, other noninterest expense of \$703 thousand, coupled with a modest net increase in other categories.

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

CoastalSouth Bancshares, Inc. and Subsidiary
Components of Other Noninterest Expense
(dollars in thousands)

	Quarterly Trends					4Q23 change vs	
	4Q23	3Q23	2Q23	1Q23	4Q22	3Q23	4Q22
General and administrative	\$ 217	\$ 226	\$ 217	\$ 222	\$ 88	\$ (9)	\$ 129
Marketing and business development	187	182	201	170	229	5	(42)
Other loan expense	153	164	3	177	56	(11)	97
Charitable contributions	324	8	9	9	10	316	314
Deposit related expenses	272	137	195	127	161	135	111
SBA contingency reserve	(217)	(9)	(725)	(892)	(244)	(208)	27
Other noninterest expense	678	574	544	589	611	104	67
Other noninterest expense	\$ 1,614	\$ 1,282	\$ 444	\$ 402	\$ 911	\$ 332	\$ 703

Income tax expense was \$1.7 million during the fourth quarter of 2023, compared to \$1.5 million and \$1.7 million for the third and fourth quarters of 2023 and 2022, respectively. Compared to the third quarter of 2023, the increase was attributable to an increase in taxable income. Compared to the fourth quarter of 2022, income tax expense remained relatively flat. Effective tax rates were 19.6% and 23.6% for the fourth and third quarters of 2023, respectively, and 23.6% for the fourth quarter of 2022. The decrease in effective tax rate from the third quarter of 2023 was due to the acquisition of tax credits.

Balance Sheet

Total assets as of December 31, 2023 were \$2.029 billion, grew from \$1.998 billion at September 30, 2023, and up from \$1.835 billion at December 31, 2022. The increase of \$30.4 million as compared to the prior quarter was primarily attributable to growth in LHFI and BOLI during the quarter.

Cash and cash equivalents at December 31, 2023 was \$48.6 million, down from \$81.5 million at September 30, 2023, and up from \$29.0 million at December 31, 2022. Cash and cash equivalents decreased as the federal funds sold was deployed to interest-earning assets during the quarter.

Investment securities at December 31, 2023 were \$363.4 million, compared to \$345.7 million at September 30, 2023, and \$371.5 million at December 31, 2022. Compared to September 30, 2023 and December 31, 2022, investment securities increased \$17.7 million and decreased \$8.1 million, respectively.

Total gross loans held-for-investment at December 31, 2023 were \$1.418 billion, up from \$1.403 billion at September 30, 2023, and up from \$1.299 billion at December 31, 2022. Loans held-for-investment grew during the quarter as core LHFI increased by \$18.2 million; offset by a decrease in acquired LHFI of \$2.7 million. Compared to December 31, 2022, core LHFI increased by \$136.9 million; offset by a decrease in acquired LHFI of \$17.1 million. Total loans held-for-sale ("LHFS") at December 31, 2023 were \$82.1 million, compared to \$73.3 million at September 30, 2023, and \$44.5 million at December 31, 2022. The general increase or decrease for the LHFS balances compared to other periods was due to changes in demand for mortgage loans during the quarter.

Allowance for credit losses ("ACL") and allowance for loan losses ("ALL") at December 31, 2023 was \$19.4 million of ACL, compared to \$19.9 million at September 30, 2023 of ACL under the CECL methodology, and \$12.4 million of ALL at December 31, 2022. At December 31, 2023, the ACL was comprised of \$15.5 million in allowance for loan credit losses, and \$3.9 million in allowance for unfunded commitments credit losses, which is included in other liabilities on the balance sheet. There was no allowance for AFS securities credit losses as of December 31, 2023. The decrease during the fourth quarter of 2023 compared to the third quarter of 2023 was principally due to the recapture of credit losses for the unfunded commitments and AFS securities credit losses. Compared to the fourth quarter of 2022, the increase was principally attributable to the change of methodology for measuring expected losses from incurred loss model to CECL model and the continued growth in the loan portfolio. Total allowance for loan credit losses to total LHFI was 1.09% at December 31, 2023, similar to 1.09% at September 30, 2023, and compared to 0.95% at December 31, 2022.

