



March 14, 2025

To our Shareholders:

CoastalSouth Bancshares, Inc. (the "Company") is pleased to announce net income of \$5.7 million, or \$0.54 per diluted share, for the fourth quarter of 2024, compared to \$7.9 million net income, or \$0.75 per diluted share, for the third quarter of 2024, and \$7.2 million net income, or \$0.75 per diluted share for the comparable quarter last year.

For the twelve months ended December 31, 2024, net income was \$21.9 million, or \$2.09 per diluted share, compared to net income of \$24.5 million, or \$2.58 per diluted share for the twelve months ended December 31, 2023. The twelve months ended December 31, 2024 was impacted by a loss on the sale of available-for-sale ("AFS") securities during the first quarter of 2024 of approximately \$2.7 million, net of tax, due to a strategic repositioning of the AFS portfolio. When adjusting for the impact of the sale of securities in 1Q24, earnings per share for the twelve months ended December 31, 2024 was \$2.35 per diluted share.

#### **Highlights for the Fourth Quarter of 2024**

- **Total assets of \$2.099 billion**
- **Total deposits of \$1.835 billion, an increase of \$27.5 million from the prior quarter**
- **Net income of \$5.7 million, or \$0.54 diluted earnings per share ("diluted EPS")**
- **Quarterly annualized ROAA of 1.07%**
- **Net interest margin of 3.21%**
- **Efficiency ratio of 56.70%**

#### **Highlights for the Year Ended December 31, 2024**

- **Total assets of \$2.099 billion compared to \$2.029 billion at December 31, 2023**
- **Net income of \$21.9 million compared to \$24.5 million for the year ended December 31, 2023**
- **Adjusted net income of \$24.6 million compared to \$24.1 million for the year ended December 31, 2023<sup>1</sup>**
- **Annual ROAA of 1.05%, adjusted annual ROAA of 1.18%<sup>2</sup>**
- **Net charge-offs to total loans held for investment of 0.01%**

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<sup>1</sup> Non-GAAP measure for December 31, 2023; adjusted net income is net income less securities losses, offset with the gain on hedge termination, net of tax at a rate of 23.4%.

<sup>2</sup> Non-GAAP measure for December 31, 2023, calculated using adjusted net income divided by average total assets.

“The Company finished the year strong, with adjusted net income of \$24.6 million, after excluding the impact of our securities portfolio restructuring in the first quarter of 2024,” said Steve Stone, President and Chief Executive Officer of the Company and its wholly owned subsidiary, Coastal States Bank (“CSB” or the “Bank”). “Our financial success was achieved a disciplined approach to growth and a focus on maintaining strong net interest income performance, despite a challenging interest rate environment. Earnings were supplemented in 2024 by recurring gains on sales of GGL loans and other noninterest revenue. The cost of our interest-bearing liabilities reached its peak of 324 basis points in the third quarter of 2024 and decreased to 299 basis points during the fourth quarter of 2024. Proactively managing our cost of funds following the rate cuts in the second half of 2024 was helped us insulate our net interest margin.”

The Company recognized net income of \$5.7 million, or \$0.54 per share, for the quarter, and tangible book value per share increased from \$18.35 at September 30, 2024 to \$18.51 at December 31, 2024. The earnings during the quarter reflects the Company's strong net interest income run-rate. The fourth quarter results included \$151 thousand of gain on sale income from the sale of government guaranteed lending (“GGL”) loans compared to \$1.3 million during the third quarter of 2024. Gains on the sale of GGL loans are recognized when guarantees are available to be sold and premiums are attractive.

During the fourth quarter, loans held-for-investment (“LHFI”) decreased modestly by \$470 thousand. Overall, LHFI were modestly down by \$9.0 million, or (0.63)% year-over-year as of December 31, 2024. The Company remains focused on achieving profitable growth and not increasing loan holdings only for the sake of growth. During the first quarter of 2025, the Company has seen strong demand for LHFI, with over \$124 million in new commitments, net of new participations sold, closed through the end of February.

The Bank's total deposits excluding brokered CDs, otherwise referred to as core deposits, decreased during the fourth quarter from \$1.629 billion at September 30, 2024 to \$1.560 billion at December 31, 2024. For the quarter ended December 31, 2024, the Bank estimates that approximately \$667.4 million, or 36.4% of total deposits, excluding accrued interest, were uninsured. Of the uninsured deposits, approximately 63.4% were business accounts and 36.6% were personal accounts.

In January 2025, the Federal Open Market Committee (“FOMC” or the “Committee”) left its benchmark unchanged and indicated that “inflation remains somewhat elevated”, unemployment rate had “stabilized at a low level in recent months”, and job market conditions remain “solid.” In December 2024, the Committee lowered the target range for the federal funds rate by 25 basis points to 4.25% – 4.50%, initiating its third consecutive rate cut of 2024 despite signs that inflation is not entirely going away. The FOMC also scaled back the number of cuts it expects to make next year to three from four previously forecast in September. At its most recent meeting, the FOMC stated that “in considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will

carefully assess incoming data, the evolving outlook, and the balance of risks." Inflation remained in a stubborn sideways holding pattern, refusing to make the final descent toward the Federal Reserve's 2% target on an annual basis.

Like many other institutions, the Company's AFS securities investment portfolio previously experienced a decline in fair value driven by rapid rising interest rates. With the FOMC starting to cut rates and given improved economic environment, the rate of fair value decline has slowed, and these declines in fair values have recently started to reverse, but there is still volatility with market values 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 2024 held approximately 51.0% in floating rate securities.

The Company's ratio of nonaccrual loans to total assets increased to 0.71% as of the fourth quarter of 2024 compared to 0.39% at the end of third quarter of 2024. A 32 basis points increase in the Non-Performing Assets ("NPA") ratio occurred during the fourth quarter of 2024, increasing from 0.44% at the end of third quarter of 2024 to 0.76%. Increases in both ratios were primarily attributable to one senior housing relationship, whose operations were significantly impacted by Hurricane Helene, moving into nonaccrual status. The transfer of this loan to nonaccrual was the largest contributor to the increase to the Allowance for Credit Losses in the fourth quarter. We have worked closely with this borrower to secure additional collateral, and this borrower continues to cooperate with CSB towards an acceptable resolution of this asset. It is also important to note that 32.1%, or \$4.8 million, of our non-performing loans are guaranteed by the SBA as of December 31, 2024. The Company's net charge-offs to total LHFI ratio remains very low at 0.01% for the year ended December 31, 2024.

