



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

CoastalSouth Bancshares, Inc.

Person to be contacted regarding this report:	Douglas P. Clark
UST Sequence Number:	1336
CPP Funds Received:	16
CPP Funds Repaid to Date:	0
Date Funded (first funding):	08/27/2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	0033274727
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	57756
City:	Hilton Head Island
State:	South Carolina

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	1,204 units for \$189.4 million in 1 - to 4 family residential mortgage loans were closed and held for sale in the secondary market by CoastalStates Bank and our wholly owned subsidiary Homeowners Mortgage Enterprises, Inc. during the period August 1, 2009 to December 31, 2009
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	CoastalStates Bank originated \$17.0 million of portfolio loans, which were comprised of \$10.7 commercial loans, \$4.8 million in closed-end residential loans, \$0.7 million in open-end residential loans, \$0.7 million in other consumer loans and \$0.2 million in residential construction loans
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	CoastalStates Bank increased our investment in securities from August 2009 through December 2009 by \$21.0 million and had one \$1.5 million FNMA security called in December.

<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input checked="" type="checkbox"/>	Reduce borrowings	CoastalSouth Bancshares, Inc. and its wholly owned subsidiary repaid the Federal Home Loan Bank \$5 million in advances, reduced brokered deposits by \$35 million and repaid a note payable by \$4.2 million.
<input checked="" type="checkbox"/>	Increase charge-offs	CoastalStates Bank charged off \$5.0 million for the year ended December 31, 2009 and \$3.2 million of the charge-offs occurred between August 2009 and December 2009.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

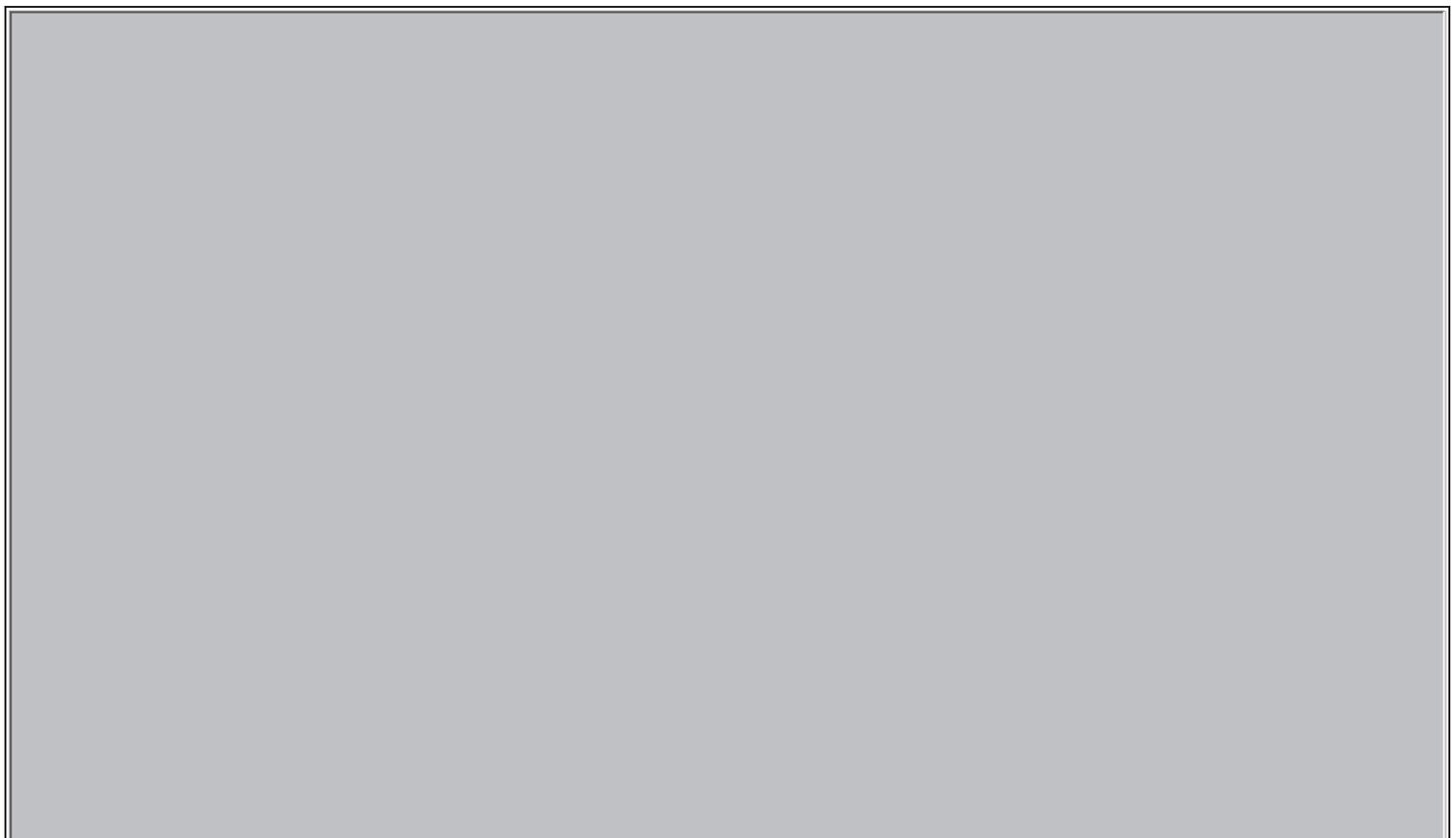
What actions were you able to avoid because of the capital infusion of CPP funds?

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

At the end of August 2009, CoastalStates Bank had a Tier 1 leverage ratio of 6.95%, Tier 1 risk-based capital ratio of 10.45% and total risk-based capital ratio of 11.71%. CoastalSouth Bancshares moved \$11.0 million in additional capital to CoastalStates Bank in 2009. At December 31, 2009, CoastalStates Bank had a Tier 1 leverage ratio of 8.56%, Tier 1 risk-based capital ratio of 12.86% and total risk-based capital ratio of 14.13%.

In summary, the Bank was active during the August to December 2009 time frame. We originated \$189 million of residential mortgages that were targeted for sale in the secondary market. We originated \$17 million of portfolio loans, largely commercial. We grew our investment portfolio by about \$20 million. Additionally, we were able to more aggressively manage our non-performing loans, as we increased our loan loss reserves by \$6 million and charged-off over \$3 million. The addition of our \$16 million of capital through CPP was clearly helpful to the bank during this volatile time period.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.



According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.