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

<i>Dollars in thousands</i>	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Components of the Allowance for Credit Losses Under CECL				
Loans held-for-investment (LHFI)	\$ 15,465	\$ 15,352	\$ 15,008	\$ 14,029
Off-balance sheet credit exposures	3,916	4,491	4,091	4,211
LHFI and off-balance sheet credit exposures	\$ 19,381	\$ 19,843	\$ 19,099	\$ 18,240
Other (other assets and securities)	-	33	43	-
Total allowance for credit losses (ACL)	<u>\$ 19,381</u>	<u>\$ 19,876</u>	<u>\$ 19,142</u>	<u>\$ 18,240</u>

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

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

Risk Rating	Quarterly Trends					4Q23 change vs	
	4Q23	3Q23	2Q23	1Q23	4Q22	3Q23	4Q22
Pass	\$ 1,369,275	\$ 1,355,745	\$ 1,325,905	\$ 1,313,564	\$ 1,283,131	\$ 13,530	\$ 86,144
Special mention	26,184	31,927	16,024	6,423	2,984	(5,743)	23,200
Substandard	22,966	15,179	10,658	12,702	12,488	7,787	10,478
Total LHFI	<u>\$ 1,418,425</u>	<u>\$ 1,402,851</u>	<u>\$ 1,352,587</u>	<u>\$ 1,332,689</u>	<u>\$ 1,298,603</u>	<u>\$ 15,574</u>	<u>\$ 119,822</u>

Nonaccrual loans decreased by approximately \$2.9 million to \$4.3 million at December 31, 2023 from \$7.3 million at September 30, 2023 primarily due to a large payoff of \$3.4 million; offset by net new nonaccrual loans during the quarter as previously discussed. There were no reportable loans to borrowers with financial difficulty as of December 31, 2023. Total nonperforming loans to gross LHFI outstanding was 0.31% at December 31, 2023, compared to 0.52% and 0.64% at September 30, 2023, and December 31, 2022, respectively.

Nonperforming assets to total assets was 0.21% as of December 31, 2023, a decrease by 17 basis points from 0.38% at September 30, 2023, and decreased by 24 basis points compared to 0.45% at December 31, 2022. There was no real estate owned ("OREO") outstanding at the end fourth quarter of 2023 compared to \$243 thousand at the end of the third quarter of 2023. Compared to the third quarter of 2023, OREO decrease of was due to liquidation of OREO properties.

Total deposits at December 31, 2023 were \$1.751 billion, a decrease from \$1.789 billion at September 30, 2023, and from \$1.549 billion at December 31, 2022. The decrease from September 30, 2023 was attributable to decreases in savings and money market accounts, and interest and noninterest-bearing demand deposit accounts, partially offset by an increase certificate of deposits accounts. Noninterest-bearing deposits accounted for 18.6% of total deposits, compared to 18.9% of total deposits at

September 30, 2023, and 27.4% at December 31, 2022. The 2023 industry disruption has contributed to the decrease in noninterest-bearing deposits but has not been meaningful to the overall balance sheet or deposit composition. Noninterest-bearing deposits has declined as the customers continued to move their deposits into interest-earning accounts. The Company maintains a diverse and stable funding base that includes a mix of both consumer and business operational related deposits.

Subordinated debt, net of debt issuance costs, was approximately \$14.7 million at December 31, 2023 and September 30, 2023, compared to approximately \$14.6 million at December 31, 2022.

Federal Home Loan Bank ("FHLB") advances were \$50.0 million at December 31, 2023, compared to nil and \$108.0 million at September 30, 2023 and December 31, 2022, respectively.

Bank Term Funding Program ("BTFP") advances via the Federal Reserve Bank was nil as of December 31, 2023. The Company enrolled in BTFP program when it became available in March 2023.

Revolving commercial line of credit ("LOC") net of debt issuance costs, was approximately \$24.0 million at December 31, 2023, compared to \$18.0 million at September 30, 2023 and December 31, 2022. The LOC was opened to provide the Company with the ability to downstream additional capital to the Bank and had total capacity of \$24.0 million as of December 31, 2023.

Accumulated other comprehensive loss was \$19.5 million at December 31, 2023, compared to \$27.2 million and \$26.7 million at September 30, 2023 and December 31, 2022, respectively. This has been negatively affected by unrealized losses on the Company's AFS securities attributed to the rising interest rate environment as discussed above.

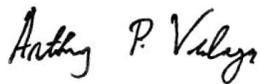
Shareholders' equity was \$156.0 million as of December 31, 2023, compared to \$140.9 million as of September 30, 2023. The increase was primarily attributable to the period earnings of \$7.2 million, changes in accumulated other comprehensive loss of \$7.7 million, and an increase in capital surplus \$286 thousand.

Tangible book value per share at December 31, 2023 was \$15.80, compared to \$14.23 at September 30, 2023. Tangible book value increased due to current period earnings coupled with a reduction of unrealized losses on AFS securities as discussed above. CSB is currently well capitalized with a leverage ratio of 9.94%, a common equity tier 1 capital ratio of 11.52%, and a total risk-based capital ratio of 12.36%.

Detailed Results

Supplementary unaudited financial statements are included for the fourth quarter of 2023 in the following pages. As always, I encourage you to contact me with any questions or comments.