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					4Q24 change vs	
	4Q24	3Q24	2Q24	1Q24	4Q23	3Q24	4Q23
<b>Selected Balance Sheet Data</b>							
Total assets	\$ 2,098,712	\$ 2,129,346	\$ 2,115,547	\$ 2,050,951	\$ 2,028,599	\$ (30,634)	\$ 70,113
Total gross loans (LHFS + LHFI)	1,583,476	1,603,851	1,596,962	1,514,571	1,500,550	(20,375)	82,926
Total deposits	1,834,802	1,807,315	1,805,590	1,749,484	1,750,657	27,487	84,145
Total deposits excluding brokered CDs	1,559,904	1,628,706	1,650,611	1,603,504	1,525,689	(68,802)	34,215
<b>Earnings Highlights</b>							
Net income	\$ 5,704	\$ 7,884	\$ 5,887	\$ 2,429	\$ 7,157	\$ (2,180)	\$ (1,453)
Diluted earnings per share (EPS)	\$ 0.54	\$ 0.75	\$ 0.56	\$ 0.24	\$ 0.75	\$ (0.21)	\$ (0.21)
Net interest income	\$ 16,271	\$ 16,966	\$ 16,700	\$ 15,385	\$ 16,564	\$ (695)	\$ (293)
<b>Performance Ratios</b>							
Net interest margin	3.21%	3.32%	3.43%	3.21%	3.47%	-0.11%	-0.26%
Net interest spread	2.42%	2.48%	2.58%	2.42%	2.68%	-0.06%	-0.26%
Cost of total deposits	2.91%	3.11%	2.99%	2.91%	2.69%	-0.20%	0.22%
Cost of total funding	2.99%	3.24%	3.13%	3.07%	2.79%	-0.25%	0.20%
Efficiency ratio	56.70%	54.35%	58.23%	76.55%	57.90%	2.35%	-1.20%
Loan-to-deposit ratio	86.30%	88.74%	88.45%	86.57%	85.71%	-2.44%	0.59%
<b>Return on (annualized):</b>							
Average assets (ROAA) <sup>1</sup>	1.07%	1.47%	1.15%	0.48%	1.42%	-0.40%	-0.35%
Average tangible assets (ROTA) <sup>1</sup>	1.07%	1.48%	1.15%	0.48%	1.43%	-0.40%	-0.35%
Average tangible common equity (ROTCE) <sup>1</sup>	11.97%	17.40%	13.94%	6.04%	20.31%	-5.43%	-8.34%
Tangible common equity to tangible assets <sup>(1)</sup>	9.08%	8.86%	8.29%	8.21%	7.45%	0.22%	1.63%
Tangible book value per share <sup>2</sup>	\$ 18.51	\$ 18.35	\$ 17.07	\$ 16.39	\$ 15.80	\$ 0.16	\$ 2.71
<b>Other Operating Measures<sup>2</sup>:</b>							
Pre-tax pre-provision net revenue (PPNR)	\$ 7,894	\$ 9,097	\$ 7,637	\$ 3,140	\$ 8,470	\$ (1,203)	\$ (576)
PPNR ROAA	1.48%	1.70%	1.49%	0.62%	1.68%	-0.22%	-0.20%
Adjusted net income	\$ 5,704	\$ 7,884	\$ 5,887	\$ 5,083	\$ 7,157	\$ (2,180)	\$ (1,453)
Adjusted diluted EPS	\$ 0.54	\$ 0.75	\$ 0.57	\$ 0.49	\$ 0.74	\$ (0.21)	\$ (0.20)
Adjusted ROAA	1.07%	1.47%	1.15%	1.00%	1.42%	-0.40%	-0.35%
Adjusted ROTA	1.07%	1.48%	1.15%	1.01%	1.43%	-0.40%	-0.35%
Adjusted ROTCE	1.07%	1.47%	1.15%	1.00%	1.42%	-0.40%	-0.35%
Adjusted efficiency ratio	56.70%	54.35%	58.24%	60.82%	57.90%	2.35%	-1.20%

<sup>(1)</sup> The Company defines tangible assets as total assets less intangible assets (excluding commercial mortgage servicing assets), and tangible common equity as total shareholders' equity less intangible assets (excluding commercial mortgage servicing assets).

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

## Financial Results

### Income Statement

**Net income** was \$5.7 million for the fourth quarter of 2024, compared to net income of \$7.9 million and \$7.2 million for the third and fourth quarters of 2024 and 2023, respectively. Compared to the third quarter of 2024, the decrease in net income was principally attributable to a combination of lower net interest income and gain on sale of GGL loans, coupled with higher provision for credit losses; offset by lower noninterest expense and income tax provision during the current quarter compared to prior quarter. Compared to the fourth quarter of 2023, net income was lower primarily driven by higher provision for credit losses and lower Bank Owned Life Insurance ("BOLI") income; offset by lower noninterest expense and income tax expense.

**Interest income** was \$30.5 million during the fourth quarter of 2024, compared to \$32.6 million and \$29.3 million for the third and fourth quarters of 2024 and 2023, respectively. The decrease during the fourth quarter of 2024 compared to the third quarter of 2024 was principally due to a decrease in total average earning assets and lower yield on those assets. The increase during the fourth quarter of 2024 compared to the fourth quarter of 2023 was principally attributable to growth of the loan portfolio.

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					4Q24 change vs	
	4Q24	3Q24	2Q24	1Q24	4Q23	3Q24	4Q23
Interest on cash and due from banks	\$ 122	\$ 131	\$ 140	\$ 141	\$ 113	\$ (9)	\$ 9
Interest on federal funds sold	870	1,045	842	994	833	(175)	37
Interest and dividends on investment securities	3,994	4,171	4,220	3,661	3,128	(177)	866
Interest and fees on LHFS	3,404	2,993	2,335	1,540	1,548	411	1,856
Interest and fees on LHFI	22,147	24,214	23,633	23,052	23,724	(2,067)	(1,577)
<b>Interest income</b>	<b>\$ 30,537</b>	<b>\$ 32,554</b>	<b>\$ 31,170</b>	<b>\$ 29,388</b>	<b>\$ 29,346</b>	<b>\$ (2,017)</b>	<b>\$ 1,191</b>

**Interest expense** was \$14.3 million during the fourth quarter of 2024, compared to \$15.6 million and \$12.8 million for the third and fourth quarters of 2024 and 2023, respectively. Compared to the third quarter of 2024, the decrease in interest expense was principally attributable to a 26 basis points decrease in cost of interest-bearing deposits as management works to strategically manage deposits costs in connection to movements from the FOMC. Compared to the same quarter last year, the increase in interest expense is principally due to an increase in higher deposit costs by 17 basis points, coupled with an increase in average balance of interest-bearing deposits. Higher funding costs have been driven by the migration toward time deposits and higher yielding transaction and money market accounts away from noninterest-bearing deposits over time. The offering of these attractive products helped mitigate

deposit outflows industry-wide as the monetary policy tightening had a meaningful effect on deposit mix, cost and flows in the banking industry.

**Net interest income** was \$16.3 million during the fourth quarter of 2024, compared to \$17.0 million and \$16.6 million for the third and fourth quarters of 2024 and 2023, respectively. Compared to the third quarter of 2024, the decrease in net interest income was attributable to yields on total earning assets declining at a higher rate compared to the yield change of total interest-bearing liabilities. When interest rates drop, variable rate loans see an immediate decrease in coupon, where interest-bearing liabilities generally have a repricing lag. Compared to the fourth quarter of 2023, the decrease in net interest income was attributable to a higher average balance of total interest-bearing liabilities with a higher yield during the current period.

**Net interest margin** for the fourth quarter of 2024 was 3.21%, compared to 3.32% and 3.47% for the third and fourth quarters of 2024 and 2023, respectively. Compared to the third quarter of 2024, net interest margin compressed by 11 basis points principally driven by a decline average total earning assets and related yields, albeit a 26 basis points decrease in interest-bearing deposits cost. Compared to the same quarter last year, net interest margin compressed by 26 basis points principally attributable to yield on interest-bearing liabilities growing at a higher rate compared to total earning assets yields growth despite significant growth of total earning assets.

