

Trustar Bankshares, Inc

Consolidated Financial Statements
December 31, 2025, and 2024

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Independent Auditor's Report

Board of Directors
Trustar Bankshares, Inc.
McLean, Virginia

Opinion

We have audited the consolidated financial statements of Trustar Bankshares, Inc. (the Company), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted

in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, P.C.

March 17, 2026
Potomac, Maryland

Consolidated Financial Statements

Trustar Bankshares, Inc.
Consolidated Balance Sheets
(\$ in thousands, except per share data)

As of December 31,	2025	2024
Assets		
Cash	\$ 701	\$ 582
Interest-bearing balances due from banks	142,719	94,185
Cash and cash equivalents	143,420	94,767
Securities held-to-maturity, at amortized cost, net of allowance for credit losses of \$69 and \$75, respectively (fair values of \$29,471 and \$35,919 respectively)	30,950	38,955
Securities available-for-sale, at fair value (amortized cost of \$104,645 and \$35,182 respectively)	105,448	34,416
Loans receivable, net of allowance for credit losses of \$9,141 and \$7,645, respectively	891,000	753,715
Bank premises and equipment, net	6,193	5,985
Accrued interest receivable	3,802	3,147
Restricted investment in bank stock, at cost	3,297	3,200
Operating lease right-of-use asset	4,049	4,468
Other assets	3,371	3,189
Total Assets	\$ 1,191,530	\$ 941,842
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non-interest-bearing demand	\$ 179,245	\$ 114,774
Interest-bearing demand	84,386	53,431
Money market	426,327	298,415
Savings	45,117	21,028
Time deposits	284,302	306,460
Total deposits	1,019,377	794,108
FHLB advances	55,000	55,000
Accrued interest payable	1,191	1,274
Operating lease liability	6,028	6,612
Other liabilities	4,865	3,441
Total Liabilities	1,086,461	860,435
Commitments and contingencies (see Note 11)		
Shareholders' Equity		
Preferred stock, \$5.00 par value; authorized 1,000,000 shares; 0 shares issued and outstanding, respectively	-	-
Common stock, \$5.00 par value; authorized 25,000,000 shares; 9,678,477 shares issued and outstanding and 8,242,247 shares issued and outstanding, respectively	48,392	41,211
Additional paid-in capital	54,359	44,339
Retained Earnings (accumulated deficit)	1,831	(3,424)
Accumulated other comprehensive income (loss)	487	(719)
Total Shareholders' Equity	105,069	81,407
Total Liabilities and Shareholders' Equity	\$ 1,191,530	\$ 941,842

See accompanying notes to consolidated financial statements.

Trustar Bankshares, Inc.
Consolidated Statements of Income
(\$ in thousands)

As of December 31,	2025	2024
Interest income		
Interest and fees on loans	\$ 52,248	\$ 42,995
Interest and dividends on securities	4,478	3,226
Interest-bearing balances due from banks	4,539	4,453
Total interest income:	61,265	50,674
Interest expense		
Deposits	28,539	26,716
Borrowings	2,644	2,734
Total Interest expense:	31,183	29,450
Net interest income	30,082	21,224
Provision for credit losses	1,708	1,587
Net interest income after provision for credit losses	28,374	19,637
Non-interest income:		
Loss on securities	-	(199)
Net gain on sale of assets	34	-
Other non-interest income	481	352
Total non-interest income:	515	153
Non-interest expenses:		
Salaries and employee benefits	12,849	10,374
Occupancy	1,875	2,141
Data processing	868	683
Network services	748	586
Professional services	1,815	703
Advertising	433	362
Regulatory assessments	920	745
Gain on debt extinguishment	-	(28)
Other operating expenses	2,304	1,946
Total non-interest expenses:	21,812	17,512
Net income before income tax expense	7,077	2,278
Income tax expense	1,822	197
Net income	\$ 5,255	\$ 2,081

See accompanying notes to consolidated financial statements.

Trustar Bankshares, Inc.
Consolidated Statements of Comprehensive Income
(\$ in thousands)

As of December 31,	2025	2024
Net Income	\$ 5,255	\$ 2,081
Other comprehensive income (loss):		
Unrealized gain (loss) on securities available-for-sale, net of tax expense, (benefit), \$362 and (\$47) respectively	1,206	(130)
Other comprehensive income (loss)	1,206	(130)
Total comprehensive income	\$ 6,461	\$ 1,951

See accompanying notes to consolidated financial statements.

Trustar Bankshares, Inc.

Consolidated Statements of Shareholders' Equity (\$ in thousands, except per share data)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit, Retained Earnings	Accumulated Other Comprehensive (Loss) income	Total
	Shares	Amount				
Balance, December 31, 2023	7,205,626	\$ 36,028	\$ 39,241	\$ (5,505)	\$ (589)	\$ 69,175
Net income	-	-	-	2,081	-	2,081
Other comprehensive loss	-	-	-	-	(130)	(130)
Net proceeds from the exercise of warrants	998,391	4,992	4,992	-	-	9,984
Vesting of restricted shares	38,230	191	(191)	-	-	-
Stock based compensation expense	-	-	297	-	-	297
Balance, December 31, 2024	8,242,247	\$ 41,211	\$ 44,339	\$ (3,424)	\$ (719)	\$ 81,407
Net income	-	-	-	5,255	-	5,255
Other comprehensive income	-	-	-	-	1,206	1,206
Net proceeds from the issuance of common stock, net of offering costs	1,399,000	6,995	9,753	-	-	16,748
Vesting of restricted shares	37,230	186	(186)	-	-	-
Stock based compensation expense	-	-	453	-	-	453
Balance, December 31, 2025	9,678,477	\$ 48,392	\$ 54,359	\$ 1,831	\$ 487	\$ 105,069

See accompanying notes to consolidated financial statements.

Trustar Bankshares, Inc.
Consolidated Statements of Cash Flows
(\$ in thousands)

As of December 31,	2025	2024
Cash Flows from Operating Activities		
Net income	\$ 5,255	\$ 2,081
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization of discounts and premiums	(580)	(359)
Provision for credit losses	1,708	1,587
Loss on sale of securities	-	199
Gain on sale of assets	(34)	-
Gain on FHLB advance extinguishment	-	(28)
Stock-based compensation awards	453	297
Depreciation of premises and equipment	501	509
Deferred tax benefit	(728)	(233)
Amortization of operating right-of-use assets	500	985
Payments on leases	(665)	(1,046)
Changes in other operating assets and liabilities:		
Increase in accrued interest receivable & other assets	(499)	(159)
Increase in accrued interest payable & other liabilities	1,258	796
Net Cash Provided by Operating Activities	7,169	4,629
Cash Flows from Investing Activities		
Net increase in loans	(138,917)	(154,557)
Purchase of available-for-sale securities	(81,226)	(24,689)
Purchase of held-to-maturity securities	(1,500)	-
Proceeds from repayment of available-for-sale securities	7,002	1,976
Proceeds from repayment of held-to-maturity securities	880	1,215
Proceeds from call or maturity of available-for-sale securities	5,500	40,000
Proceeds from call of held-to-maturity securities	8,500	2,561
(Purchase) redemption of restricted bank stock	(97)	864
Cash received from sale of assets	54	-
Purchases of premises and equipment	(729)	(1,554)
Net Cash Used in Investing Activities	(200,533)	(134,184)
Cash Flows from Financing Activities		
Net increase in deposits	225,269	146,347
Proceeds from FHLB borrowings	-	20,000
Paydowns of FHLB Borrowings	-	(39,972)
Net proceeds from the exercise of Class A warrants	-	9,984
Net proceeds from the issuance of common stock	16,748	-
Net Cash Provided by Financing Activities	242,017	136,359
Net increase in cash and cash equivalents	48,653	6,804
Cash and Cash Equivalents, Beginning	94,767	87,963
Cash and Cash Equivalents, Ending	\$ 143,420	\$ 94,767
Supplemental cash flow information:		
Interest paid	\$ 31,197	\$ 29,372
Income taxes paid	2,215	752
Supplementary non-cash disclosures:		
Initial recognition of operating lease right of use asset	81	-
Initial recognition of operating lease liability	81	-

See accompanying notes to consolidated financial statements.

Trustar Bankshares, Inc.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Organization and Nature of Operations

Trustar Bankshares, Inc. (the “Company”) was organized as a Virginia corporation in 2025 to serve as the holding company for Trustar Bank (the “Bank”). The Company became a bank holding company when it commenced operations on December 17, 2025, following a reorganization transaction in which it acquired control of the Bank under the Bank Holding Company Act of 1956 (“BHCA”). This transaction was treated as an internal reorganization as all shareholders of the Bank became shareholders of the Company. The Company has no material operations other than owning the Bank. As a bank holding company of a Virginia state non-member bank, the Company is subject to regulation, supervision, and examination by the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Bureau of Financial Institutions of the Virginia State Corporation Commission (the “Virginia BFI”).

The Bank is a Virginia chartered commercial bank that commenced operations in 2019. The Bank is subject to regulation, supervision, and examination by the Federal Deposit Insurance Corporation (the “FDIC”) and the Virginia BFI.

We primarily serve small to medium-sized businesses, their owners and employees, professional corporations, non-profits, and individuals with a broad range of banking products and financial services. Some of the products and services that we offer include checking, savings and money market accounts, certificates of deposit, treasury and cash management services, commercial and industrial loans, commercial real estate loans, residential mortgage, acquisition, construction & development loans, online banking and mobile banking. As of December 31, 2025, we had total consolidated assets of \$1.2 billion, loans receivable of \$899.7 million, total deposits of \$1.0 billion, and total shareholders’ equity of \$105.1 million.

Trustar Mortgage, LLC Disposition

On November 1, 2023, the Bank completed the sale of all of its membership interest in Trustar Mortgage, LLC to Archer Mortgage, LLC for a sales price of \$500,000. Cash received at the time of the sale was \$125,000 with the remaining \$375,000, included in other assets on the consolidated balance sheet, to be repaid in three equal installments on each anniversary date of the sale. On October 18, 2024, Trustar Bank and Archer Mortgage signed an amended agreement to collect 36 equal monthly payments instead of 3 annual payments starting November 1, 2024, for the remaining receivable \$375,000. The receivable as of December 31, 2025, was \$229,000. The receivable as of December 31, 2024, was \$354,000.