Sincerely,



Anthony P. Valduga
CFO / COO

FORWARD-LOOKING STATEMENTS

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

Explanation of Certain Unaudited Non-GAAP Financial Measures

This presentation contains financial information determined by methods other than Generally Accepted Accounting Principles (“GAAP”). Management uses these non-GAAP financial measures in its analysis of the Company’s performance and believes these presentations provide useful supplemental information, and a clearer understanding of the Company’s performance. The Company believes the non-GAAP measures enhance investors’ understanding of the Company’s business and performance and if not provided would be requested by the investor community. These measures are also useful in understanding performance trends and facilitate comparisons with the performance of other financial institutions. The limitations associated with operating measures are the risk that persons might disagree

as to the appropriateness of items comprising these measures and that different companies might define or calculate these measures differently. The Company provides reconciliations between GAAP and these non-GAAP measures. These disclosures should not be considered an alternative to GAAP.

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

	4Q23		3Q23		2Q23		1Q23		4Q22		4Q23 change vs			
											3Q23	4Q22		
Assets														
Cash and due from banks	\$	19,601	\$	14,140	\$	18,124	\$	12,232	\$	19,325	\$	5,461	\$	276
Federal funds sold and resell agreements		28,952		67,347		71,596		176,707		9,639		(38,395)		19,313
Investment securities (ACL \$0, \$33 and \$43 for 4Q23, 3Q23 and 2Q23, respectively)		363,404		345,740		350,145		356,058		371,517		17,664		(8,113)
Loans held for sale (LHFS)		82,125		73,251		81,692		55,957		44,500		8,874		37,625
Loans held for investment (LHFI)		1,418,425		1,402,851		1,352,587		1,332,689		1,298,603		15,574		119,822
Allowance for credit losses ⁽¹⁾		(15,465)		(15,352)		(15,008)		(14,029)		(12,362)		(113)		(3,103)
Loans held for investment, net		1,402,960		1,387,499		1,337,579		1,318,660		1,286,241		15,461		116,719
Bank-owned life insurance		44,887		30,353		30,152		29,961		29,772		14,534		15,115
Premises, furniture and equipment, net		17,711		18,029		18,325		18,500		18,690		(318)		(979)
Deferred tax asset		21,242		22,487		21,284		21,301		21,800		(1,245)		(558)
Goodwill & intangible assets ⁽²⁾		6,463		6,576		6,804		6,996		6,867		(113)		(404)
Other real estate owned		-		243		243		-		-		(243)		-
Other assets		41,254		32,530		27,552		26,504		27,127		8,724		14,127
Total assets	\$	2,028,599	\$	1,998,195	\$	1,963,496	\$	2,022,876	\$	1,835,478	\$	30,404	\$	193,121
Liabilities and stockholders' equity														
Liabilities														
Deposits														
Noninterest bearing DDA	\$	325,400	\$	338,517	\$	353,856	\$	375,992	\$	424,490	\$	(13,117)	\$	(99,090)
Interest bearing DDA		174,380		196,154		173,792		159,832		163,123		(21,774)		11,257
Savings and money market		608,079		648,243		611,374		595,313		576,615		(40,164)		31,464
Certificates of deposit		642,798		606,281		619,762		601,375		384,418		36,517		258,380
Total deposits		1,750,657		1,789,195		1,758,784		1,732,512		1,548,646		(38,538)		202,011
Federal Home Loan Bank advances		50,000		-		-		95,000		108,044		50,000		(58,044)
Subordinated debt, net		14,682		14,670		14,658		14,646		14,634		12		48
Revolving commercial line of credit, net		23,990		18,000		18,000		18,000		18,000		5,990		5,990
Other liabilities		33,227		35,466		32,812		29,414		27,357		(2,239)		5,870
Total liabilities		1,872,556		1,857,331		1,824,254		1,889,572		1,716,681		15,225		155,875
Stockholders' equity														
Voting common stock		7,368		7,350		7,350		7,345		6,894		18		474
Nonvoting common stock		2,172		2,172		2,172		2,172		2,065		-		107
Capital surplus		145,944		145,658		145,358		145,074		136,599		286		9,345
Accumulated income (deficit)		20,090		12,933		8,159		2,372		(86)		7,157		20,176
Accumulated other comprehensive loss		(19,531)		(27,249)		(23,797)		(23,659)		(26,675)		7,718		7,144
Total stockholders' equity		156,043		140,864		139,242		133,304		118,797		15,179		37,246
Total liabilities and stockholders' equity	\$	2,028,599	\$	1,998,195	\$	1,963,496	\$	2,022,876	\$	1,835,478	\$	30,404	\$	193,121
Capital ratios ⁽³⁾														
Leverage ratio		9.94%		9.51%		9.08%		9.34%		8.97%		0.43%		0.96%
CET1 risk-based capital ratio		11.52		11.03		10.99		10.71		9.99		0.49		1.53
Tier 1 risk-based capital ratio		11.52		11.03		10.99		10.71		9.99		0.49		1.53
Total risk-based capital ratio		12.36		11.92		11.85		11.50		10.77		0.45		1.60

⁽¹⁾ 2023 reflects the impact of adopting the CECL standard and our transition from an incurred loss model for these reserves to an expected credit loss methodology.