**The cost of funds** for the fourth quarter of 2024 was 299 basis points, compared to 324 and 279 basis points during the third and fourth quarters of 2024 and 2023, respectively. The cost of funds decrease from the third quarter of 2024 was primarily due to lower 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 2023 was primarily driven by the growth of interest-bearing deposits and higher interest rates throughout 2023 and into 2024.

**The cost of deposits** was 291 basis points in the fourth quarter of 2024, compared to 311 and 269 basis points in the third and fourth quarters of 2024 and 2023, respectively. Compared to the third quarter of 2024, the decrease was attributable to an overall decrease in interest-bearing deposit costs. Compared to the fourth quarter of 2023, the increase is attributable to the growth of interest-bearing deposits coupled with higher interest rates throughout 2023 and into 2024.

**Provision for (recovery of) credit losses** was \$1.2 million during the fourth quarter of 2024, compared to (\$1.0) million and (\$434) thousand for the third and fourth quarters of 2024 and 2023, respectively. During the quarter, provision for credit losses was comprised of \$1.4 million provision of loan credit losses on LHFI and (\$186) thousand in recapture of the allowance for credit losses ("ACL") for unfunded commitments. There was no allowance for credit losses associated with AFS securities during the quarter. Compared to the third quarter of 2024, the increase was primarily attributable to a specific

reserve associated with one aforementioned senior housing loan during the current quarter. Compared to the fourth quarter of 2023, the increase was primarily due to growth in our LHFI portfolio from the fourth quarter of 2023. Net recoveries were \$77 thousand during the fourth quarter of 2024, compared to net charge-offs of \$86 thousand in the third quarter of 2024.

**Noninterest income** was \$2.0 million during the fourth quarter of 2024, compared to \$3.0 million and \$3.6 million for the third and fourth quarters of 2024 and 2023, respectively. Compared to the third quarter of 2024, the decrease was principally attributable to lower gain income on sale of GGL loans. Compared to the fourth quarter of 2024, the decrease in noninterest income of \$1.6 million was principally attributable to lower BOLI income and lower gain on sale of GGL loans; offset by other noninterest income categories.

**Noninterest expense** was \$10.3 million during the fourth quarter of 2024, compared to \$10.8 million and \$11.6 million for the third and fourth quarters of 2024 and 2023, respectively. Compared to the third quarter of 2024, the \$495 thousand decrease was primarily in Other noninterest expense, due to a release of an SBA contingency reserve of \$778 thousand; offset by a net of other categories within noninterest expense. Compared to the fourth quarter of 2023, the decrease was principally due to the previously mentioned release from the SBA contingency reserve in 2024, increased charitable contributions in 2023 made for Community Reinvestment Act donations and to receive tax credits, and increased Other professional fees of \$477 thousand due to loan workout related expenses in 2023; offset by a net increase in other categories.

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

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

	Quarterly Trends					4Q24 change vs	
	4Q24	3Q24	2Q24	1Q24	4Q23	3Q24	4Q23
General and administrative	\$ 268	\$ 254	\$ 240	\$ 230	\$ 217	\$ 14	\$ 51
Marketing and business development	240	243	197	179	187	(3)	53
Other loan expense	116	169	122	110	153	(53)	(37)
Charitable contributions	9	6	26	24	324	3	(315)
Deposit related expenses	108	116	81	80	272	(8)	(164)
SBA contingency reserve	(779)	(4)	(20)	(7)	(217)	(775)	(562)
Other noninterest expense	640	644	632	669	678	(4)	(38)
<b>Other noninterest expense</b>	<b>\$ 602</b>	<b>\$ 1,428</b>	<b>\$ 1,278</b>	<b>\$ 1,285</b>	<b>\$ 1,614</b>	<b>\$ (826)</b>	<b>\$ (1,012)</b>

**Income tax expense** was approximately \$1.0 million during the fourth quarter of 2024, compared to \$2.2 million and \$1.7 million for the third and fourth quarters of 2024 and 2023, respectively. Compared to the third quarter of 2024, the decrease was primarily attributable to a decrease in taxable income and effective tax rate. Compared to the fourth quarter of 2023, income tax expense decrease was primarily



attributable to a lower taxable income as well. Effective tax rate was 14.3% for the fourth quarter of 2024 compared to 22.1% and 19.6% for the third and fourth quarters of 2024 and 2023, respectively. The effective tax rate for was lower during the current quarter due to the recognition of tax credits associated with a solar tax credit investment.

### ***Balance Sheet***

**Total assets** as of December 31, 2024 were \$2.099 billion, down from \$2.129 billion at September 30, 2024, and up from \$2.029 billion at December 31, 2023. The decrease of \$30.6 million as compared to the prior quarter was primarily attributable to decreases in LHFS of \$19.9 million, investment securities of \$19.2 million; offset by an increase in cash and cash equivalents of \$6.6 million and a net increase in other categories, primarily in Other assets and deferred tax asset.

**Cash and cash equivalents** at December 31, 2024 was \$68.0 million, up from \$61.3 million at September 30, 2024, and up from \$48.6 million at December 31, 2023. Cash and cash equivalents increase was normal fluctuations as the federal funds sold was deployed to higher interest-earning assets during the quarter.

**Investment securities** at December 31, 2024 were \$342.8 million, compared to \$361.9 million at September 30, 2024, and \$363.4 million at December 31, 2023. Compared to September 30, 2024 and December 31, 2023, investment securities decreased \$19.2 million and \$20.7 million, respectively.

**Total gross loans** held-for-investment at December 31, 2024 were \$1.409 billion, slightly down from \$1.410 billion at September 30, 2024, and down from \$1.418 billion at December 31, 2023. The LHFI decrease during the quarter from last quarter was primarily due to a decrease of \$1.4 million in acquired LHFI; offset by an increase in core LHFI of \$921 thousand. Compared to December 31, 2023, core LHFI increased by \$1.7 million; offset by a decrease in acquired LHFI of \$10.7 million. Total LHFS at December 31, 2024 were \$174.0 million, compared to \$193.9 million at September 30, 2024, and \$82.1 million at December 31, 2023. The general increase or decrease for the LHFS balances compared to other periods was due to decreases in demand for mortgage loans during the quarter, which was partially mitigated through the addition of new mortgage banker finance client originators.

**Allowance for credit losses ("ACL")** at December 31, 2024 was \$19.8 million, compared to \$18.5 million and \$19.6 million at September 30, 2024 and December 31, 2023, respectively. At December 31, 2024, the ACL was comprised of \$17.1 million in allowance for loan credit losses and \$2.7 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, 2024. Compared to the fourth quarter of 2023, the increase was principally attributable to a large specific reserve on one senior



housing relationship. Total allowance for loan credit losses to total LHFI was 1.21% at December 31, 2024, similar to 1.11% at September 30, 2024, and compared to 1.09% at December 31, 2023.