Basis of Presentation

The accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The policies that materially affect the determination of financial position, results of operations and cash flow are summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, the Bank and the Bank’s wholly-owned subsidiary, 774A Walker Road, LLC. 774A Walker Road, LLC was created to purchase real estate located at 774 Walker Road in Great falls, Virginia. The purchase transaction settled on October 20, 2022. Trustar Bank is a tenant of 774A Walker Road, along with nine other unrelated businesses. All intercompany accounts and transactions have been eliminated in consolidation.

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Notes to Consolidated Financial Statements

Reclassification

Certain prior year amounts have been reclassified to conform to the fiscal 2025 presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses and the realizability of deferred tax assets.

Concentrations of Credit Risk

The Company makes commercial loans, commercial mortgages, residential mortgages and consumer loans to businesses and individuals. Most of the loans are to customers located in the Greater Washington, D.C. metropolitan area. The concentration of credit by type of loan is set forth in Note 3. Its debtors' ability to honor their contracts is influenced by the region's economy.

Newly issued not yet adopted accounting standards

Accounting Standards Update ("ASU") No. 2024-03, "Income Statement—Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40); Disaggregation of Income Statement Expenses"

In November 2024, the Financial Accounting Standards Board ("FASB") issued ASU 2024-03, Income Statement—Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40); Disaggregation of Income Statement Expenses. This ASU seeks to improve the disclosures about a public business entity's expenses and addresses requests from investors for more detailed information about the types of expenses in commonly presented expense captions. The amendments in this update are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. This ASU is not expected to have a material impact on our consolidated financial statements.

ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures"

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments in this ASU require an entity to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, which is greater than five percent of the amount computed by multiplying pretax income by the entity's applicable statutory rate, on an annual basis. Additionally, the amendments in this ASU require an entity to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions that are equal to or greater than five percent of total income taxes paid (net of refunds received). Lastly, the amendments in this ASU require an entity to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. For Public

Trustar Bankshares, Inc.

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Business Entities (PBE's), this ASU is effective for annual periods beginning after December 15, 2024. For entities other than public business entities (non-PBE's), the ASU is effective for annual periods beginning after December 15, 2025. Early adoption is permitted. The amendments should be applied on a prospective basis; however, retrospective application is permitted. We do not expect the adoption of ASU 2023-09 to have a material impact on our consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Bank's financial position, results of operations or cash flows.

Presentation of Cash Flows

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold. Generally, federal funds are purchased or sold for one day periods. As of December 31, 2025, and 2024, the Company did not have any federal funds sold, but rather overnight cash deposits held at the Federal Reserve Bank, the Federal Home Loan Bank, and its principal correspondent bank.

Cash and Cash Equivalents

The Company considers all highly liquid assets with original maturities of 90 days or less, such as cash on hand, noninterest-bearing and interest-bearing amounts due from banks and federal funds sold, to be "cash equivalents."

Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

Securities classified as AFS are those securities that the Company intends to hold for an indefinite period of time but not necessarily to maturity. Securities AFS are carried at fair value. Any decision to sell a security classified as AFS would be based on various factors, including significant movement in interest rates, changes in maturity mix of assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Unrealized gains and losses are reported as increases or decreases in other comprehensive income, net of the deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Amounts reclassified from accumulated other comprehensive income for unrealized gain (loss) on securities AFS represent realized securities gains or losses, net of tax effects. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Accrued interest receivable on held-to-maturity debt securities was excluded from the estimate of credit losses and totaled \$225,000 on December 31, 2025, and \$290,000 on December 31, 2024.

Securities classified as held-to-maturity are those debt securities the Company has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount, computed by a method which approximates the interest method over the terms of the securities.

Management measures expected credit losses on held-to-maturity debt securities on an individual security basis based on the Current Expected Credit Losses ("CECL") model. Estimates are derived by determining the

Trustar Bankshares, Inc.

Notes to Consolidated Financial Statements

probability of default and loss given default based on a security's final maturity, investment credit rating, and time to maturity.

Management evaluates available-for-sale debt securities for credit losses in accordance with Accounting Standards Codification ("ASC") 326-30. Credit losses are recognized through an allowance for credit losses rather than as a direct write-down of the amortized cost basis of the security. An available-for-sale debt security is evaluated for impairment when its fair value is less than its amortized cost basis. If the decline in fair value is attributable to credit factors, an allowance for credit losses is recorded for the credit-related portion of the impairment, limited to the difference between the amortized cost basis and the fair value of the security. If the Company intends to sell, or it is more likely than not that the Company will be required to sell, an impaired available-for-sale debt security before recovery of its amortized cost basis, the security is written down to fair value through earnings. Credit losses on investment securities are recognized through the provision for credit losses in the consolidated statements of income. Declines in fair value of available-for-sale debt securities that are not attributable to credit factors are recognized in AOCI, net of tax.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for credit losses and any deferred fees or costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank is generally amortizing these amounts using a straight-line method for lines of credit and effective interest rate method for all other loans.

The loans receivable portfolio is segmented into the following classes: commercial and industrial, commercial real estate, construction, 1-4 family residential, home equity, and consumer.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest is 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, all previously accrued but uncollected interest is reversed. Future cash payments on loans on nonaccrual status are applied to principal (cost recovery method) rather than interest income. Interest received on nonaccrual loans, including impaired loans, generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Allowance for Credit Losses("ACL")-Loans

The ACL is a valuation account that is deducted from the amortized cost basis of the loans to equal the net amount expected to be collected on the loans. The ACL is increased by the provision for credit losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for credit losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely.

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Notes to Consolidated Financial Statements

The ACL represents management's estimate of lifetime credit losses inherent in loans as of the balance sheet date. The ACL is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

Management measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The portfolio segmentation generally follows FDIC call code classifications and the allowance for credit losses is calculated using a vintage model.

Management has identified the following primary pools for measuring expected credit losses. There are additional sub-segmentations within each pool, including risk categories.

- *Commercial and industrial loans* - These loans include loans to business enterprises issued for commercial, industrial and/or other professional purposes. These loans are generally secured by equipment, inventory, and accounts receivable of the borrower and repayment is primarily dependent on business cash flows. Commercial and Industrial loans generally require debt service coverage of 1.20x or better. The Company typically limits loans against furniture, fixtures, and equipment ("FF&E") to 100% of the value of FF&E, loans against accounts receivable are limited to 80% of the value of the accounts receivable and loans against eligible inventory are limited to 50% of the value of the inventory.

- *Commercial real estate* - these loans consist of two types of commercial real estate: owner occupied commercial real estate and non-owner occupied commercial real estate. Owner occupied commercial real estate mortgage loans are secured by commercial office buildings, industrial buildings, warehouses or retail buildings where the owner of the building occupies the property. For such loans, repayment is largely dependent upon the operation of the borrower's business. The Company generally requires loan to value of 80% or lower and debt service coverage of 1.15x or better. Terms outside of these guidelines will have strengths to mitigate additional risk. Non-owner occupied commercial real estate loans consist of investment real estate loans secured by office buildings, industrial buildings, warehouses, retail buildings, and multifamily residential housing. Repayment is primarily dependent on lease income generated from the underlying collateral. The Company generally requires a loan to value ratio of 75% or lower, debt service coverage of 1.25x or better and overall lease terms to match or extend beyond the term of the loan.

- *Construction* - This pool includes loans where the repayment is dependent on the successful completion and eventual sale, refinance or operation of the related real estate project and are thus impacted by market demand and real estate valuations. Construction and land development loans include 1-4 family residential construction projects and commercial construction projects. Residential construction loans for resale generally have a loan to cost ratio of 80% or lower and commercial construction loans generally have a loan to cost ratio of 85% or lower. Loan to value ratio would generally be under 80% for commercial speculative construction projects. Owner-occupied and non-owner-occupied commercial construction projects are underwritten to standard guidelines discussed above.

- *1-4 family residential* - This pool consists of loans secured by 1-4 family residential real estate. For commercial borrowers, the Company generally requires a loan to value ratio of 75% or lower, debt service coverage ratio of 1.25x or better and overall lease terms to match or extend beyond the term of the loan. For consumer borrowers, repayment is primarily dependent on the cash flow of the borrower and may be affected by changes in general economic conditions. Repayment will vary depending on the product, but generally require credit scores of 640 or greater, debt-to-income ratios below 40% and loan to value ratios of no more than 80%.

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- *Home equity* - Loans secured by 1-4 family residential properties. Repayment is primarily dependent on the personal cash flow of the borrower and may be affected by changes in general economic conditions. The Company generally requires a debt-to-income ratio below 40% on all home equity lines of credit with loan value ratios generally 80% or less and a minimum credit score of 660.

- *Consumer* - Loans issued to individuals not secured by 1-4 family residential properties. Repayment is primarily dependent on the personal cash flow of the borrower which may be impacted by changes in economic conditions and unemployment. The Company generally limits consumer loans to those clients with a minimum 660 credit score and a debt-to-income ratio below 40%.

Management uses external sources in the creation of its forecasts, including current economic conditions and forecasts for macroeconomic variables over its reasonable and supportable forecast period (e.g., GDP growth rate, unemployment rate, credit spreads on BBB rated loans, commercial real estate and home price indexes). Management utilizes a reasonable and supportable forecast period of 24 months. For contractual terms that extend beyond the forecast period, management reverts to historical loss rates starting in the quarter after the forecast period for each loan and in each scenario in which the loan's remaining life is longer than the forecast period.

Additionally, the ACL calculation includes subjective adjustment for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative factors include:

1. Volume and severity of past due, classified and nonaccrual loans and other loan modifications.
2. Nature and volume of the portfolio and terms of loans.
3. Lending policies and procedures, including underwriting standards and collections, charge-off & recovery practices.
4. Experience, ability and depth of lending management and staff.
5. National and local economic and business conditions as well as the condition of various market segments, including the value of underlying collateral for collateral dependent loans.
6. Concentration of credit.
7. Quality of the loan review process.
8. Effect of external factors, such as geopolitical, competition and legal and regulatory requirements.
9. Loans with identified incomplete financial documentation.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation.

Collateral dependent loans are those loans that are non-accruing and on which the borrowers cannot demonstrate the ability to make and are not making regularly scheduled loan payments, thereby making repayment of the loan dependent upon the operation or sale of the collateral securing the loan. Collateral dependent loans are evaluated individually as they do not share similar risk characteristics with other loans and are removed from their respective homogeneous pools. For collateral dependent loans, the Company has adopted a practical expedient to measure the allowance for credit losses based on the fair value of the collateral less cost to sell.