⁽²⁾ Includes commercial mortgage servicing assets of \$1,125, \$1,184, \$1,357, \$1,491, and \$1,302 for 4Q23, 3Q23, 2Q23, 1Q23, and 4Q22, respectively.

⁽³⁾ 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)

	4Q23	3Q23	2Q23	1Q23	4Q22	4Q23 change vs	
						3Q23	4Q22
Interest income							
Interest on cash and due from banks	\$ 113	\$ 100	\$ 67	\$ 16	\$ 16	\$ 13	\$ 97
Interest on federal funds sold and resell agreements	833	1,028	1,603	619	312	(195)	521
Interest and dividends on investment securities	3,128	2,874	2,602	2,699	2,818	254	310
Interest and fees on LHFS	1,548	1,380	1,334	825	749	168	799
Interest and fees on LHFI	23,724	22,113	21,319	19,092	16,848	1,611	6,876
Total interest income	29,346	27,495	26,925	23,251	20,743	1,851	8,603
Interest expense							
Deposits	11,995	11,065	9,815	6,425	3,476	930	8,519
Other borrowings	787	625	737	1,274	972	162	(185)
Total interest expense	12,782	11,690	10,552	7,699	4,448	1,092	8,334
Net interest income	16,564	15,805	16,373	15,552	16,295	759	269
(Recovery) provision for credit losses	(434)	847	920	210	719	(1,281)	(1,153)
Net interest income after provision for credit losses	16,998	14,958	15,453	15,342	15,576	2,040	1,422
Noninterest income							
Mortgage banking related income	220	224	236	232	306	(4)	(86)
Interchange and card fee income	234	256	267	288	251	(22)	(17)
Service charges on deposit accounts	215	190	182	168	227	25	(12)
Bank-owned life insurance	2,099	201	191	189	184	1,898	1,915
Gain on sale of government guaranteed loans	412	-	18	930	97	412	315
Gain on hedge termination	-	-	-	992	-	-	-
Securities loss, net	-	-	-	(517)	-	-	-
Other noninterest income	373	376	365	253	99	(3)	274
Total noninterest income	3,553	1,247	1,259	2,535	1,164	2,306	2,389
Noninterest expense							
Salaries and employee benefits	6,911	5,722	5,953	5,987	5,965	1,189	946
Occupancy and equipment	692	737	744	748	789	(45)	(97)
Data processing	458	542	549	531	525	(84)	(67)
Other professional fees	973	695	492	561	551	278	422
Software and other technology expense	636	593	582	523	513	43	123
Regulatory assessment	363	386	450	280	282	(23)	81
Other noninterest expense	1,614	1,282	444	402	911	332	703
Total noninterest expense	11,647	9,957	9,214	9,032	9,536	1,690	2,111
Net income before taxes	8,904	6,248	7,498	8,845	7,204	2,656	1,700
Income tax expense	1,747	1,474	1,711	2,085	1,700	273	47
Net income	\$ 7,157	\$ 4,774	\$ 5,787	\$ 6,760	\$ 5,504	\$ 2,383	\$ 1,653
Earnings per share - basic	\$ 0.75	\$ 0.50	\$ 0.61	\$ 0.75	\$ 0.62	\$ 0.25	\$ 0.13
Earnings per share - diluted	\$ 0.75	\$ 0.49	\$ 0.60	\$ 0.74	\$ 0.61	\$ 0.26	\$ 0.14
Tangible book value	\$ 150,705	\$ 135,472	\$ 133,795	\$ 127,799	\$ 113,232	\$ 15,232	\$ 37,472
Tangible book value per share	\$ 15.80	\$ 14.23	\$ 14.05	\$ 13.43	\$ 12.64	\$ 1.57	\$ 3.16
Shares outstanding	9,539,929	9,522,329	9,522,329	9,517,329	8,959,374	17,600	580,555
Weighted average shares - basic	9,522,712	9,522,329	9,519,069	8,962,444	8,925,490	383	597,222
Weighted average shares - diluted	9,642,500	9,607,565	9,624,037	9,120,777	9,039,796	34,935	602,704