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

<i>Dollars in thousands</i>	4Q24	3Q24	2Q24	1Q24	4Q23
<b>Components of the Allowance for Credit Losses Under CECL</b>					
Loans held-for-investment (LHFI)	\$ 17,118	\$ 15,615	\$ 16,002	\$ 15,774	\$ 15,465
Off-balance sheet credit exposures	2,720	2,906	3,628	3,779	3,916
LHFI and off-balance sheet credit exposures	\$ 19,838	\$ 18,521	\$ 19,630	\$ 19,553	\$ 19,381
Other (other assets and securities)	-	-	-	-	-
Total allowance for credit losses (ACL)	<u>\$ 19,838</u>	<u>\$ 18,521</u>	<u>\$ 19,630</u>	<u>\$ 19,553</u>	<u>\$ 19,381</u>

**Nonaccrual loans** increased by \$6.6 million to \$15.0 million at December 31, 2024 from \$8.4 million at September 30, 2024 primarily due to a senior housing relationship added to the nonaccrual status. Total nonperforming loans to gross LHFI outstanding was 1.06% at December 31, 2024, compared to 0.60% and 0.31% at September 30, 2024, and December 31, 2023, respectively.

**Nonperforming assets** to total assets was 0.76% as of December 31, 2024, an increase of 32 basis points from 0.44% at September 30, 2024, and increased by 55 basis points compared to 0.21% at December 31, 2023. The increase in nonperforming assets was due to a senior housing relationship added to the nonaccrual status. Other real estate owned ("OREO") outstanding at December 31, 2024 and September 30, 2024 was \$864 thousand. There was no OREO outstanding at December 31, 2023.

**Total deposits** at December 31, 2024 were \$1.835 billion, an increase from \$1.807 billion at September 30, 2024, and from \$1.751 billion at December 31, 2023. The increase from September 30, 2024 was attributable to increases in certificate of deposits accounts; offset by decreases in noninterest-bearing deposit accounts and savings and money market accounts. Noninterest-bearing deposits accounted for 16.5% of total deposits, compared to 17.3% of total deposits at September 30, 2024, and 18.6% at December 31, 2023. The 2023 industry disruption contributed to the decline in noninterest-bearing deposits. Noninterest-bearing deposits have declined as the customers continued to move their deposits into interest-earning accounts, but this has generally stabilized. The Company maintains a diverse and stable funding base that includes a mix of both consumer and business operational related deposits.

**Federal Home Loan Bank advances** outstanding were \$15.0 million at December 31, 2024, compared to nil and \$50.0 million at September 30, 2024, and December 31, 2023, respectively.

**Subordinated debt**, net of debt issuance costs, was approximately \$14.7 million at December 31, 2024, September 30, 2024, and December 31, 2023.

**Revolving commercial line of credit (“LOC”)** net of debt issuance costs was approximately \$12.0 million at December 31, 2024 and September 30, 2024, compared to \$24.0 million at December 31, 2023. The LOC provides the Company with the ability to downstream additional capital to the Bank and had total borrowing capacity of \$24.0 million, with \$12.0 million available for drawdown as needed, as of December 31, 2024.

**Accumulated other comprehensive loss** was \$15.8 million at December 31, 2024, compared to \$11.7 million and \$19.5 million at September 30, 2024 and December 31, 2023, respectively. The increase between the fourth and third quarter of 2024 was primarily due to movement in long-term interest rates. The decrease from the fourth quarter of 2023 is due to the securities sale in the first quarter of 2024 coupled with movements in long-term interest rates.

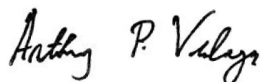
**Shareholders' equity** was \$195.2 million as of December 31, 2024, compared to \$193.3 million as of September 30, 2024. The increase was principally attributable to the period earnings of \$5.7 million, coupled with an increase in capital surplus of \$292 thousand; offset by an increase in accumulated other comprehensive loss of \$4.1 million.

**Tangible book value** per share at December 31, 2024 was \$18.51, compared to \$18.35 at September 30, 2024. Tangible book value increased primarily due to the factors discussed above in regard to an increase of shareholders' equity. CSB is currently well capitalized with a leverage ratio of 10.64%, a common equity tier 1 capital ratio of 12.07%, and a total risk-based capital ratio of 12.97%.

### **Detailed Results**

Supplementary unaudited financial statements are included for the fourth quarter of 2024 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)*

	4Q24	3Q24	2Q24	1Q24	4Q23	4Q24 change vs	
						3Q24	4Q23
<b>Assets</b>							
Cash and due from banks	\$ 37,320	\$ 17,722	\$ 21,385	\$ 20,747	\$ 19,601	\$ 19,598	\$ 17,719
Federal funds sold	30,641	43,602	42,057	52,998	28,952	(12,961)	1,689
Investment securities <sup>(1)</sup>	342,750	361,935	346,687	341,532	363,404	(19,185)	(20,654)
Loans held for sale (LHFS)	174,033	193,938	154,885	111,020	82,125	(19,905)	91,908
Loans held for investment (LHFI)	1,409,443	1,409,913	1,442,077	1,403,551	1,418,425	(470)	(8,982)
Allowance for credit losses - loans	(17,118)	(15,615)	(16,002)	(15,774)	(15,465)	(1,503)	(1,653)
Loans held for investment, net	1,392,325	1,394,298	1,426,075	1,387,777	1,402,960	(1,973)	(10,635)
Bank-owned life insurance	46,484	46,044	45,607	45,184	44,887	440	1,597
Premises, furniture and equipment, net	17,796	17,882	17,533	17,550	17,711	(86)	85
Deferred tax asset	18,148	16,772	18,641	18,890	21,242	1,376	(3,094)
Goodwill & intangible assets <sup>(2)</sup>	6,386	6,451	6,276	6,409	6,463	(65)	(77)
Other real estate owned	864	864	-	-	-	-	864
Other assets	31,965	29,838	36,401	48,844	41,254	2,127	(9,289)
<b>Total assets</b>	<b>\$ 2,098,712</b>	<b>\$ 2,129,346</b>	<b>\$ 2,115,547</b>	<b>\$ 2,050,951</b>	<b>\$ 2,028,599</b>	<b>\$ (30,634)</b>	<b>\$ 70,113</b>
<b>Liabilities and stockholders' equity</b>							
<b>Liabilities</b>							
<b>Deposits</b>							
Noninterest bearing DDA	\$ 302,907	\$ 312,290	\$ 344,860	\$ 321,369	\$ 325,400	\$ (9,383)	\$ (22,493)
Interest bearing DDA	181,068	183,707	179,557	188,256	174,380	(2,639)	6,688
Savings and money market	591,626	654,192	658,542	644,178	608,079	(62,566)	(16,453)
Certificates of deposit	759,201	657,126	622,631	595,681	642,798	102,075	116,403
Total deposits	1,834,802	1,807,315	1,805,590	1,749,484	1,750,657	27,487	84,145
Federal Home Loan Bank advances	15,000	-	-	-	50,000	15,000	(35,000)
Subordinated debt, net	14,730	14,718	14,706	14,694	14,682	12	48
Revolving commercial line of credit, net	11,995	11,994	11,993	11,992	23,990	1	(11,995)
Federal Reserve Bank BTFP advances	-	70,000	70,000	70,000	-	(70,000)	-
Other liabilities	26,953	32,016	33,090	31,553	33,227	(5,063)	(6,274)
<b>Total liabilities</b>	<b>1,903,480</b>	<b>1,936,043</b>	<b>1,935,379</b>	<b>1,877,723</b>	<b>1,872,556</b>	<b>(32,563)</b>	<b>30,924</b>
<b>Stockholders' equity</b>							
Voting common stock	8,098	8,078	8,078	8,073	7,368	20	730
Nonvoting common stock	2,172	2,172	2,172	2,172	2,172	-	-
Capital surplus	158,755	158,463	158,125	157,779	145,944	292	12,811
Accumulated income	41,994	36,290	28,406	22,519	20,090	5,704	21,904
Accumulated other comprehensive loss	(15,787)	(11,700)	(16,613)	(17,315)	(19,531)	(4,087)	3,744
<b>Total stockholders' equity</b>	<b>195,232</b>	<b>193,303</b>	<b>180,168</b>	<b>173,228</b>	<b>156,043</b>	<b>1,929</b>	<b>39,189</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,098,712</b>	<b>\$ 2,129,346</b>	<b>\$ 2,115,547</b>	<b>\$ 2,050,951</b>	<b>\$ 2,028,599</b>	<b>\$ (30,634)</b>	<b>\$ 70,113</b>
<b>Capital ratios <sup>(3)</sup></b>							
Leverage ratio	10.64%	10.26%	10.14%	9.97%	9.94%	0.38%	0.70%
CET1 risk-based capital ratio	12.07	11.72	11.27	11.51	11.52	0.35	0.55
Tier 1 risk-based capital ratio	12.07	11.72	11.27	11.51	11.52	0.35	0.55
Total risk-based capital ratio	12.97	12.55	12.16	12.43	12.36	0.42	0.61