For commercial loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property.

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For commercial and industrial loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable aging or equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets.

A loan that is refinanced or restructured by the Company when a borrower is experiencing financial difficulty is generally considered a financial difficulty modification (FDM). Such modifications are evaluated to determine if the changes to the loan result in a new loan or a continuation of the existing loan, and to determine the appropriate treatment of deferred loan fees/costs, (i.e. to recognize in income if considered a new loan or to continue amortization if determined to be a continuation of the loan). The ACL on a FDM is measured using the same method as all other loans receivable.

The ACL calculation methodology includes further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated annually for commercial loans or when credit deficiencies arise, such as delinquent loan payments, for commercial and consumer loans. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful and loss. Loans criticized as special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as doubtful have all the weaknesses inherent in loans classified as substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for credit losses. Loans not classified are rated pass.

The Company maintains an ACL for lending-related commitments such as unfunded loan commitments and letters of credit. Management estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Company. The allowance for lending-related commitments on off-balance sheet credit exposures is adjusted as a provision for credit losses. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans.

The ACL for unfunded commitments is separately classified on the consolidated balance sheet within other liabilities.

Based on a comprehensive analysis of the loan portfolio, management believes the current level of the ACL is adequate.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over financial assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control

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over the transferred assets through an agreement to repurchase them before their maturity. When a transfer does not meet the requirements for a sale, the transfer is accounted for as a secured borrowing.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized to expense over the shorter of the term of the respective lease or the estimated useful life of the improvements.

Restricted Investment in Bank Stock

Restricted investment in bank stock as of December 31, 2025, and 2024 is comprised of Federal Home Loan Bank (“FHLB”) stock and is an equity interest in the FHLB, which does not have readily determinable fair values for purposes of FASB ASC Topic 320, Accounting for Certain Investments in Debt and Equity Securities, because ownership is restricted and the stock lacks a market. This stock is required for membership and can only be sold back to the member institution and is recorded at cost.

Unlike other types of stock, FHLB stock is acquired primarily for the right to receive advances and loan participations rather than for the purpose of maximizing dividends or stock growth. Management’s determination of whether this investment is impaired is based on an assessment of the ultimate recoverability of the cost rather than by recognizing temporary declines in value. Management believes no impairment charge is necessary related to the restricted stock as of December 31, 2025, and 2024.

Share-Based Compensation

The Company recognizes compensation costs related to share-based payment transactions and measures the cost based on the grant-date fair value of the award. The cost will be recognized over the period during which the employee, director, or organizer is required to provide services in exchange for the award. Management determines fair value of its stock by applying the same price to tangible book multiple of a group of peer banks to the tangible book value of the Company’s stock. The Company’s policy is to recognize forfeitures as they occur.

Advertising Expense

The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expenses totaled \$433,000 and \$362,000 for the years ended December 31, 2025, and 2024, respectively.

Income Taxes

Current income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the current period taxable income. The Company determines a net deferred tax asset or liability based on the tax effects of the differences between the book and tax basis of assets and liabilities, net operating loss carryforwards, and enacted changes in tax rates and laws are recognized in the period in which they occur. Net deferred tax assets are captured under “other assets” on the balance sheet and net deferred tax liabilities is captured under “other liabilities”.

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Deferred income tax expense (benefit) results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of the evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company accounts for uncertain tax positions if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. The Company had no uncertain tax positions on December 31, 2025, and 2024.

The Company recognizes interest and penalties on income taxes, if any, as a component of the provision for income taxes. No interest and penalties were recognized during the years ended December 31, 2025, and 2024.

The consolidated federal and state tax returns for the years ended December 31, 2024, 2023, and 2022 are open for examination as of December 31, 2025.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company enters into off-balance sheet arrangements involving financial instruments such as commitments to extend credit, letters of credit and risk participation agreements. Such financial instruments are recorded on the balance sheet when they are funded. Management estimates expected credit losses on commitments to extend credit over the contractual period (unfunded commitments) in which the Company is exposed to credit risk on the underlying commitments, unless the obligation is unconditionally cancellable by the Company. The allowance for unfunded commitments, which is reflected within "Other liabilities" on the consolidated balance sheet, is adjusted for as an increase or decrease to the provision for credit losses for unfunded commitments. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The allowance is calculated using the same aggregate reserve rates calculated for the funded portion of loans at the portfolio level applied to the amount of commitments expected to fund.

Leases

The Bank leases certain branch locations and administrative offices which are generally classified as operating leases with right-of-use assets ("ROU") and the associated lease obligations as operating lease liability. For leases where the Bank is the lessee that have initial terms greater than one year, right-of-use assets and corresponding lease liabilities are reported on the balance sheet. Our expected lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Leases with an initial term of less than one year are not recorded on the balance sheet. Operating lease expense is recognized on a straight-line basis over the lease term and included in "Occupancy" expense on the consolidated statements of income.

Operating leases, in which the Bank is the lessee, are recorded as Operating lease right-of-use assets and Operating lease liabilities on our consolidated balance sheets. We do not currently have any finance leases.

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Operating lease ROU assets represent our right to use an underlying asset during the lease term and operating lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized as lease commencement based on the present value of the remaining lease payments using a discount rate that represents our Incremental Borrowing Rate (“IBR”). The IBR was calculated for each lease determining the rate for a fully collateralized, fully amortizing loan of the same term as the lease. The IBR for each lease is unique based on the lease term.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, which are also recognized as separate components of equity.

Loss Contingencies

The Company records an accrual for a loss contingency when the estimated loss is both probable and reasonably estimated.

2. Securities

The amortized costs and fair value of securities on December 31, 2025, and 2024, respectively, are summarized as follows (\$ in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Allowance for Credit Losses
As of December 31, 2025					
Collateralized mortgage obligation	\$ 57,116	\$ 671	\$ (135)	\$ 57,652	\$ -
Mortgage-backed securities	45,178	486	(169)	45,495	-
SBA securities	2,351	1	(51)	2,301	-
					-
Total available-for-sale	\$ 104,645	\$ 1,158	\$ (355)	\$ 105,448	\$ -
Corporate debt	\$ 11,753	\$ 45	\$ (1,011)	\$ 10,787	\$ (69)
Collateralized mortgage obligation	6,190	-	(219)	5,971	-
Mortgage-backed securities	1,781	-	(23)	1,758	-
Municipal securities	11,295	-	(340)	10,955	-
Total held-to-maturity	\$ 31,019	\$ 45	\$ (1,593)	\$ 29,471	\$ (69)

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Notes to Consolidated Financial Statements

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Allowance for Credit Losses
As of December 31, 2024					
US treasury	\$ 4,495	\$ -	\$ (9)	\$ 4,486	\$ -
Collateralized mortgage obligation	18,560	4	(513)	18,051	-
Mortgage-backed securities	9,107		(252)	8,855	
Municipal securities	996	4	-	1,000	-
SBA securities	2,024	2	(2)	2,024	-
Total available-for-sale	\$ 35,182	\$ 10	\$ (776)	\$ 34,416	\$ -
US treasury	\$ 2,499	\$ -	\$ (10)	\$ 2,489	\$ -
Corporate debt	16,312	-	(1,740)	14,572	(75)
Collateralized mortgage obligation	7,051	-	(526)	6,525	-
Mortgage-backed securities	1,810		(77)	1,733	
Municipal securities	11,358	-	(758)	10,600	-
Total held-to-maturity	\$ 39,030	\$ -	\$ (3,111)	\$ 35,919	\$ (75)

The amortized cost and fair value of available-for-sale and held-to-maturity securities on December 31, 2025, and 2024, respectively, by contractual maturity, are shown below. Securities not due at a single maturity date are shown separately. Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without prepayment penalties (\$ in thousands):

As of December 31, 2025	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Maturing				
Due under one year	\$ -	\$ -	\$ -	\$ -
Due after one year through five years	-	-	11,295	10,955
Due after five years through ten years	-	-	11,753	10,787
Collateralized mortgage obligations	57,116	57,652	6,190	5,971
Mortgage-backed securities	45,178	45,495	1,781	1,758
SBA securities	2,351	2,301	-	-
	\$ 104,645	\$ 105,448	\$ 31,019	\$ 29,471

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As of December 31, 2024	Available-for-Sale		Held-to-Maturity	
	Amortized		Amortized	
	Cost	Fair Value	Cost	Fair Value
Maturing				
Due under one year	\$ 5,491	\$ 5,486	\$ 8,554	\$ 8,452
Due after one year through five years	-	-	8,566	8,044
Due after five years through ten years	-	-	13,049	11,164
Collateralized mortgage obligations	18,560	18,051	7,051	6,526
Mortgage-backed securities	9,107	8,855	1,810	1,733
SBA securities	2,024	2,024	-	-
	\$ 35,182	\$ 34,416	\$ 39,030	\$ 35,919

Activity in the allowance for credit losses for held-to-maturity securities for the year ended December 31, 2025, and 2024, respectively, is summarized as follows (\$ in thousands):

As of December 31, 2025	Beginning Balance	Provision	Ending Balance
Corporate debt	\$ 75	\$ (6)	\$ 69
Collateralized mortgage obligation	-	-	-
Mortgage-backed securities	-	-	-
Municipal Securities	-	-	-
Total	\$ 75	\$ (6)	\$ 69

As of December 31, 2024	Beginning Balance	Provision	Ending Balance
Corporate debt	\$ 90	\$ (15)	\$ 75
Collateralized mortgage obligation	-	-	-
Mortgage-backed securities	-	-	-
Municipal Securities	-	-	-
Total	\$ 90	\$ (15)	\$ 75

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Information pertaining to securities with gross unrealized losses and unrecognized losses on December 31, 2025, and 2024, respectively, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows (\$ in thousands):

Available-for-sale

As of December 31, 2025	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collateralized mortgage obligation	1,962	(5)	9,920	(130)	11,882	(135)
Mortgage-backed securities	2,606	(4)	13,038	(165)	15,644	(169)
Municipal Securities	-	-	-	-	-	-
SBA securities	-	-	1,954	(51)	1,954	(51)
	\$ 4,568	\$ (9)	\$ 24,912	\$ (346)	\$ 29,480	\$ (355)

As of December 31, 2024	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasury securities	\$ -	\$ -	\$ 4,486	\$ (9)	\$ 4,486	\$ (9)
Corporate debt	-	-	-	-	-	-
Collateralized mortgage obligation	16,371	(508)	730	(5)	17,101	(514)
Mortgage-backed securities	8,856	(252)	-	-	8,856	(251)
Municipal Securities	-	-	-	-	-	-
SBA securities	1,271	(2)	-	-	1,271	(2)
	\$ 26,498	\$ (762)	\$ 5,216	\$ (14)	\$ 31,714	\$ (776)

All of the unrealized losses as of December 31, 2025, and 2024, relate principally to changes in interest rates and prepayment assumptions subsequent to the acquisition of specific securities. Management evaluated the investment securities in a loss position at least on a quarterly basis and determined that declines in fair value are attributable to market volatility, not credit quality or other factors. In arriving at this conclusion, management reviewed third-party credit ratings and considered the severity of the impairment. The municipal securities investments are comprised almost entirely of highly-rated municipal bonds issued by state and local governments throughout the nation. The Company had no significant concentrations of bond holdings from any one state or local government entity. The mortgage backed securities investments are issued by U.S. government sponsored entities, Ginnie Mae, Freddie Mac or Fannie Mae. Management has the intent and ability to hold debt securities until recovery of any unrealized losses and does not believe it will have to sell the securities prior to recovery.