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

	Twelve Months Ended December 31,		Change
	2023	2022	
Interest income			
Interest on cash and due from banks	\$ 296	\$ 40	\$ 256
Interest on federal funds sold and resell agreements	4,083	1,091	2,992
Interest and dividends on investment securities	11,303	9,087	2,216
Interest and fees on LHFS	5,087	3,779	1,308
Interest and fees on LHFI	86,248	52,586	33,662
Total interest income	<u>107,017</u>	<u>66,583</u>	<u>40,434</u>
Interest expense			
Deposits	39,300	7,381	31,919
Other borrowings	3,423	2,241	1,182
Total interest expense	<u>42,723</u>	<u>9,622</u>	<u>33,101</u>
Net interest income	64,294	56,961	7,333
Provision for credit losses	1,543	5,078	(3,535)
Net interest income after provision for credit losses	<u>62,751</u>	<u>51,883</u>	<u>10,868</u>
Noninterest income			
Mortgage banking related income	912	1,654	(742)
Interchange and card fee income	1,045	1,377	(332)
Service charges on deposit accounts	755	783	(28)
Bank-owned life insurance	2,680	733	1,947
Gain on sale of government guaranteed loans	1,360	1,877	(517)
Gain on hedge termination	992	-	992
Securities loss, net	(517)	-	(517)
Other noninterest income	1,367	766	601
Total noninterest income	<u>8,594</u>	<u>7,190</u>	<u>1,404</u>
Noninterest expense			
Salaries and employee benefits	24,573	23,390	1,183
Occupancy and equipment	2,921	2,674	247
Data processing	2,080	2,097	(17)
Other professional fees	2,721	2,218	503
Software and other technology expense	2,334	1,905	429
Regulatory assessment	1,479	1,157	322
Other noninterest expense	3,742	1,800	1,942
Total noninterest expense	<u>39,850</u>	<u>35,241</u>	<u>4,609</u>
Net income before taxes	31,495	23,832	7,663
Income tax expense	7,017	5,642	1,375
Net income	\$ 24,478	\$ 18,190	\$ 6,288
Earnings per share - basic	\$ 2.61	\$ 2.09	\$ 0.52
Earnings per share - diluted	\$ 2.58	\$ 2.05	\$ 0.52
Shares outstanding	9,539,929	8,959,374	580,555
Weighted average shares - basic	9,383,559	8,707,535	676,024
Weighted average shares - diluted	9,504,685	8,853,544	651,141

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

	Quarterly trend					4Q23 change vs	
	4Q23	3Q23	2Q23	1Q23	4Q22	3Q23	4Q22
Average balances							
Cash and cash equivalents	\$ 18,170	\$ 20,945	\$ 17,551	\$ 14,727	\$ 14,164	\$ (2,775)	\$ 4,006
Federal funds sold and resell agreements	57,141	64,816	119,318	51,965	25,966	(7,675)	31,175
Investment securities	347,037	349,477	351,901	360,114	371,670	(2,440)	(24,633)
Loans held for sale	62,895	61,043	60,970	35,875	31,977	1,852	30,918
Loans held for investment	1,409,576	1,371,079	1,343,441	1,307,880	1,230,266	38,497	179,310
Total earning assets	1,894,819	1,867,360	1,893,181	1,770,561	1,674,043	27,459	220,776
Total nonearning assets	101,977	88,753	87,908	90,175	88,739	13,224	13,238
Total assets	<u>\$ 1,996,796</u>	<u>\$ 1,956,113</u>	<u>\$ 1,981,089</u>	<u>\$ 1,860,736</u>	<u>\$ 1,762,782</u>	<u>\$ 40,683</u>	<u>\$ 234,014</u>
Interest-bearing deposits	\$ 1,420,524	\$ 1,407,355	\$ 1,411,267	\$ 1,203,070	\$ 1,093,428	\$ 13,169	\$ 327,096
Other borrowings	43,857	32,665	47,377	113,399	96,312	11,192	(52,455)
Total interest bearing liabilities	1,464,381	1,440,020	1,458,644	1,316,469	1,189,740	24,361	274,641
Noninterest-bearing deposits	350,821	339,707	352,903	391,829	432,809	11,114	(81,988)
Other liabilities	36,425	34,911	32,218	31,859	25,718	1,514	10,707
Stockholders' equity	145,169	141,475	137,324	120,579	114,515	3,694	30,654
Total liabilities and stockholders' equity	<u>\$ 1,996,796</u>	<u>\$ 1,956,113</u>	<u>\$ 1,981,089</u>	<u>\$ 1,860,736</u>	<u>\$ 1,762,782</u>	<u>\$ 40,683</u>	<u>\$ 234,014</u>
Interest margins							
Cash and due from banks	2.47%	1.89%	1.53%	0.44%	0.45%	0.58%	2.02%
Federal funds sold and resell agreements	5.78%	6.29%	5.39%	4.83%	4.77%	-0.51%	1.01%
Investment securities	3.58%	3.26%	2.97%	3.04%	3.01%	0.32%	0.57%
LHFS	9.76%	8.96%	8.79%	9.33%	9.29%	0.80%	0.47%
LHFI	6.68%	6.40%	6.37%	5.92%	5.43%	0.28%	1.25%
Total earning assets	<u>6.14%</u>	<u>5.84%</u>	<u>5.70%</u>	<u>5.33%</u>	<u>4.92%</u>	<u>0.30%</u>	<u>1.22%</u>
Interest-bearing deposits	3.35%	3.12%	2.79%	2.17%	1.26%	0.23%	2.09%
Other borrowings	7.12%	7.59%	6.24%	4.56%	4.00%	-0.47%	3.12%
Total interest-bearing liabilities	<u>3.46%</u>	<u>3.22%</u>	<u>2.90%</u>	<u>2.37%</u>	<u>1.48%</u>	<u>0.24%</u>	<u>1.98%</u>
Cost of total deposits ⁽¹⁾	2.69%	2.51%	2.23%	1.63%	0.90%	0.18%	1.79%
Cost of total funding ⁽¹⁾	2.79%	2.61%	2.34%	1.83%	1.09%	0.18%	1.70%
Net interest spread	2.68%	2.62%	2.80%	2.96%	3.44%	0.06%	-0.76%
Net interest margin	3.47%	3.36%	3.47%	3.56%	3.86%	0.11%	-0.39%
Yield on total loans	6.81%	6.51%	6.47%	6.01%	5.53%	0.30%	1.28%
Efficiency ratio	57.90%	58.39%	52.26%	49.94%	54.62%	-0.49%	3.28%