<sup>(1)</sup> No ACL was recognized for the periods presented.

<sup>(2)</sup> Includes commercial mortgage servicing assets of \$1,237, \$1,258, \$1,037, \$1,121, and \$1,125 for 4Q24, 3Q24, 2Q24, 1Q24, and 4Q23, respectively.

<sup>(3)</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)*

	4Q24	3Q24	2Q24	1Q24	4Q23	4Q24 change vs	
						3Q24	4Q23
<b>Interest income</b>							
Interest on cash and due from banks	\$ 122	\$ 131	\$ 140	\$ 141	\$ 113	\$ (9)	\$ 9
Interest on federal funds sold	870	1,045	842	994	833	(175)	37
Interest and dividends on investment securities	3,994	4,171	4,220	3,661	3,128	(177)	866
Interest and fees on LHFS	3,404	2,993	2,335	1,540	1,548	411	1,856
Interest and fees on LHFI	22,147	24,214	23,633	23,052	23,724	(2,067)	(1,577)
Total interest income	30,537	32,554	31,170	29,388	29,346	(2,017)	1,191
<b>Interest expense</b>							
Deposits	13,498	14,230	13,122	12,593	11,995	(732)	1,503
Other borrowings	768	1,358	1,348	1,410	787	(590)	(19)
Total interest expense	14,266	15,588	14,470	14,003	12,782	(1,322)	1,484
Net interest income	16,271	16,966	16,700	15,385	16,564	(695)	(293)
Provision (recovery) for credit losses	1,240	(1,023)	173	163	(434)	2,263	1,674
Net interest income after provision for credit losses	15,031	17,989	16,527	15,222	16,998	(2,958)	(1,967)
<b>Noninterest income</b>							
Mortgage banking related income	391	276	299	238	220	115	171
Interchange and card fee income	210	216	226	216	234	(6)	(24)
Service charges on deposit accounts	230	207	198	211	215	23	15
Bank-owned life insurance	440	437	491	296	2,099	3	(1,659)
Gain on sale of government guaranteed loans	151	1,312	35	320	412	(1,161)	(261)
Losses on sale of available-for-sale securities	-	-	-	(3,465)	-	-	-
Other noninterest income	536	513	340	190	373	23	163
Total noninterest income (loss)	1,958	2,961	1,589	(1,994)	3,553	(1,003)	(1,595)
<b>Noninterest expense</b>							
Salaries and employee benefits	6,759	6,727	6,654	6,047	6,911	32	(152)
Occupancy and equipment	762	754	736	743	692	8	70
Data processing	605	548	534	526	458	57	147
Other professional fees	496	358	501	691	973	138	(477)
Software and other technology expense	774	671	631	666	636	103	138
Regulatory assessment	336	344	318	293	363	(8)	(27)
Other noninterest expense	603	1,428	1,278	1,285	1,614	(825)	(1,011)
Total noninterest expense	10,335	10,830	10,652	10,251	11,647	(495)	(1,312)
Net income before taxes	6,654	10,120	7,464	2,977	8,904	(3,466)	(2,250)
Income tax expense	950	2,236	1,577	548	1,747	(1,286)	(797)
<b>Net income</b>	<b>\$ 5,704</b>	<b>\$ 7,884</b>	<b>\$ 5,887</b>	<b>\$ 2,429</b>	<b>\$ 7,157</b>	<b>\$ (2,180)</b>	<b>\$ (1,453)</b>
Earnings per share - basic	\$ 0.56	\$ 0.77	\$ 0.58	\$ 0.24	\$ 0.75	\$ (0.21)	\$ (0.19)
Earnings per share - diluted	\$ 0.54	\$ 0.75	\$ 0.56	\$ 0.24	\$ 0.75	\$ (0.21)	\$ (0.21)
Tangible book value	\$ 190,083	\$ 188,110	\$ 174,929	\$ 167,940	\$ 150,705	\$ 1,973	\$ 39,378
Tangible book value per share	\$ 18.51	\$ 18.35	\$ 17.07	\$ 16.39	\$ 15.80	\$ 0.16	\$ 2.71
Shares outstanding	10,270,146	10,250,446	10,250,446	10,245,496	9,539,929	19,700	730,217
Weighted average shares - basic	10,250,446	10,250,446	10,247,201	10,043,951	9,522,712	-	727,734
Weighted average shares - diluted	10,596,364	10,544,087	10,445,144	10,222,681	9,642,500	52,277	953,864

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

	<b>Twelve Months Ended December 31,</b>		
	<b>2024</b>	<b>2023</b>	<b>Change</b>
<b>Interest income</b>			
Interest on cash and due from banks	\$ 534	\$ 296	\$ 238
Interest on federal funds sold	3,751	4,083	(332)
Interest and dividends on investment securities	16,046	11,303	4,743
Interest and fees on LHFS	10,272	5,087	5,185
Interest and fees on LHFI	93,046	86,248	6,798
Total interest income	123,649	107,017	16,632
<b>Interest expense</b>			
Deposits	53,443	39,300	14,143
Other borrowings	4,884	3,423	1,461
Total interest expense	58,327	42,723	15,604
Net interest income	65,322	64,294	1,028
Provision for credit losses	553	1,543	(990)
Net interest income after provision for credit losses	64,769	62,751	2,018
<b>Noninterest income</b>			
Mortgage banking related income	1,204	912	292
Interchange and card fee income	868	1,045	(177)
Service charges on deposit accounts	846	755	91
Bank-owned life insurance	1,664	2,680	(1,016)
Gain on sale of government guaranteed loans	1,818	1,360	458
Gain on hedge termination	-	992	(992)
Securities loss, net	(3,465)	(517)	(2,948)
Other noninterest income	1,579	1,367	212
Total noninterest income	4,514	8,594	(4,080)
<b>Noninterest expense</b>			
Salaries and employee benefits	26,187	24,573	1,614
Occupancy and equipment	2,995	2,921	74
Data processing	2,213	2,080	133
Other professional fees	2,046	2,721	(675)
Software and other technology expense	2,742	2,334	408
Regulatory assessment	1,291	1,479	(188)
Other noninterest expense	4,594	3,742	852
Total noninterest expense	42,068	39,850	2,218
Net income before taxes	27,215	31,495	(4,280)
Income tax expense	5,311	7,017	(1,706)
<b>Net income</b>	<b>\$ 21,904</b>	<b>\$ 24,478</b>	<b>\$ (2,574)</b>
Earnings per share - basic	\$ 2.15	\$ 2.61	\$ (0.46)
Earnings per share - diluted	\$ 2.09	\$ 2.58	\$ (0.48)
Shares outstanding	10,270,146	9,539,929	730,217
Weighted average shares - basic	10,198,298	9,383,559	814,739
Weighted average shares - diluted	10,470,633	9,504,685	965,948