There was no ACL related to the available-for-sale portfolio on December 31, 2025, and December 31, 2024.

Securities with a fair value of \$8.8 million were pledged as collateral with the Federal Reserve Bank (“FRB”) as of December 31, 2025. Securities with a fair value of \$13.6 million and \$20.8 million were pledged as collateral with the FHLB as of December 31, 2025, and 2024, respectively.

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The Company had no sales from the available-for-sale or held-to-maturity portfolios in 2025 or 2024. One held-to-maturity municipal bond was called during 2024 through a “make whole provision” at a loss on securities of \$199,000.

On December 31, 2025 and December 31, 2024, respectively, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders equity.

Accrued interest receivable on available-for-sale investment securities was \$329,000 and \$139,000 on December 31, 2025, and 2024, respectively. Accrued interest receivable on held-to-maturity investment securities was \$225,000 and \$290,000 as of December 31, 2025, and 2024, respectively.

3. Loans Receivable

The composition of loans receivable on December 31, 2025, and 2024 is as follows (\$ in thousands):

As of December 31,	2025	2024
Commercial and industrial	\$ 131,576	\$ 89,804
Commercial real estate	370,391	313,061
Construction	171,354	148,914
1-4 family residential	191,588	185,805
Home equity	34,278	21,863
Consumer	560	1,416
Total loans receivable	899,747	760,863
Unearned net loan origination fees and costs	394	497
Allowance for credit losses	(9,141)	(7,645)
Loans Receivable, Net	\$ 891,000	\$ 753,715

The Company’s loan portfolio is not concentrated relative to any single borrower or to a relatively small number of borrowers. Additionally, management is not aware of any concentrations of loans to classes of borrowers or industries that would be similarly affected by economic conditions. In addition to monitoring potential concentrations of loans to particular borrowers or groups of borrowers, industries, and geographic regions, management monitors exposure to credit risk that could arise from potential concentrations of lending products and practices such as loans that subject borrowers to substantial payment increases (e.g. principal deferral periods, loans with initial interest-only periods, etc.), and loans with high loan-to-value ratios. The Company does have a geographic concentration in the Washington D.C., Maryland, and Virginia metro area. These loans are underwritten and monitored to manage the associated risks.

Accrued interest receivable related to loans receivable totaled \$3.1 million on December 31, 2025, and \$2.6 million on December 31, 2024, and was reported in accrued interest receivable on the consolidated balance sheets.

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4. Allowance for Credit Losses

The following tables summarize the activity in the allowance for credit losses by loan class for the year ended December 31, 2025, and information regarding the allowance for credit losses and the recorded investment in loans receivable by loan class on December 31, 2025 (\$ in thousands):

Allowance for Credit Losses					
As of December 31, 2025	Beginning Balance	Charge-offs	Recoveries	Provisions	Ending Balance
Commercial and industrial	\$ 865	\$ (136)	\$ -	\$ 1,006	\$ 1,735
Commercial real estate	3,663	-	-	267	3,930
Construction	1,296	-	-	432	1,728
1-4 family residential	1,487	-	-	(131)	1,356
Home equity	287	-	-	90	377
Consumer	47	-	-	(32)	15
	\$ 7,645	\$ (136)	\$ -	\$ 1,632	\$ 9,141

Our estimate of credit losses can vary substantially from period to period due to factors such as loan growth, changes in our peer's loss history, and current and forecasted property valuations and interest rates. In addition, updates to the models, assumptions and data used in determining our estimate for credit losses can impact our allowance.

Our provision for credit losses in 2025 was primarily driven by loan growth. Our provision was also impacted by changes in the loss history of our peers. Our provision was also increased based on forecasted changes in economic factors in our market due to changes made by the federal government to reduce spending and the size of its workforce.

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The following tables summarize the activity in the allowance for credit losses by loan class for the year ended December 31, 2024, and information regarding the allowance for credit losses and the recorded investment in loans receivable by loan class on December 31, 2024 (\$ in thousands):

Allowance for Credit Losses					
As of December 31, 2024	Beginning Balance	Charge-offs	Recoveries	Provisions	Ending Balance
Commercial and industrial	\$ 593	\$ -	\$ -	\$ 272	\$ 865
Commercial real estate	2,832	-	-	831	3,663
Construction	1,175	-	-	121	1,296
1-4 family residential	1,185	-	-	302	1,487
Home equity	192	-	-	95	287
Consumer	59	-	-	(12)	47
	\$ 6,036	\$ -	\$ -	\$ 1,609	\$ 7,645

The following tables summarize the activity in the allowance for credit losses for unfunded commitments for the year ended December 31, 2025, and December 31, 2024 (\$ in thousands):

Allowance for Credit Losses			
As of December 31, 2025	Beginning Balance	Provisions	Ending Balance
Unfunded commitments	\$ 211	\$ 83	\$ 294

Allowance for Credit Losses			
As of December 31, 2024	Beginning Balance	Provisions	Ending Balance
Unfunded commitments	\$ 218	\$ (7)	\$ 211

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The following table presents the classes of the loan portfolio summarized by aggregate pass rating and classified ratings of special mention, substandard and doubtful in accordance with the Company's internal risk rating system on December 31, 2025, based on the loan's origination date (\$ in thousands):

Commercial and Industrial	2025 Loans by Origination Date							Total
	2025	2024	2023	2022	2021	Prior		
Pass	\$ 57,587	\$ 18,769	\$ 22,320	\$ 12,750	\$ 7,272	\$ 12,848	\$ 131,546	
Special mention	-	-	-	-	30	-	30	
Substandard	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	
Total commercial and industrial	\$ 57,587	\$ 18,769	\$ 22,320	\$ 12,750	\$ 7,302	\$ 12,848	\$ 131,576	
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ 136	\$ -	\$ -	\$ 136	
Commercial Real Estate	2025	2024	2023	2022	2021	Prior	Total	
Pass	\$ 96,035	\$ 77,609	\$ 37,223	\$ 44,796	\$ 56,066	\$ 47,002	\$ 358,731	
Special mention	-	-	-	-	-	1,737	1,737	
Substandard	-	614	-	-	-	9,309	9,923	
Doubtful	-	-	-	-	-	-	-	
Total commercial real estate	\$ 96,035	\$ 78,223	\$ 37,223	\$ 44,796	\$ 56,066	\$ 58,048	\$ 370,391	
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Construction	2025	2024	2023	2022	2021	Prior	Total	
Pass	\$ 32,644	\$ 48,596	\$ 36,506	\$ 38,084	\$ 1,881	\$ 1,841	\$ 159,551	
Special mention	-	-	-	-	11,534	-	11,534	
Substandard	-	-	-	-	133	135	269	
Doubtful	-	-	-	-	-	-	-	
Total construction	\$ 32,644	\$ 48,596	\$ 36,506	\$ 38,084	\$ 13,548	\$ 1,976	\$ 171,354	
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
1-4 Family Residential	2025	2024	2023	2022	2021	Prior	Total	
Pass	\$ 29,038	\$ 44,245	\$ 25,845	\$ 47,177	\$ 29,449	\$ 15,065	\$ 190,819	
Special mention	-	-	183	586	-	-	769	
Substandard	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	
Total 1-4 family residential	\$ 29,038	\$ 44,245	\$ 26,028	\$ 47,763	\$ 29,449	\$ 15,065	\$ 191,588	
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Home Equity	2025	2024	2023	2022	2021	Prior	Total	
Pass	\$ 10,760	\$ 5,244	\$ 5,163	\$ 4,214	\$ 6,055	\$ 2,811	\$ 34,247	
Special mention	31	-	-	-	-	-	31	
Substandard	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	
Total home equity	\$ 10,791	\$ 5,244	\$ 5,163	\$ 4,214	\$ 6,055	\$ 2,811	\$ 34,278	
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Consumer	2025	2024	2023	2022	2021	Prior	Total	
Pass	\$ 41	\$ 429	\$ -	\$ 90	\$ -	\$ -	\$ 560	
Special mention	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	
Total consumer	\$ 41	\$ 429	\$ -	\$ 90	\$ -	\$ -	\$ 560	
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Loans Receivable	\$ 226,136	\$ 195,506	\$ 127,240	\$ 147,697	\$ 112,420	\$ 90,748	\$ 899,747	
Unearned net loan origination fees and costs							394	
Total Loans Receivable, net of unearned fees and costs							900,141	
Total gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ 136	\$ -	\$ -	\$ 136	

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The following table presents the classes of the loan portfolio summarized by aggregate pass rating and classified ratings of special mention, substandard and doubtful in accordance with the Company's internal risk rating system on December 31, 2024, based on the loan's origination date (\$ in thousands):