⁽¹⁾ Includes noninterest-bearing deposits.

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

	4Q23			3Q23			4Q22		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Assets									
Earning assets:									
Cash and due from banks	\$ 18,170	\$ 113	2.47%	\$ 20,945	\$ 100	1.89%	\$ 14,164	\$ 16	0.45%
Federal funds sold and resell agreements	57,141	833	5.78%	64,816	1,028	6.29%	25,966	312	4.77%
Investment securities	347,037	3,128	3.58%	349,477	2,874	3.26%	371,670	2,818	3.01%
Loans held for sale	62,895	1,548	9.76%	61,043	1,380	8.97%	31,977	749	9.29%
Loans held for investment	1,409,576	23,724	6.68%	1,371,079	22,113	6.40%	1,230,266	16,848	5.43%
Total earning assets	1,894,819	29,346	6.14%	1,867,360	27,495	5.84%	1,674,043	20,743	4.92%
Allowance for credit losses ⁽¹⁾	(15,345)			(15,391)			(12,067)		
Bank-owned life insurance	35,371			30,239			29,668		
Premises, furniture and equipment, net	17,910			18,261			18,504		
Deferred tax asset	22,340			21,546			21,256		
Goodwill & intangible assets	6,550			6,709			7,090		
Other real estate owned	8			243			391		
Other assets	35,143			27,146			23,897		
Total assets	<u>\$ 1,996,796</u>			<u>\$ 1,956,113</u>			<u>\$ 1,762,782</u>		
Interest-bearing deposits	1,420,524	11,995	3.35%	1,407,355	11,065	3.12%	1,093,428	3,476	1.26%
Federal Home Loan Bank advances	10,925	154	5.59%	-	-	0.00%	71,249	552	3.07%
Revolving commercial line of credit, net	18,257	398	8.65%	18,000	390	8.60%	10,435	185	7.03%
Subordinated debt, net	14,676	235	6.35%	14,665	235	6.36%	14,628	235	6.37%
Total interest-bearing liabilities	1,464,382	12,782	3.46%	1,440,020	11,690	3.22%	1,189,740	4,448	1.48%
Noninterest-bearing deposits	350,821			339,707			432,809		
Other liabilities	36,424			34,911			25,718		
Stockholders' equity	145,169			141,475			114,515		
Total liabilities and stockholders' equity	<u>\$ 1,996,796</u>			<u>\$ 1,956,113</u>			<u>\$ 1,762,782</u>		
Interest margins									
Cost of total deposits ⁽²⁾		2.69%			2.51%			0.90%	
Cost of total funding ⁽²⁾		2.79%			2.61%			1.09%	
Net interest spread		2.68%			2.62%			3.44%	
Net interest margin		3.47%			3.36%			3.86%	
Efficiency ratio		57.90%			58.39%			54.62%	

⁽¹⁾ 2023 reflects the impact of adopting the CECL standard and our transition from an incurred loss model for these reserves to an expected credit loss methodology.

⁽²⁾ Includes noninterest bearing deposits.