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

	Quarterly trend					4Q24 change vs	
	4Q24	3Q24	2Q24	1Q24	4Q23	3Q24	4Q23
<b>Average balances</b>							
Cash and cash equivalents	\$ 19,900	\$ 20,317	\$ 20,839	\$ 21,135	\$ 18,170	\$ (417)	\$ 1,730
Federal funds sold	71,061	76,290	60,964	69,554	57,141	(5,229)	13,920
Investment securities	355,832	353,121	347,194	354,537	347,037	2,711	8,795
Loans held for sale	171,457	142,205	107,604	71,239	62,895	29,252	108,562
Loans held for investment	1,399,357	1,439,835	1,424,411	1,408,451	1,409,576	(40,478)	(10,219)
Total earning assets	2,017,607	2,031,768	1,961,012	1,924,916	1,894,819	(14,161)	122,788
Total nonearning assets	99,750	98,717	104,490	109,947	101,977	1,033	(2,227)
Total assets	<u>\$ 2,117,357</u>	<u>\$ 2,130,485</u>	<u>\$ 2,065,502</u>	<u>\$ 2,034,863</u>	<u>\$ 1,996,796</u>	<u>\$ (13,128)</u>	<u>\$ 120,561</u>
Interest-bearing deposits	\$ 1,526,968	\$ 1,495,726	\$ 1,431,853	\$ 1,417,157	\$ 1,420,524	\$ 31,242	\$ 106,444
Other borrowings	50,469	96,706	96,692	98,415	43,857	(46,237)	6,612
Total interest bearing liabilities	1,577,437	1,592,432	1,528,545	1,515,572	1,464,381	(14,995)	113,056
Noninterest-bearing deposits	318,071	323,377	333,001	321,419	350,821	(5,306)	(32,750)
Other liabilities	27,125	29,242	28,825	30,856	36,425	(2,117)	(9,300)
Stockholders' equity	194,724	185,434	175,131	167,016	145,169	9,290	49,555
Total liabilities and stockholders' equity	<u>\$ 2,117,357</u>	<u>\$ 2,130,485</u>	<u>\$ 2,065,502</u>	<u>\$ 2,034,863</u>	<u>\$ 1,996,796</u>	<u>\$ (13,128)</u>	<u>\$ 120,561</u>
<b>Interest margins</b>							
Cash and due from banks	2.44%	2.57%	2.70%	2.68%	2.47%	-0.13%	-0.03%
Federal funds sold and resell agreements	4.87%	5.45%	5.55%	5.75%	5.78%	-0.58%	-0.91%
Investment securities	4.47%	4.70%	4.89%	4.15%	3.58%	-0.23%	0.89%
LHFS	7.90%	8.37%	8.73%	8.69%	9.76%	-0.47%	-1.86%
LHFI	6.30%	6.69%	6.67%	6.58%	6.68%	-0.39%	-0.38%
Total earning assets	<u>6.02%</u>	<u>6.37%</u>	<u>6.39%</u>	<u>6.14%</u>	<u>6.14%</u>	<u>-0.35%</u>	<u>-0.12%</u>
Interest-bearing deposits	3.52%	3.78%	3.69%	3.57%	3.35%	-0.26%	0.17%
Other borrowings	6.05%	5.59%	5.61%	5.76%	7.12%	0.46%	-1.07%
Total interest-bearing liabilities	<u>3.60%</u>	<u>3.89%</u>	<u>3.81%</u>	<u>3.72%</u>	<u>3.46%</u>	<u>-0.29%</u>	<u>0.14%</u>
Cost of total deposits <sup>(1)</sup>	2.91%	3.11%	2.99%	2.91%	2.69%	-0.20%	0.22%
Cost of total funding <sup>(1)</sup>	2.99%	3.24%	3.13%	3.07%	2.79%	-0.25%	0.20%
Net interest spread	2.42%	2.48%	2.58%	2.42%	2.68%	-0.06%	-0.26%
Net interest margin	3.21%	3.32%	3.43%	3.21%	3.47%	-0.11%	-0.26%
Yield on total loans	6.47%	6.84%	6.82%	6.68%	6.81%	-0.37%	-0.34%
Efficiency ratio	56.70%	54.35%	58.23%	76.55%	57.90%	2.35%	-1.20%

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



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

	4Q24			3Q24			4Q23		
	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	\$ 19,900	\$ 122	2.44%	\$ 20,317	\$ 131	2.57%	\$ 18,170	\$ 113	2.47%
Federal funds sold	71,061	870	4.87%	76,290	1,045	5.45%	57,141	833	5.78%
Investment securities	355,832	3,994	4.47%	353,121	4,171	4.70%	347,037	3,128	3.58%
Loans held for sale	171,457	3,404	7.90%	142,205	2,993	8.37%	62,895	1,548	9.76%
Loans held for investment	1,399,357	22,147	6.30%	1,439,835	24,214	6.69%	1,409,576	23,724	6.68%
Total earning assets	2,017,607	30,537	6.02%	2,031,768	32,554	6.37%	1,894,819	29,346	6.14%
Allowance for credit losses - loans	(15,655)			(15,992)			(15,345)		
Bank-owned life insurance	46,243			45,798			35,371		
Premises, furniture and equipment, net	17,854			17,751			17,910		
Deferred tax asset	17,393			18,255			22,340		
Goodwill & intangible assets	6,432			6,257			6,550		
Other real estate owned	864			220			8		
Other assets	26,619			26,428			35,143		
Total assets	<u>\$ 2,117,357</u>			<u>\$ 2,130,485</u>			<u>\$ 1,996,796</u>		
Interest-bearing deposits	1,526,968	13,498	3.52%	1,495,726	14,230	3.78%	1,420,524	11,995	3.35%
Federal Reserve Bank BTFP	10,652	132	4.93%	70,000	864	4.91%	-	-	0.00%
Federal Home Loan Bank advances	13,098	161	4.89%	-	-	0.00%	10,925	154	5.59%
Revolving commercial line of credit, net	11,995	241	7.99%	11,994	260	8.62%	18,257	398	8.65%
Subordinated debt, net	14,724	235	6.35%	14,712	235	6.35%	14,676	235	6.35%
Total interest-bearing liabilities	1,577,437	14,267	3.60%	1,592,432	15,589	3.89%	1,464,382	12,782	3.46%
Noninterest-bearing deposits	318,071			323,377			350,821		
Other liabilities	27,125			29,242			36,424		
Stockholders' equity	194,724			185,434			145,169		
Total liabilities and stockholders' equity	<u>\$ 2,117,357</u>			<u>\$ 2,130,485</u>			<u>\$ 1,996,796</u>		
<b>Interest margins</b>									
Cost of total deposits <sup>(1)</sup>	2.91%			3.11%			2.69%		
Cost of total funding <sup>(1)</sup>	2.99%			3.24%			2.79%		
Net interest spread	2.42%			2.48%			2.68%		
Net interest margin	3.21%			3.32%			3.47%		
Efficiency ratio	56.70%			54.35%			57.90%		