	2024 Loans by Origination Date							Total
	2024	2023	2022	2021	2020	Prior		
Commercial and Industrial								
Pass	\$ 20,941	\$ 22,318	\$ 16,999	\$ 14,285	\$ 12,241	\$ 3,020	\$ 89,804	
Special mention	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	
Total commercial and industrial	\$ 20,941	\$ 22,318	\$ 16,999	\$ 14,285	\$ 12,241	\$ 3,020	\$ 89,804	
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Commercial Real Estate								
Pass	\$ 73,486	\$ 46,404	\$ 53,093	\$ 59,031	\$ 39,916	\$ 30,401	\$ 302,331	
Special mention	615	-	-	2,775	7,340	-	10,730	
Substandard	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	
Total commercial real estate	\$ 74,101	\$ 46,404	\$ 53,093	\$ 61,806	\$ 47,256	\$ 30,401	\$ 313,061	
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Construction								
Pass	\$ 46,586	\$ 44,805	\$ 40,013	\$ 15,368	\$ 1,874	\$ -	\$ 148,645	
Special mention	-	-	-	-	-	-	-	
Substandard	-	-	-	133	135	-	269	
Doubtful	-	-	-	-	-	-	-	
Total construction	\$ 46,586	\$ 44,805	\$ 40,013	\$ 15,501	\$ 2,009	\$ -	\$ 148,914	
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
1-4 Family Residential								
Pass	\$ 55,493	\$ 25,152	\$ 53,592	\$ 32,012	\$ 16,492	\$ 2,467	\$ 185,208	
Special mention	-	-	597	-	-	-	597	
Substandard	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	
Total 1-4 family residential	\$ 55,493	\$ 25,152	\$ 54,189	\$ 32,012	\$ 16,492	\$ 2,467	\$ 185,805	
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Home Equity								
Pass	\$ 4,400	\$ 5,421	\$ 4,168	\$ 4,713	\$ 3,161	\$ -	\$ 21,863	
Special mention	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	
Total home equity	\$ 4,400	\$ 5,421	\$ 4,168	\$ 4,713	\$ 3,161	\$ -	\$ 21,863	
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Consumer								
Pass	\$ 472	\$ 539	\$ 102	\$ -	\$ 303	\$ -	\$ 1,416	
Special mention	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	
Total consumer	\$ 472	\$ 539	\$ 102	\$ -	\$ 303	\$ -	\$ 1,416	
Gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Loans Receivable	\$ 201,993	\$ 144,639	\$ 168,564	\$ 128,317	\$ 81,462	\$ 35,888	\$ 760,863	
Unearned net loan origination fees and costs							497	
Total Loans Receivable, net of unearned fees and costs							761,360	
Total gross charge-offs, YTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Trustar Bankshares, Inc.

Notes to Consolidated Financial Statements

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio summarized by the past due status on December 31, 2025 (\$ in thousands):

As of December 31, 2025	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days	Non accrual	Total Past Due	Current	Total Loans Receivables	Recorded Investment >89 Days and Accruing
Commercial and industrial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,576	\$ 131,576	\$ -
Commercial real estate	-	614	4,132	-	4,746	365,645	370,391	4,132
Construction	-	-	-	269	269	171,085	171,354	-
1-4 family residential	769	-	-	-	769	190,819	191,588	-
Home equity	-	-	-	-	-	34,278	34,278	-
Consumer	-	-	-	-	-	560	560	-
	\$ 769	\$ 614	\$ 4,132	\$ 269	\$ 5,784	\$ 893,963	\$ 899,747	\$ 4,132

As of December 31, 2024	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days	Non accrual	Total Past Due	Current	Total Loans Receivables	Recorded Investment >89 Days and Accruing
Commercial and industrial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,804	\$ 89,804	\$ -
Commercial real estate	-	-	-	-	-	313,061	313,061	-
Construction	-	-	-	269	269	148,645	148,914	-
1-4 family residential	1,215	-	-	-	1,215	184,590	185,805	-
Home equity	-	-	-	-	-	21,863	21,863	-
Consumer	-	-	-	-	-	1,416	1,416	-
	\$ 1,215	\$ -	\$ -	\$ 269	\$ 1,484	\$ 759,379	\$ 760,863	\$ -

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The following presents nonaccrual loans on December 31, 2025 (\$ in thousands):

As of December 31, 2025	Nonaccrual with No Allowance for Credit Losses	Nonaccrual with Allowance for Credit Losses	Total Nonaccrual Loans	Loans Past Due Over 89 Days Still Accruing	Interest Income Recognized
Commercial and industrial	\$ -	\$ -	\$ -	\$ -	-
Commercial real estate	-	-	-	4,132	325
Construction	269	-	269	-	-
1-4 family residential	-	-	-	-	-
Home equity	-	-	-	-	-
Consumer	-	-	-	-	-
	\$ 269	\$ -	\$ 269	\$ 4,132	\$ 325

The following presents nonaccrual loans on December 31, 2024 (\$ in thousands):

As of December 31, 2024	Nonaccrual with No Allowance for Credit Losses	Nonaccrual with Allowance for Credit Losses	Total Nonaccrual Loans	Loans Past Due Over 89 Days Still Accruing	Interest Income Recognized
Commercial and industrial	\$ -	\$ -	\$ -	\$ -	-
Commercial real estate	-	-	-	-	-
Construction	-	269	269	-	28
1-4 family residential	-	-	-	-	-
Home equity	-	-	-	-	-
Consumer	-	-	-	-	-
	\$ -	\$ 269	\$ 269	\$ -	\$ 28

The Company identifies loans where the borrower cannot demonstrate an ability to make regularly scheduled payments, and the repayment of the loan is dependent upon the operation or sale of the collateral of the loan. These collateral dependent loans are evaluated individually for allowance for credit losses based on the fair value of the collateral.

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The following tables present an analysis of collateral-dependent loans by class of loans on December 31, 2025, and December 31, 2024 (\$ in thousands):

As of December 31, 2025	Residential Property	Business Assets	Commercial Property	Total Collateral- Dependent
Commercial and industrial	\$ -	-	-	\$ -
Commercial real estate	5,177	-	6,483	11,660
Construction	269	-	-	269
1-4 family residential	586	-	-	586
Home equity	-	-	-	-
Consumer	-	-	-	-
	\$ 6,032	-	6,483	\$ 12,515

As of December 31, 2024	Residential Property	Business Assets	Commercial Property	Total Collateral- Dependent
Commercial and industrial	\$ -	-	-	\$ -
Commercial real estate	5,191	-	-	5,191
Construction	269	-	-	269
1-4 family residential	597	-	-	597
Home equity	-	-	-	-
Consumer	-	-	-	-
	\$ 6,057	-	-	\$ 6,057

Loan Modifications

On January 1, 2024, the Company adopted ASU 2022-02 on a modified retrospective basis. ASU 2022-02 eliminates the troubled debt restructuring (“TDR”) accounting model and requires that the Company evaluate, based on the accounting for loan modifications, whether the borrower is experiencing financial difficulty, and the modification results in a more-than insignificant direct change in the contractual cash flows and represents a new loan or a continuation of an existing loan. This change required all loan modifications to be accounted for under the general loan modification guidance in ASC 310-20 - Receivables – Nonrefundable Fees and Other Costs, and subjects entities to new disclosure requirements on loan modifications to borrowers experiencing financial difficulty. Upon adoption of CECL, the Company had no loans classified as TDR.

The Company may modify loans to borrowers experiencing financial difficulty by providing principal forgiveness, term extension, interest rate reduction, or an other-than-insignificant payment delay. When principal forgiveness is provided, the amount of forgiveness is charged-off against the ACL. The Company may also provide multiple types of modifications on an individual loan.

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The Company has one loan to a borrower experiencing financial difficulty. This loan was modified in 2024 and again in 2025.

The following table presents the amortized cost basis of the one loan on December 31, 2025, that was both experiencing financial difficulty and modified during the period, by class and by type of modification. During 2025, the loan maturity was extended to February 20, 2026 and the interest rate was reduced from 8.25% to 5.5%. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable on December 31, 2025, is as follows (\$ in thousands):

As of December 31, 2025	Combination - Term Extension and Interest Rate Reduction	Financing Receivable
Commercial real estate	\$ 5,177	1.40 %
	\$ 5,177	0.58 %

The following table presents the amortized cost basis of the one loan on December 31, 2024, that was both experiencing financial difficulty and modified during the period, by class and by type of modification. During 2024, the maturity date of this loan was extended by three years. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable on December 31, 2024, is as follows (\$ in thousands):

As of December 31, 2024	Term Extension	Financing Receivable
Commercial real estate	\$ 5,194	1.66 %
	\$ 5,194	0.68 %

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5. Bank Premises and Equipment

Premises and equipment include the following on December 31 (\$ in thousands):

	2025	2024	Estimated Useful Lives
Land	\$ 1,418	\$ 1,418	
Building	2,380	2,398	40
Building improvements	567	-	1-40
Leasehold Improvements	2,385	2,338	5-11
Furniture	544	515	5
Office Equipment	463	342	3-5
Network Systems	355	353	5-7
Branch Systems & Equipment	342	240	3-10
Vehicles	163	112	5
Construction in progress	-	283	
Total bank premises and equipment before accumulated depreciation	8,617	7,999	
Accumulated depreciation	(2,424)	(2,014)	
Net total bank premises and equipment	\$ 6,193	\$ 5,985	

Depreciation expense charged to operations amounted to \$501,000 and \$509,000 for the years ended December 31, 2025, and 2024, respectively.

On May 31, 2024, the Bank purchased property at 7901 Norfolk Avenue, Bethesda, MD 20814, which was utilized as a full-service branch location. The total purchase price was \$1.1 million and included land and a building. The building will be depreciated with a useful life of 40 years in accordance with the Company's fixed asset policies.

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6. Deposits

Deposits were as follows as of December 31 (\$ in thousands):

As of December 31,	2025	2024
Noninterest-bearing demand	\$ 179,245	\$ 114,774
Interest-bearing demand	84,386	53,431
Money market	426,327	298,415
Savings	45,117	21,028
Time, <\$250,000	195,752	192,357
Time, >= \$250,000	88,550	114,103
Total Deposits	\$ 1,019,377	\$ 794,108

The Company has deposits from some customers that represent a significant deposit concentration. The Company also has a concentration of deposits from municipal entities or public fund deposits. The following table presents these deposit concentrations as a percentage of total deposits.

Percentage of Total Deposits As of December 31,	2025	2024
Government Contractor	17.4 %	12.9 %
Virginia Public Funds	9.8 %	10.9 %

On December 31, 2025, the Company's public funds deposits consisted of \$100.1 million of which \$99.9 million were placed as reciprocal deposits through the Certificate of Deposit Account Registry Services ("CDARS") and Insured Cash Sweep ("ICS") programs.