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

	Twelve Months Ended December 31, 2023			Twelve Months Ended December 31, 2022		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets						
Earning assets:						
Cash and due from banks	\$ 17,866	\$ 296	1.66%	\$ 15,432	\$ 40	0.26%
Federal funds sold and resell agreements	73,301	4,083	5.57%	86,522	1,091	1.26%
Investment securities	352,089	11,303	3.21%	371,332	9,088	2.45%
Loans held for sale	55,286	5,087	9.20%	49,823	3,779	7.58%
Loans held for investment	1,358,308	86,248	6.35%	1,089,053	52,586	4.83%
Total earning assets	1,856,850	107,017	5.76%	1,612,162	66,584	4.13%
Allowance for credit losses ⁽¹⁾	(14,798)			(10,055)		
Bank-owned life insurance	31,386			29,379		
Premises, furniture and equipment, net	18,314			17,889		
Deferred tax asset	21,925			18,337		
Goodwill & intangible assets	6,772			7,340		
Other real estate owned	81			540		
Other assets	28,547			17,759		
Total assets	<u>\$ 1,949,077</u>			<u>\$ 1,693,351</u>		
Interest-bearing deposits	1,361,278	39,300	2.89%	1,067,530	7,381	0.69%
Federal Reserve Bank BTFP	329	15	4.56%	-	-	0.00%
Federal Home Loan Bank advances	26,009	959	3.69%	35,136	788	2.24%
Revolving commercial line of credit, net	18,065	1,508	8.35%	10,110	513	5.07%
Subordinated debt, net	14,658	940	6.41%	14,610	940	6.43%
Total interest-bearing liabilities	1,420,339	42,722	3.01%	1,127,386	9,622	0.85%
Noninterest bearing deposits	358,650			427,366		
Other liabilities	33,869			21,221		
Stockholders' equity	136,219			117,378		
Total liabilities and stockholders' equity	<u>\$ 1,949,077</u>			<u>\$ 1,693,351</u>		
Interest margins						
Cost of total deposits ⁽²⁾		2.28%			0.49%	
Cost of total funding ⁽²⁾		2.40%			0.62%	
Net interest spread		2.76%			3.28%	
Net interest margin		3.46%			3.53%	
Efficiency ratio		54.67%			54.93%	

⁽¹⁾ Current year reflects the impact of adopting the CECL standard and our transition from an incurred loss model for these reserves to an expected credit loss methodology.

⁽²⁾ Includes noninterest bearing deposits.

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

	4Q23 change vs						
	4Q23	3Q23	2Q23	1Q23	4Q22	3Q23	4Q22
Loans Held-for-Investment ("LHFI")							
Commercial Loans							
Acquisition, development and construction	\$ 124,406	\$ 112,648	\$ 92,520	\$ 98,037	\$ 85,283	11,758	39,123
Income producing CRE	264,043	256,951	250,017	233,706	235,855	7,092	28,188
Owner-occupied CRE	92,007	92,577	94,353	98,997	105,277	(570)	(13,270)
Senior housing	250,593	263,169	267,903	272,539	249,974	(12,576)	619
Commercial and industrial	139,795	126,782	104,103	113,288	112,398	13,013	27,397
Retail Loans							
Marine vessels	266,197	270,136	252,669	220,626	203,039	(3,939)	63,158
Residential mortgages	146,220	142,986	139,370	135,990	137,035	3,234	9,185
Cash value life insurance LOC	112,457	116,238	129,893	137,186	146,390	(3,781)	(33,933)
Other consumer	22,707	21,364	21,759	22,320	23,352	1,343	(645)
Total loans held-for-investment	\$ 1,418,425	\$ 1,402,851	\$ 1,352,587	\$ 1,332,689	\$ 1,298,603	\$ 15,574	\$ 119,822
Core LHFI	1,340,364	1,322,135	1,269,425	1,240,625	1,203,450	18,229	136,914
Acquired LHFI ⁽¹⁾	78,061	80,716	83,162	92,064	95,153	(2,655)	(17,092)
Total loans held-for-investment	\$ 1,418,425	\$ 1,402,851	\$ 1,352,587	\$ 1,332,689	\$ 1,298,603	\$ 15,574	\$ 119,822
Total loans held for sale	82,125	73,251	81,692	55,957	44,500	8,874	37,625
Total allowance for credit losses ⁽²⁾	15,465	15,352	15,008	14,029	12,362	113	3,103
Nonperforming Assets							
Nonaccrual loans	4,338	7,278	7,193	9,757	5,495	(2,940)	(1,157)
Past due loans 90 days and still accruing	-	18	-	1,968	2,584	(18)	(2,584)
Loan modifications to borrowers with financial difficulty ⁽³⁾	-	-	-	-	194	-	(194)
Total nonperforming loans	4,338	7,296	7,193	11,725	8,273	(2,958)	(3,935)
Other real estate owned	-	243	243	-	-	(243)	-
Total nonperforming assets	\$ 4,338	\$ 7,539	\$ 7,436	\$ 11,725	\$ 8,273	\$ (3,183)	\$ (1,351)
Credit Analysis							
QTD net charge-offs (recoveries)	\$ 61	\$ 113	\$ 18	\$ 517	\$ (18)	\$ (52)	\$ 79
Net charge-offs (recoveries) to total LHFI	0.02%	0.03%	0.01%	0.16%	-0.01%	-0.01%	0.02%
Total allowance for credit losses to total LHFI ⁽²⁾	1.09%	1.09%	1.11%	1.05%	0.95%	0.00%	0.14%
Nonperforming loans to gross LHFI	0.31%	0.52%	0.53%	0.88%	0.64%	-0.21%	-0.33%
Nonperforming assets to total assets	0.21%	0.38%	0.38%	0.58%	0.45%	-0.17%	-0.24%

⁽¹⁾ Includes loans acquired through business combinations.