<sup>(1)</sup> 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, 2024			Twelve Months Ended December 31, 2023		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
<b>Assets</b>						
<b>Earning assets:</b>						
Cash and due from banks	\$ 20,546	\$ 534	2.60%	\$ 17,866	\$ 296	1.66%
Federal funds sold	69,490	3,751	5.40%	73,301	4,083	5.57%
Investment securities	352,681	16,046	4.55%	352,089	11,303	3.21%
Loans held for sale	123,310	10,272	8.33%	55,286	5,087	9.20%
Loans held for investment	1,418,022	93,046	6.56%	1,358,308	86,248	6.35%
Total earning assets	1,984,049	123,649	6.23%	1,856,850	107,017	5.76%
Allowance for credit losses - loans	(15,865)			(14,798)		
Bank-owned life insurance	45,597			31,386		
Premises, furniture and equipment, net	17,725			18,314		
Deferred tax asset	19,023			21,925		
Goodwill & intangible assets	6,372			6,772		
Other real estate owned	272			81		
Other assets	30,080			28,547		
Total assets	<u>\$ 2,087,253</u>			<u>\$ 1,949,077</u>		
Interest-bearing deposits	1,468,164	53,443	3.64%	1,361,278	39,300	2.89%
Federal Reserve Bank BTFP	53,361	2,616	4.90%	329	15	4.56%
Federal Home Loan Bank advances	4,658	238	5.11%	26,009	959	3.69%
Revolving commercial line of credit, net	12,780	1,090	8.53%	18,065	1,508	8.35%
Subordinated debt, net	14,706	940	6.39%	14,658	940	6.41%
Total interest-bearing liabilities	1,553,669	58,327	3.75%	1,420,339	42,722	3.01%
Noninterest bearing deposits	323,949			358,650		
Other liabilities	29,007			33,869		
Stockholders' equity	180,628			136,219		
Total liabilities and stockholders' equity	<u>\$ 2,087,253</u>			<u>\$ 1,949,077</u>		
<b>Interest margins</b>						
Cost of total deposits <sup>(1)</sup>	2.98%			2.28%		
Cost of total funding <sup>(1)</sup>	3.11%			2.40%		
Net interest spread	2.48%			2.76%		
Net interest margin	3.29%			3.46%		
Efficiency ratio	60.24%			54.67%		

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

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

	4Q24	3Q24	2Q24	1Q24	4Q23	4Q24 change vs	
						3Q24	4Q23
<b>Loans Held-for-Investment ("LHFI")</b>							
<b>Commercial Loans</b>							
Acquisition, development and construction	\$ 72,520	\$ 112,275	\$ 118,967	\$ 114,247	\$ 124,406	(39,755)	(51,886)
Income producing CRE	321,558	267,551	272,397	263,810	264,043	54,007	57,515
Owner-occupied CRE	94,573	95,789	100,272	93,904	92,007	(1,216)	(13,270)
Senior housing	234,081	231,260	245,591	253,727	250,593	2,821	619
Commercial and industrial	141,626	140,290	137,571	132,445	139,795	1,336	1,831
<b>Retail Loans</b>							
Marine vessels	263,657	279,689	288,949	265,224	266,197	(16,032)	(2,540)
Residential mortgages	174,099	173,392	163,393	159,393	146,220	707	27,879
Cash value life insurance LOC	86,844	87,968	93,657	99,220	112,457	(1,124)	(25,613)
Other consumer	20,485	21,699	21,280	21,581	22,707	(1,214)	(2,222)
<b>Total loans held-for-investment</b>	<b>\$ 1,409,443</b>	<b>\$ 1,409,913</b>	<b>\$ 1,442,077</b>	<b>\$ 1,403,551</b>	<b>\$ 1,418,425</b>	<b>\$ (470)</b>	<b>\$ (8,982)</b>
Core LHFI	1,342,073	1,341,152	1,369,648	1,328,532	1,340,364	921	1,709
Acquired LHFI <sup>(1)</sup>	67,370	68,761	72,429	75,019	78,061	(1,391)	(10,691)
<b>Total loans held-for-investment</b>	<b>\$ 1,409,443</b>	<b>\$ 1,409,913</b>	<b>\$ 1,442,077</b>	<b>\$ 1,403,551</b>	<b>\$ 1,418,425</b>	<b>\$ (470)</b>	<b>\$ (8,982)</b>
Total loans held for sale	174,033	193,938	154,885	111,020	82,125	(19,905)	91,908
Total allowance for credit losses	17,118	15,615	16,002	15,774	15,465	1,503	1,653
<b>Nonperforming Assets</b>							
Nonaccrual loans	14,957	8,407	8,739	3,849	4,338	6,550	10,619
Past due loans 90 days and still accruing	49	49	47	34	-	-	49
Total nonperforming loans	15,006	8,456	8,786	3,883	4,338	6,550	10,668
Other real estate owned	864	864	-	-	-	-	864
<b>Total nonperforming assets</b>	<b>\$ 15,870</b>	<b>\$ 9,320</b>	<b>\$ 8,786</b>	<b>\$ 3,883</b>	<b>\$ 4,338</b>	<b>\$ 6,550</b>	<b>\$ 11,483</b>
<b>Risk Ratings</b>							
Pass	1,353,311	1,345,728	1,389,848	1,349,779	1,369,448	7,583	(16,137)
Special mention	25,061	24,471	24,762	25,930	26,104	590	(1,043)
Substandard	31,071	39,714	27,467	27,842	22,873	(8,643)	8,198
<b>Total LHFI</b>	<b>\$ 1,409,443</b>	<b>\$ 1,409,913</b>	<b>\$ 1,442,077</b>	<b>\$ 1,403,551</b>	<b>\$ 1,418,425</b>	<b>\$ (470)</b>	<b>\$ (8,982)</b>
<b>Credit Analysis</b>							
QTD net (recoveries) charge-offs	\$ (77)	\$ 86	\$ 96	\$ (9)	\$ 61	\$ (163)	\$ (138)
Net charge-offs (recoveries) to total LHFI	-0.02%	0.02%	0.03%	0.00%	0.02%	-0.05%	-0.04%
Total allowance for credit losses to total LHFI	1.21%	1.11%	1.11%	1.12%	1.09%	0.11%	0.12%
Nonperforming loans to gross LHFI	1.06%	0.60%	0.61%	0.28%	0.31%	0.46%	0.76%
Nonaccrual loans to total assets	0.71%	0.39%	0.41%	0.19%	0.21%	0.32%	0.50%
Nonperforming assets to total assets	0.76%	0.44%	0.42%	0.19%	0.21%	0.32%	0.55%