On December 31, 2024, the Company's public funds deposits consisted of \$86.0 million of which \$63.9 million were placed in reciprocal deposits through the Certificate of Deposit Account Registry Services ("CDARS") and Insured Cash Sweep ("ICS") programs.

The following are time deposits maturing in years ending December 31 (\$ in thousands):

2026	\$ 233,288
2027	38,467
2028	11,299
2029	1,248
	\$ 284,302

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7. Borrowings

On December 31, 2025, the Company's remaining borrowing capacity (excess collateral) with the Federal Home Loan Bank of Atlanta (FHLB) was \$135.9 million. This was calculated using a "lendable collateral value" of \$190.9 million less a "total credit exposure" of \$55.0 million. "Lendable collateral value" represents the total value of eligible collateral pledged.

On December 31, 2024, remaining borrowing capacity (excess collateral) with the Federal Home Loan Bank of Atlanta (FHLB) stood at \$95.7 million "lendable collateral value" of \$174.7 million less "total credit exposure" of \$79 million. "Lendable collateral value" represents the total value of eligible collateral pledged. On December 31, 2024, the Company had a \$24.0 million letter of credit to secure public funds with the FHLB. The letter of credit expired during 2025 and was not renewed.

Advances from the FHLB are summarized by year of maturity and weighted average interest rate on December 31, 2025, and 2024 (\$ in thousands):

Product Description	Maturity Date	Principal Balance	Current Rate
Fixed Rate	10/21/2027	10,000	4.61%
Fixed Rate	10/22/2027	10,000	4.57%
Fixed Rate	10/10/2028	10,000	4.78%
Fixed Rate	10/24/2028	10,000	4.99%
Fixed Rate	11/02/2028	10,000	4.83%
Fixed Rate	06/14/2027	5,000	4.59%
		\$ 55,000	4.74%

The Company did not enter into any new FHLB advance agreements in 2025.

Additionally, in 2025 and 2024, the Company maintained a \$10.0 million unsecured federal funds overnight line of credit with PNC Bank, N.A. (PNC) and a \$20.0 million unsecured overnight line of credit with Pacific Coast Bankers' Bank (PCBB). On December 31, 2025, and December 31, 2024, there were no outstanding balances with either PNC or PCBB.

On December 31, 2025, the contractual maturities of borrowings were as follows for the years ending in December 31 (\$ in thousands):

Year Ending December 31,	Amount
2026	\$ -
2027	25,000
2028	30,000
2029	-
2030	-
Total	\$ 55,000

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8. Income Taxes

Year-end income taxes were due to the following (\$ in thousands):

As of December 31,	2025	2024
Current tax expense	\$ 2,231	\$ 386
Deferred tax (benefit)	(780)	(150)
Total federal tax expense	\$ 1,451	\$ 236
Current tax expense	\$ 319	\$ 44
Deferred tax expense/(benefit)	52	(83)
Total state tax expense/(benefit)	\$ 371	\$ (39)
Total	\$ 1,822	\$ 197

The components of the net deferred tax assets on December 31, 2025, and 2024 are as follows (\$ in thousands):

As of December 31,	2025	2024
Deferred tax assets:		
Organizational costs	\$ 166	\$ 159
State bonus depreciation	33	30
Compensation accrual	427	-
Operating lease liabilities	1,390	1,597
Equity compensation	36	33
Intangible assets	41	47
Bad debt expense	2,107	1,847
Other reserves	89	70
Unrealized losses on AFS Securities	-	185
	4,289	3,968
Valuation Allowance	(6)	-
Total Deferred Tax Assets	4,283	3,968
Deferred tax liabilities:		
Property equipment	(449)	(334)
Right-of-use asset	(934)	(1,080)
Prepaid expenses	(101)	(73)
Deferred loan costs	(523)	(758)
Unrealized gains on AFS Securities	(185)	-
Total Deferred Tax Liabilities	(2,192)	(2,244)
Net Deferred Tax Assets	\$ 2,097	\$ 1,724

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In assessing the realizability of deferred tax assets on December 31, 2025, management considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred tax liabilities, projected future taxable income and prudent, feasible and permissible as well as available tax planning strategies in making this assessment. Based on its review of all available evidence, management determined it was more likely than not that the deferred tax assets will be realized. On December 31, 2025, and 2024, the Company has no net operating loss carryforwards available for federal income tax purposes. On December 31, 2025, the Company had net operating loss carryforwards of \$15,000 for state income tax purposes and a valuation allowance of \$6,000. There were no net operating loss carryforwards for state tax purposes on December 31, 2024.

The components of income tax expense (benefit) for the years ended December 31, 2025, and 2024 are as follows (\$ in thousands):

As of December 31,	2025		2024	
Statutory income tax	\$ 1,486	21.00 %	\$ 478	21.00 %
State tax expense	150	2.11	50	2.21
Changes in valuation allowance	6	0.09	-	-
Prior year true up	-	-	(346)	(15.18)
Permanent differences	80	1.13	65	2.84
Other	100	1.41	(50)	(2.23)
Effective income tax rate	\$ 1,822	25.74 %	\$ 197	8.64 %

9. Lease Commitments

In 2019, the Bank entered into an operating lease agreement for back-office operations in Great Falls, Virginia. The original lease commenced on April 1, 2019, and had a 3-year term. In October 2022, the Bank created a wholly-owned subsidiary (774A Walker Road, LLC) and purchased the building from the landlord who is also a member of the Board of Directors.

The Bank entered into a 10-year lease agreement that commenced on June 1, 2020, for a branch office in Reston, Virginia.

The Bank also leases office space in McLean, Virginia. The original lease commenced on July 1, 2019, and houses commercial lending operations, accounting, compliance, legal, as well as a branch office. Effective November 2023, the Bank entered into a new eleven-year lease agreement with the landlord and moved to a different floor.

In January 2021, the Bank entered into a multi-year sublease agreement with Capital One for its Great Falls branch office. The lease ended at the end of December 2024 with the relocation of the Great Falls branch office.

In January 2023, the Bank entered into a 10-year lease agreement with 748 Walker Road, LLC for the relocation of its Great Falls branch office, which occurred in December 2024.

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In July 2023, the Bank began renting a small office located in Washington, D.C. on a “month-to-month” basis. In February 2025, the Bank began renting a small office located in Arlington, Virginia on a “month-to-month” basis.

The following table presents information about leases (\$ in thousands, except for weighted items):

	December 31,	
	2025	2024
Right-of-use asset	\$ 4,049	\$ 4,468
Operating lease liability	6,028	6,612
Weighted remaining lease term in years	7.1	8.1
Weighted average discount rate	4.19%	4.16%

ROU lease expense was \$757,000 and \$995,000 for 2025, and 2024, respectively.

Short term lease expense was \$35,000 and \$23,000 for the 2025, and 2024, respectively.

Cash paid on leases amounted to \$923,000 and \$1.0 million for 2025, and 2024, respectively.

Future minimum lease payments by year and in the aggregate, under these operating lease agreements with initial terms of one year or more on December 31, 2025, are as follows (\$ in thousands):

Year Ending December 31,	
2026	\$ 952
2027	973
2028	997
2029	1,011
2030	915
Thereafter	2,179
Total	<u>\$ 7,027</u>
Plus: imputed interest	(999)
Net, future minimum lease payments	<u>\$ 6,028</u>

Excludes "month-to-month" lease expenses for Arlington, VA and Washington, DC locations.

10. Transactions with Related Parties

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal shareholders, their immediate families and affiliated companies (commonly referred to as related parties). There were 11 loans receivable totaling \$

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11.7 million and 11 loans receivable totaling \$10.9 million to related parties as of December 31, 2025, and 2024, respectively. During 2025, \$ 2.2 million advances were made and repayments totaled \$1.7 million on related party loans. During 2024, \$806,000 advances were made and repayments totaled \$2.7 million on related party loans. Deposits of related parties totaled \$23.3 million and \$24.5 million as of December 31, 2025, and 2024 respectively.

11. Commitments and Contingencies

Commitments

In the normal course of business, there are various outstanding commitments to extend credit that are not reflected in the financial statements. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment. Commitments may expire without being used. The following table presents the Company's outstanding loan commitments on December 31 (\$ in thousands):

As of December 31,	Contract Amount	
	2025	2024
Unfunded commitments under lines of credit	\$ 124,374	\$ 104,660
Letters of credit	3,870	2,917

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation. Collateral varies but may include personal or commercial real estate, accounts receivable, inventory and equipment.

Outstanding letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next twelve months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Company requires collateral supporting these letters of credit, as deemed necessary. The nature of the standby letters of credit is stand-alone.

Credit risk participation agreements arise when the Company contracts with other financial institutions as a guarantor to share credit risk associated with interest rate swaps. These agreements provide for reimbursement of losses resulting from a third-party default on the underlying swap. On December 31, 2025, the Company had entered into one risk participation agreement as a guarantor with aggregate notional amounts of \$4.0 million. The aggregate fair value of this risk participation agreement was immaterial on December 31, 2025. On December 31, 2024, the notional amount of the risk participation agreement was \$2.9 million, and the fair value was immaterial.

Contingencies

The Company in the normal course of business, may be subject to various pending and threatened lawsuits in which claims for monetary damages are asserted. The Company is not involved in any legal proceedings

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which, in management’s opinion, could have a material effect on the consolidated financial position of the Company.

12. Regulatory Matters

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, “prompt corrective action” regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. Under the Basel III Framework, an entity must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The net unrealized gain or loss on AFS securities is not included in computing regulatory capital. On December 31, 2025, the Company and the Bank met all capital adequacy requirements.

“Prompt corrective action” regulations provide five classifications: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” and “critically undercapitalized,” although these terms are not used to represent overall financial condition. If “adequately capitalized,” regulatory approval is required to accept brokered deposits. If “undercapitalized,” capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. As of December 31, 2025, and December 31, 2024, the most recent notification from the FDIC categorized the Bank as “well capitalized” under the regulatory framework for “prompt corrective action.”

The table below presents the actual and required capital amounts and ratios for the Bank on December 31, 2025, and December 31, 2024 (\$ in thousands except for ratios).