⁽²⁾ Current year reflects the impact of adopting the CECL standard and our transition from an incurred loss model to an expected credit loss methodology.

⁽³⁾ Prior to 1/1/2023, the figures reflect cumulative TDRs but now reflects loans to borrowers with financial difficulty under ASU 2022-02 in the trailing 12 months.

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

<i>Three months ended - dollars in thousands</i>	ACL				ALL
	4Q23	3Q23	2Q23	1Q23	4Q22
Allowance for Credit Losses (ACL) and Allowance for Loan Losses (ALL)					
Beginning balance	\$ 15,352	\$ 15,008	\$ 14,029	\$ 12,362	\$ 11,625
Adoption of ASU 2016-03 ⁽¹⁾				1,666	
Charge-offs:					
Commercial Loans					
Income producing CRE	-	-	(82)	-	-
Commercial and industrial	(62)	-	-	(281)	-
Retail Loans					
Residential mortgages	-	-	-	(194)	-
Marine vessels	-	-	(5)	-	-
Other consumer	(18)	(137)	-	(57)	(5)
Total charge-offs	(80)	(137)	(87)	(532)	(5)
Recoveries:					
Commercial Loans					
Income producing CRE	-	-	17	-	-
Commercial and industrial	4	5	6	5	2
Retail Loans					
Residential mortgages	3	16	9	10	14
Other consumer	12	3	37	-	7
Total recoveries	19	24	69	15	23
Total net (charge-offs)/recoveries:	(61)	(113)	(18)	(517)	18
Provision for loan credit losses	174	457	997	518	719
Ending balance	<u>\$ 15,465</u>	<u>\$ 15,352</u>	<u>\$ 15,008</u>	<u>\$ 14,029</u>	<u>\$ 12,362</u>
Allowance for credit losses - Off-balance sheet credit exposures					
Beginning balance	\$ 4,491	\$ 4,091	\$ 4,211	\$ -	
Adoption of ASU 2016-03 ⁽¹⁾	-	-	-	4,519	
Provision for (recapture of) credit losses ⁽²⁾	(575)	400	(120)	(308)	
Ending balance	<u>\$ 3,916</u>	<u>\$ 4,491</u>	<u>\$ 4,091</u>	<u>\$ 4,211</u>	
Allowance for credit losses: loans and off-balance sheet credit exposures	<u>\$ 19,381</u>	<u>\$ 19,843</u>	<u>\$ 19,099</u>	<u>\$ 18,240</u>	

⁽¹⁾ Impact of ASU 2016-03 CECL adoption.

⁽²⁾ Change in provision for unfunded commitments credit losses.

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

	Quarterly Trends				
	4Q23	3Q23	2Q23	1Q23	4Q22
Net Income	7,157	4,774	5,787	6,760	5,504
Provision for credit losses	(434)	847	920	210	719
Provision for income taxes	1,747	1,474	1,711	2,085	1,700
Pre-tax pre-provision net revenue (PPNR)	\$ 8,470	\$ 7,095	\$ 8,418	\$ 9,055	\$ 7,923
Average assets	\$ 1,996,796	\$ 1,956,113	\$ 1,981,089	\$ 1,860,736	\$ 1,762,782
Average goodwill & intangible assets	(6,550)	(6,709)	(6,899)	(6,934)	(7,090)
Average commercial mortgage servicing rights	1,185	1,289	1,424	1,401	1,494
Average tangible assets	\$ 1,991,431	\$ 1,950,693	\$ 1,975,614	\$ 1,855,203	\$ 1,757,186
Average stockholders' equity	\$ 145,169	\$ 141,475	\$ 137,324	\$ 120,579	\$ 114,515
Average goodwill & intangible assets	(6,550)	(6,709)	(6,899)	(6,934)	(7,090)
Average commercial mortgage servicing rights	1,185	1,289	1,424	1,401	1,494
Average tangible common equity	\$ 139,804	\$ 136,055	\$ 131,849	\$ 115,046	\$ 108,919
Total assets	\$ 2,028,599	\$ 1,998,195	\$ 1,963,496	\$ 2,022,876	\$ 1,835,478
Goodwill & intangible assets	(6,463)	(6,576)	(6,804)	(6,996)	(6,867)
Commercial mortgage servicing rights	1,125	1,184	1,357	1,491	1,302
Tangible assets	\$ 2,023,261	\$ 1,992,803	\$ 1,958,049	\$ 2,017,371	\$ 1,829,913
Stockholders' equity	\$ 156,043	\$ 140,864	\$ 139,242	\$ 133,304	\$ 118,797
Goodwill & intangible assets	(6,463)	(6,576)	(6,804)	(6,996)	(6,867)
Commercial mortgage servicing rights	1,125	1,184	1,357	1,491	1,302
Tangible common equity	\$ 150,705	\$ 135,472	\$ 133,795	\$ 127,799	\$ 113,232