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

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				
	4Q24	3Q24	2Q24	1Q24	4Q23
<b>Allowance for Credit Losses (ACL) - LHFI</b>					
<b>Beginning balance</b>	\$ 15,615	\$ 16,002	\$ 15,774	\$ 15,465	\$ 15,352
<b>Charge-offs:</b>					
<b>Commercial Loans</b>					
Commercial and industrial	(2)	(35)	(112)	-	(62)
<b>Retail Loans</b>					
Marine vessels	-	(36)	-	-	-
Cash value life insurance LOC	(47)	-	-	-	-
Other consumer	(25)	(28)	-	-	(18)
<b>Total charge-offs</b>	(74)	(99)	(112)	-	(80)
<b>Recoveries:</b>					
<b>Commercial Loans</b>					
Commercial and industrial	46	5	11	5	4
Owner occupied	53	-	-	-	-
<b>Retail Loans</b>					
Residential mortgages	2	7	3	3	3
Other consumer	50	1	2	1	12
<b>Total recoveries</b>	151	13	16	9	19
<b>Total net (charge-offs) recoveries:</b>	77	(86)	(96)	9	(61)
(Recovery of) provision for loan credit losses	1,426	(301)	324	300	174
<b>Ending balance</b>	<u>\$ 17,118</u>	<u>\$ 15,615</u>	<u>\$ 16,002</u>	<u>\$ 15,774</u>	<u>\$ 15,465</u>
<b>Allowance for credit losses - Off-balance sheet credit exposures</b>					
<b>Beginning balance</b>	\$ 2,906	\$ 3,628	\$ 3,779	\$ 3,916	\$ 4,491
(Recapture of) provision for credit losses	(186)	(722)	(151)	(137)	(575)
<b>Ending balance</b>	<u>\$ 2,720</u>	<u>\$ 2,906</u>	<u>\$ 3,628</u>	<u>\$ 3,779</u>	<u>\$ 3,916</u>
<b>Allowance for credit losses: LHFI and off-balance sheet credit exposures</b>	<u>\$ 19,838</u>	<u>\$ 18,521</u>	<u>\$ 19,630</u>	<u>\$ 19,553</u>	<u>\$ 19,381</u>

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

	Quarterly Trends				
	4Q24	3Q24	2Q24	1Q24	4Q23
<b>Net Income</b>	\$ 5,704	\$ 7,884	\$ 5,887	\$ 2,429	\$ 7,157
Total noninterest income (loss)	1,958	2,961	1,589	(1,994)	3,553
Adjustments to noninterest income (loss) <sup>(1)</sup>	-	-	-	3,465	-
Income Taxes	950	2,236	1,577	548	1,747
Tax effect of adjustments	-	-	-	(811)	-
<b>Adjusted net income</b>	\$ 5,704	\$ 7,884	\$ 5,887	\$ 5,083	\$ 7,157
Net Income	5,704	7,884	5,887	2,429	7,157
Provision for credit losses	1,240	(1,023)	173	163	(434)
Provision for income taxes	950	2,236	1,577	548	1,747
<b>Pre-tax pre-provision net revenue (PPNR)</b>	\$ 7,894	\$ 9,097	\$ 7,637	\$ 3,140	\$ 8,470
Adjustments to noninterest income (loss) <sup>(1)</sup>	-	-	-	3,465	-
<b>Adjusted Pre-Tax Pre-Provision Income</b>	\$ 7,894	\$ 9,097	\$ 7,637	\$ 6,605	\$ 8,470
Return on average tangible assets (ROTA)	1.07%	1.48%	1.15%	0.48%	1.43%
Adjustments to net income	0.00%	0.00%	0.00%	0.53%	0.00%
<b>Adjusted ROTA</b>	1.07%	1.48%	1.15%	1.01%	1.43%
Return on Average Assets (ROAA)	1.07%	1.47%	1.15%	0.48%	1.42%
Adjustments to net income	0.00%	0.00%	0.00%	0.52%	0.00%
<b>Adjusted ROAA</b>	1.07%	1.47%	1.15%	1.00%	1.42%
Return on Tangible Common Equity (ROTCE)	11.97%	17.40%	13.94%	6.04%	20.31%
Adjustments to net income	0.00%	0.00%	0.00%	0.52%	0.00%
<b>Adjusted ROTCE</b>	11.97%	17.40%	13.94%	12.64%	20.31%
Diluted EPS	\$ 0.54	\$ 0.75	\$ 0.56	\$ 0.24	\$ 0.75
Adjustments to net income	-	-	0.01	0.25	(0.01)
<b>Adjusted diluted EPS</b>	\$ 0.54	\$ 0.75	\$ 0.57	\$ 0.49	\$ 0.74
Efficiency ratio	56.70%	54.35%	58.23%	76.55%	57.90%
Adjustments to net income	0.00%	0.00%	0.01%	-15.73%	0.00%
<b>Adjusted efficiency ratio</b>	56.70%	54.35%	58.24%	60.82%	57.90%
Average assets	\$ 2,117,357	\$ 2,130,485	\$ 2,065,502	\$ 2,034,863	\$ 1,996,796
Average goodwill & intangible assets	(6,432)	(6,257)	(6,355)	(6,446)	(6,550)
Average commercial mortgage servicing rights	1,263	1,041	1,094	1,134	1,185
<b>Average tangible assets</b>	\$ 2,112,188	\$ 2,125,269	\$ 2,060,241	\$ 2,029,551	\$ 1,991,431
Average stockholders' equity	\$ 194,724	\$ 185,434	\$ 175,131	\$ 167,016	\$ 145,169
Average goodwill & intangible assets	(6,432)	(6,257)	(6,355)	(6,446)	(6,550)
Average commercial mortgage servicing rights	1,263	1,041	1,094	1,134	1,185
<b>Average tangible common equity</b>	\$ 189,555	\$ 180,218	\$ 169,870	\$ 161,704	\$ 139,804
Total assets	\$ 2,098,712	\$ 2,129,346	\$ 2,115,547	\$ 2,050,951	\$ 2,028,599
Goodwill & intangible assets	(6,386)	(6,451)	(6,276)	(6,409)	(6,463)
Commercial mortgage servicing rights	1,237	1,258	1,037	1,121	1,125
<b>Tangible assets</b>	\$ 2,093,563	\$ 2,124,153	\$ 2,110,308	\$ 2,045,663	\$ 2,023,261
Stockholders' equity	\$ 195,232	\$ 193,303	\$ 180,168	\$ 173,228	\$ 156,043
Goodwill & intangible assets	(6,386)	(6,451)	(6,276)	(6,409)	(6,463)
Commercial mortgage servicing rights	1,237	1,258	1,037	1,121	1,125
<b>Tangible common equity</b>	\$ 190,083	\$ 188,110	\$ 174,929	\$ 167,940	\$ 150,705

<sup>(1)</sup> Consists of loss on sale of AFS securities due to non-routine portfolio restructuring.