As of December 31, 2025	Actual		For Capital Adequacy Purposes		Minimum Capital Adequacy with Capital Buffer Amount		To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets):	\$ 113,690	12.56%	\$ 72,401	8.00%	\$ 95,026	10.50%	\$ 90,501	10.00%
Tier 1 capital (to risk-weighted assets):	\$ 104,186	11.51%	\$ 40,725	4.50%	\$ 63,350	7.00%	\$ 58,825	6.50%
Common Equity Tier 1 capital (to risk-weighted assets):	\$ 104,186	11.51%	\$ 54,300	6.00%	\$ 76,926	8.50%	\$ 72,401	8.00%
Leverage capital (to average assets):	\$ 104,186	9.35%	\$ 44,564	4.00%	\$ 72,417	6.50%	\$ 55,706	5.00%

As of December 31, 2024	Actual		For Capital Adequacy Purposes		Minimum Capital Adequacy with Capital Buffer Amount		To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets):	\$ 90,058	12.06%	\$ 59,733	8.00%	\$ 78,399	10.50%	\$ 74,666	10.00%
Tier 1 capital (to risk-weighted assets):	\$ 82,126	11.00%	\$ 33,600	4.50%	\$ 52,266	7.00%	\$ 48,533	6.50%
Common Equity Tier 1 capital (to risk-weighted assets):	\$ 82,126	11.00%	\$ 44,800	6.00%	\$ 63,466	8.50%	\$ 59,733	8.00%
Leverage capital (to average assets):	\$ 82,126	8.80%	\$ 37,346	4.00%	\$ 60,687	6.50%	\$ 46,682	5.00%

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The Company is a bank holding company with less than \$3 billion in assets and does not (i) have significant off balance sheet exposure, (ii) engage in significant non-banking activities, or (iii) have a material amount of securities registered under the Securities Exchange Act of 1934, as amended. As a result, the Company qualifies as a small bank holding company under the Federal Reserve's Small Bank Holding Policy Statement and is currently not subject to consolidated regulatory requirements.

The Company's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. On December 31, 2025, \$1.8 million of retained earnings were available to pay dividends.

13. Stock Compensation Plans

In 2020, the Company established the 2020 Stock Incentive Plan (the "2020 Plan"). The 2020 Plan provides for grants of incentive stock options, non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights, stock awards, and performance units to key employees, non-employee directors, and consultants or advisors of the Company or its subsidiaries. The maximum number of shares available for issuance under the Plan is 1,000,000. As of December 31, 2025, only stock options and restricted stock had been issued.

Under the 2020 Plan, employees, non-employee directors, consultants or advisors are eligible to receive options to purchase shares of common stock at no less than the fair value on the date the option is granted. Each grant vests over a period determined by the grant agreement and expires no later than ten years from the date of the grant.

The weighted average grant-date calculated value of options granted to employees in 2025 and 2024 was \$3.90 and \$3.13, respectively. The calculated value of the options awarded under the option plans is estimated on the date of grant using a Black-Scholes option calculation model with the following weighted average assumptions in 2025 and 2024:

As of December 31, 2025

Expected life (in years)	6.5
Risk-free interest rate	4.06%
Expected volatility	37.49%
Expected dividend yield	0.00%

As of December 31, 2024

Expected life (in years)	6.5
Risk-free interest rate	4.31%
Expected volatility	34.97%
Expected dividend yield	0.00%

The expected life of the options was estimated using the average vesting period of the options granted and represents the period of time that options granted are expected to be outstanding. The risk-free interest

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rate is the U.S. Treasury rate commensurate with the expected life of the options on the grant date. Volatility of the Company's stock price in 2025 and 2024 was based on historical volatility of a selected peer group.

Information regarding the Company's stock option plan for the years ended December 31, 2025, and 2024 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Options outstanding, January 1, 2025	303,375	\$11.31	
Options granted	74,150	\$12.00	
Options exercised	-	-	
Options forfeited	(1,500)	\$12.00	
Options expired	(1,500)	\$11.07	
Options Outstanding, December 31, 2025	374,525	\$11.45	7.0 years
Options Exercisable, December 31, 2025	169,055	\$10.88	5.6 years
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Options outstanding, January 1, 2024	254,082	\$11.08	
Options granted	75,900	\$12.00	
Options exercised	-	-	
Options forfeited	(16,542)	\$11.40	
Options expired	(10,065)	\$10.42	
Options Outstanding, December 31, 2024	303,375	\$11.31	7.4 years
Options Exercisable, December 31, 2024	110,181	\$10.64	6.2 years

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Information pertaining to options outstanding at and for the year ended December 31, 2025, and 2024 is as follows:

	Shares		Weighted Average Grant Date Calculated Value
Nonvested options, January 1, 2025	193,194	\$	2.51
Granted	74,150		3.90
Vested	(60,174)		2.10
Forfeited/Expired	(1,700)		3.26
Nonvested options, December 31, 2025	205,470	\$	3.13

	Shares		Weighted Average Grant Date Calculated Value
Nonvested options, January 1, 2024	181,130	\$	2.03
Granted	75,900		3.13
Vested	(47,294)		1.78
Forfeited	(16,542)		2.15
Nonvested options, December 31, 2024	193,194	\$	2.51

Stock-based compensation expense related to stock options for the years ended December 31, 2025, and 2024 totaled \$157,000 and \$113,000, respectively. The unamortized stock option expense was approximately \$510,000 as of December 31, 2025. The expense is expected to be recognized over a weighted-average period of 1.7 years. Stock-based compensation awards are generally amortized over a period of five years from the date they are granted.

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The following table provides information about nonvested restricted stock for the years ended December 31, 2025, and 2024:

	Shares		Weighted Average Grant Date Calculated Value
Nonvested restricted stock, January 1, 2025	187,270	\$	6.90
Granted	15,000		9.96
Vested	(37,230)		7.72
Forfeited	(1,000)		9.96
Nonvested restricted stock, December 31, 2025	164,040	\$	6.98

	Shares		Weighted Average Grant Date Calculated Value
Nonvested restricted stock, January 1, 2024	209,500	\$	6.82
Granted	16,000		9.08
Vested	(38,230)		7.38
Forfeited	-		-
Nonvested restricted stock, December 31, 2024	187,270	\$	6.90

Nonvested restricted stock is forfeitable if service period is not met and is eligible to vote and has dividend rights. Stock-based compensation expense related to restricted stock for the year ended December 31, 2025, and 2024 totaled \$296,000 and \$184,000, respectively. Restricted stock grants vest over 1-, 2-, 3-, or 13-year period. A total of 37,000 grants have vested as of December 31, 2025. The unamortized stock compensation cost related to restricted stock was approximately \$1.0 million as of December 31, 2025, and is expected to be recognized over a weighted-average period of 3.1 years.

14. Shareholders' Equity

Stock Warrants

As of the close of business December 17, 2025, the Bank formed a holding company, the Company. Pursuant to the plan of acquisition, the Company was authorized to issue 25,000,000 shares of common stock, \$5.00 par value per share. All shareholders of the Bank received one share, \$5.00 par value, of the company in exchange for one share, \$5.00 par value of the Bank. As of the date of formation, there were 9,678,477 shares of common stock issued and outstanding which was subsequently transferred to the Company. The

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Company owns 100% of the stock of the Bank and the Bank continues to operate as a traditional community bank.

The Bank issued Class A and Class B stock purchase warrants in connection with its initial stock offering.

Class A warrants were issued as part of the stock purchase unit, with each unit consisting of 100 shares of common stock and 25 Class A warrants. Each Class A warrant is exercisable to acquire one share of common stock for an exercise price of \$10.00 per share. Class A warrants expire on the fifth anniversary of the date that the Bank opened for business. (July 10, 2019) All Class A warrants that were not exercised have expired. Class B warrants were issued in connection with its initial stock offering, giving certain organizers and directors the right to purchase a total of 96,000 shares of common stock at the initial offering price of \$10.00 per share. For organizers, the warrants serve as a reward and compensation for bearing the financial risk of the Bank's organization by advancing "seed money" for its organizational and pre-opening expenses. For the initial directors, the warrants serve as an incentive for them to build the Company's business. Each Class B warrant is exercisable to acquire one share for an exercise price of \$10.00 per share. Class B warrants expire on the tenth anniversary of the date that the Company opened for business (July 10, 2019). If the Bank's federal or state regulators require that additional capital be raised, the Class B warrants must be exercised with 31 calendar days of the issuance of such capital directive.

The Bank issued 2025 warrants in connection with its 2025 stock offering. The 2025 warrants were issued as part of a unit with each unit equal to 2,000 shares and 2,000 warrants. Each warrant, if exercised, allows the owner of the warrant to purchase one share of stock for \$12.00. The warrants expire 3 years after issuance on March 25, 2028.

The fair values of the Class A, Class B, and 2025 warrants were estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0% for all three, risk-free interest rate of 1.84% for Class A warrants, 2.05% for Class B warrants and 3.98% for 2025 warrants, expected life of 3 years for Class A warrants and 2025 warrants, and 10 years for Class B warrants, and expected volatility of 20% for Class A and Class B warrants and 33% for 2025 warrants. The fair value of Class A and B warrants and 2025 warrants was \$1.62, \$3.29, and \$1.96 per share, respectively.

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The following table provides information about warrants in the years ending December 31, 2025, and 2024:

As of December 31, 2025	Number of 2025 Warrants	Number of Class B Warrants	Weighted-Average Exercise Price
Outstanding, beginning of year	-	95,000	\$ 10.00
Granted	1,399,000	-	12.00
Exercised	-	-	
Expired	-	-	
Outstanding, end of year	1,399,000	95,000	\$ 11.87
Exercisable at end of year	1,399,000	95,000	\$ 11.87

As of December 31, 2024	Number of Class A Warrants	Number of Class B Warrants	Weighted-Average Exercise Price
Outstanding, beginning of year	1,326,474	95,000	\$ 10.00
Granted	-	-	-
Exercised	(998,391)	-	10.00
Expired	(328,083)	-	10.00
Outstanding, end of year	-	95,000	\$ 10.00
Exercisable at end of year	-	95,000	\$ 10.00

On December 31, 2025, the 2025 warrants and class B warrants had a weighted-average remaining contractual life of 2.23 and 3.53 years respectively.

All outstanding Trustar Bank warrants were exchanged for Trustar Bankshares, Inc warrants and are exercisable for one Trustar Bankshares, Inc share under the same terms.

15. Fair Value Measurements and Fair Values of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. U.S. GAAP also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of the three levels. These levels are:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

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Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value measurement level of the asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following describes the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements:

INVESTMENT SECURITIES: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

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The following table presents the balances of financial assets and liabilities measured at fair value on a recurring basis on December 31 (\$ in thousands):

As of December 31, 2025	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale Securities:				
Collateralized mortgage obligation	\$ 57,652	\$ -	\$ 57,652	\$ -
Mortgage-backed securities	45,495	-	45,495	-
Municipal securities	-	-	-	-
SBA Securities	2,301	-	2,301	-
Total	\$ 105,448	\$ -	\$ 105,448	\$ -

As of December 31, 2024	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale Securities:				
US treasury	\$ 4,486	\$ -	\$ 4,486	\$ -
Collateralized mortgage obligation	18,051	-	18,051	-
Mortgage-backed securities	8,855	-	8,855	-
Municipal securities	1,000	-	1,000	-
SBA Securities	2,024	-	2,024	-
Total	\$ 34,416	\$ -	\$ 34,416	\$ -

Certain financial assets are measured at fair value on a nonrecurring basis in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

The following describes the valuation techniques used by the Company to measure certain financial assets recorded at fair value on a non-recurring basis in the financial statements:

INDIVIDUALLY EVALUATED LOANS: The fair value of impaired loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. For this reason, the fair value classification of these loans is Level 3. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's expertise and knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business,

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resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted in accordance with the allowance policy.

Assets that were measured at fair value on a nonrecurring basis are summarized below (\$ in thousands):

As of December 31, 2025	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Collateral-dependent loans				
Commercial real estate	\$ 5,177	\$ -	\$ -	\$ 5,177
Total	\$ 5,177	\$ -	\$ -	\$ 5,177

As of December 31, 2024	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Collateral-dependent loans				
Construction	\$ 269	\$ -	\$ -	\$ 269
Total	\$ 269	\$ -	\$ -	\$ 269

The following table displays quantitative information about Level 3 Fair Value Measurements for December 31, 2025, and 2024 (\$ in thousands):

As of December 31, 2025	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
Assets					
Collateral-dependent loans					
Commercial real estate	\$ 5,177	Discounted Appraised Value	Marketability/ Selling Costs/ Discount Rate	0 - 25%	18%
Total	\$ 5,177				

As of December 31, 2024	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
Assets					
Collateral-dependent loans					
Construction	\$ 269	Discounted Appraised Value	Marketability/ Selling Costs	0 - 25%	18%
Total	\$ 269				

Unobservable inputs were discounted by the estimated selling costs of the instruments.

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FASB ASC 825, Financial Instruments, requires disclosure about fair value of financial instruments, including those financial assets and financial liabilities that are not required to be measured and reported at fair value on a recurring or nonrecurring basis. ASC 825 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company. Additionally, in accordance with ASU 2016-01, the Company uses the exit price notion, rather than the entry price notion, in calculating the fair values of financial instruments not measured at fair value on a recurring basis.

Fair Value Measurements on December 31, 2025:

As of December 31, 2025 (\$ in thousands)	Level in Fair Value Hierarchy	Carrying Amount	Fair Value
Financial Assets:			
Cash	Level 1	\$ 701	\$ 701
Interest bearing balances due from banks	Level 1	142,719	142,719
Securities held-to-maturity	Level 2	30,950	29,471
Securities available-for-sale	Level 2	105,448	105,448
Loans receivable, net	Level 3	891,000	895,359
Accrued interest receivable	Level 1	3,802	3,802
Financial Liabilities:			
Noninterest-bearing demand deposits	Level 1	179,245	179,245
Interest-bearing demand deposits	Level 1	84,386	84,386
Money market	Level 1	426,327	426,327
Savings	Level 1	45,117	45,117
Time deposits	Level 2	284,302	285,784
FHLB borrowings	Level 2	55,000	56,515
Accrued interest payable	Level 1	1,191	1,191
Off-balance sheet instruments		-	-

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Fair Value Measurements on December 31, 2024:

As of December 31, 2024 (\$ in thousands)	Level in Fair Value Hierarchy	Carrying Amount	Fair Value
Financial Assets:			
Cash	Level 1	\$ 582	\$ 582
Interest bearing balances due from banks	Level 1	94,185	94,185
Securities held-to-maturity	Level 2	38,955	35,919
Securities available-for-sale	Level 2	34,416	34,416
Loans receivable, net	Level 3	753,715	753,438
Accrued interest receivable	Level 1	3,147	3,147
Financial Liabilities:			
Noninterest-bearing demand deposits	Level 1	114,774	114,774
Interest-bearing demand deposits	Level 1	53,431	53,431
Money market	Level 1	298,415	298,415
Savings	Level 1	21,028	21,028
Time deposits	Level 2	306,460	307,514
FHLB borrowings	Level 2	55,000	55,756
Accrued interest payable	Level 1	1,274	1,274
Off-balance sheet instruments		-	-

16. Revenue Recognition

Topic 606's core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled.

Management determined that revenue derived from financial instruments, including revenue from loans receivable, along with non-interest income resulting from other loans receivable related fees, are not within the scope of Topic 606.

Topic 606 is applicable to non-interest income streams such as service charges on deposits and other non-interest income. Non-interest revenue streams in-scope of Topic 606 are discussed below.

Service Charges on Deposit Accounts:

The Company earns fees from its deposit customers for transaction-based, account maintenance, and processing or handling. Overdraft fees are recognized at the point in time that the overdraft occurs. Maintenance and activity fees include account maintenance fees and transaction-based fees. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of the month, representing the period over which the Company satisfies the performance obligation. Transaction-based fees, which include services such as ATM usage fees from non-customers, stop payment charges, statement rendering, are recognized at the time the transaction is executed as that is the point in time the Company

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fulfills the customer's request. Service charges on deposits are withdrawn from the customer's account balance.

Other service charges, commissions, and fees:

The Company earns interchange income on its customers' debit and credit card usage and earns fees from other services utilized by its customers. "Bankcard interchange income" is primarily comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks such as Mastercard. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. Interchange fees are offset with interchange expenses and are presented on a net basis. "Other service charges and fees" includes revenue from processing wire transfers, bill pay service, cashier's checks, ATM surcharge fees, and other services. The Company's performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month. Non-interest income for the years ended December 31, 2025, and 2024 are listed below (\$ in thousands):

As of December 31,	2025	2024
Non-Interest Income		
In-scope of Topic 606		
Service charges on deposit accounts	\$ 190	\$ 130
Other service charges, commissions, and fees	51	68
Non-Interest Income (in-scope of Topic 606)	241	198
Non-Interest Income (out-of-scope of Topic 606)	274	(45)
Total Non-Interest Income	\$ 515	\$ 153

Contract Balances

A contract asset balance occurs when an entity performs a service for a customer before the customer pays consideration (resulting in a contract receivable) or before payment is due (resulting in a contract asset). A contract liability balance is an entity's obligation to transfer a service to a customer for which the entity has already received payment (or payment is due) from the customer. The Company's non-interest revenue streams are largely based on transactional activity. Consideration is often received immediately or shortly after the Company satisfies its performance obligation and revenue is recognized. The Company does not typically enter into long-term revenue contracts with customers, and therefore, does not experience significant contract balances. On December 31, 2025, and 2024, there were no contract balances.

17. 401k Plan

The Company offers a 401k plan that allows employees to contribute up to the maximum amount allowed annually by the Internal Revenue Code. At the end of each year, the Company's CEO proposes a discretionary percentage match of the employee's total gross compensation. The approved match and expense for 2025, and 2024 were 5.5% and \$414,000 and 5% and \$315,000, respectively. This expense is recorded in salaries and employee benefits in the consolidated statements of income.

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18. Parent Company Only Condensed Financial Information

Condensed financial information of Trustar Bankshares, Inc is as follows:

Condensed Balance Sheets (\$ in thousands)

As of December 31,	2025
Assets	
Cash and cash equivalents	\$ 500
Investment in banking subsidiaries	104,673
Other assets	25
Total Assets	\$ 105,198
Liabilities and Shareholders' Equity	
Payable to subsidiaries	\$ 129
Shareholders' Equity	105,069
Total Liabilities and Shareholders' Equity	\$ 105,198

Condensed Statements of Income (\$ in thousands)

As of December 31,	2025
Interest income	\$ -
Total interest income:	-
Interest expense	-
Total Interest expense:	-
Non-interest income	-
Total non-interest income:	-
Non-interest expenses	128
Total non-interest expenses:	128
(Loss) before income tax and undistributed subsidiary income:	(128)
Income tax (benefit)	(25)
(Loss) before undistributed subsidiary income:	(103)
Equity in undistributed net income of bank subsidiary	5,358
Net income	\$ 5,255

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Condensed Statements of Cash Flows (\$ in thousands)

As of December 31,		2025
Cash Flows from Operating Activities		
Net income	\$	5,255
Equity in undistributed earnings of subsidiary		(5,358)
Change in other assets and liabilities		104
Net Cash Provided by Operating Activities	\$	1
Cash Flows from Investing Activities		
Net Cash Used in Investing Activities	\$	-
Cash Flows from Financing Activities		
Initial capital invested by banking subsidiary	\$	500
Net Cash Provided by Financing Activities	\$	500
Net increase in cash and cash equivalents		501
Cash and Cash Equivalents, Beginning		-
Cash and Cash Equivalents, Ending	\$	501
Supplementary non-cash disclosures:		
Initial establishment of Holding Company	\$	104,273

19. Segment Information

Accounting policies for segments are the same as those described in Note 1. Segment performance is evaluated using consolidated net income. The Company operates in one segment - Community Banking and the financial performance of this one segment is used to make resource allocations and performance decisions. The Company's Chief Executive Officer is in charge of allocating the Company's resources and assessing performance and has been identified as the chief operating decision maker. While the chief decision-maker monitors the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Individual operating results are not reviewed by senior management to make resource allocation or performance decisions. Therefore, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

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20. Subsequent Events

When evaluating potential disclosures in the financial statements, management considers subsequent events through the date on which the financial statements are issued or available to be issued. Such an evaluation includes consideration of whether events are recognized (i.e., “Type 1”) or nonrecognized (i.e., “Type 2”) subsequent events, as described in ASC 855.

There were no Type 1 or 2 subsequent events as of the issuance of the financial statements.