



TRUSTAR BANK REPORTS SECOND QUARTER FINANCIAL RESULTS

GREAT FALLS, Virginia, August 23, 2023 – Trustar Bank, which was established as a newly-chartered bank on July 10, 2019, announced today its financial results for the second quarter of 2023, including the following highlights:

- Celebrated our 4th anniversary and 9 quarters of continued profitability.
- Grew to over \$700 million in assets.
- Year to date net income of \$993.5 thousand is 47.1% greater than same period last year.
- Tangible book value of \$9.22 per share of common stock, an increase of 12.3% compared to one year ago.
- Assets have grown 8.2% or \$54.4 million since the beginning of the year. In this same period loans held for investment have grown 7.2% or \$37.9 million and deposits have grown 8.0% and \$43.1 million.
- Zero non-performing assets as of June 30, 2023
- Our team voted us one of the best places to work according to the Washington Business Journal for the third year in a row.

MANAGEMENT’S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition as of June 30, 2023

Loans

Loans held for investment totaled \$562.5 million as of June 30, 2023, representing an increase of 29.9% compared to one year earlier and an increase of 7.2% compared to December 31, 2022. As of June 30, 2023, commercial real estate loans (including construction loans) comprised 59.5% of total loans held for investment, commercial and industrial loans comprised 12.3% of total loans, and residential and consumer loans comprised 28.2% of total loans.

During the quarter, we sold one commercial real estate loan in bankruptcy. We had a 222 thousand charge-off related to this loan during the quarter. As of June 30, 2023, we had no non-performing assets and no loans past due more than 30 days.

Deposits

Total deposits as of June 30, 2023, were \$581.1 million, representing an increase of 16.0% compared to one year earlier and an increase of 8.0% compared to December 31, 2022. During the last sixteen months, the Federal Reserve has increased short-term interest rates eleven times in an effort to reduce inflation. As a result, Trustar Bank's deposit base has migrated from lower yielding accounts toward accounts earning a higher rate of interest, particularly certificates of deposit. As of June 30, 2023, noninterest bearing demand deposits comprised 17.1% of total deposits, compared to 21.4% as of December 31, 2022, and 22.5% as of June 30, 2022. In contrast, as of June 30, 2023, certificates of deposit comprised 43.3% of total deposits, compared to 35.7% as of December 31, 2022, and 19.0% as of June 30, 2022. The migration of the Bank's deposit base into higher yielding accounts has had a negative impact on the Bank's net interest margin.

Capital

Stockholders' equity as of June 30, 2023, was \$67.2 million, representing an increase of 42.3% compared to one year earlier and an increase of 1.7% compared to December 31, 2022. During the third quarter of 2022, the Bank raised \$17.9 million of new equity capital through the sale of 1.5 million shares of newly issued common stock at a price of \$12.00 per share. As of June 30, 2023, the book value and tangible book value of the Bank's common stock were \$9.38 and \$9.22 per share, respectively, representing increases of 11.5% and 12.3%, respectively, compared to one year earlier.

As of June 30, 2023, the Bank was classified as "well capitalized" based on the following regulatory capital ratios:

- Total risk-based capital ratio = 12.76%
- Tier 1 risk-based capital ratio = 11.72%
- Tier 1 leverage ratio = 9.68%

Results of Operations

Three Months Ended June 30, 2023, compared to the same period in 2022

The second quarter of 2023 was our 9th quarter of profitability. Net income for the second quarter was \$499 thousand compared to \$429 thousand for the same period last year.

Our net interest income for the quarter of \$4.7 million increased 8.7% compared to the same period last year. However, like our peers, we are facing the headwinds of increasing deposit costs and margin compression. Our net interest margin for the quarter was 2.71%, a decline of 40 bps compared to the same period last year.

The Bank's provision for credit losses was \$458,000 for the three months ending June 30, 2023, compared to \$421,000 in the same period last year.

Non-interest income for the second quarter was \$440 thousand, a decline of 13.2% compared to the same period last year. This decline is attributable to a decrease in our mortgage banking business which has also been adversely affected by the increases in interest rates.

Quarterly non-interest expense at \$4.0 million increased 2.9% compared to the same period last year. During the second quarter, we strategically paid down a Federal Home Loan Bank Advance. The bank recorded a gain of \$106 thousand which is booked as a reduction of non-interest expense. Excluding this gain, non-interest expense increased 5.6% compared to last year.

Six Months Ended June 30, 2023, compared to the same period in 2022

Net income for the six months ended June 30, 2023, was \$993,000, or \$0.14 per share, compared to \$675,000, or \$0.12 per share, in the same period last year. During the first half of 2023, the Bank recorded gains of \$407,000 in connection with the early repayment of FHLB advances. During the first half of 2022, the Bank recorded losses of \$333,000 in connection with securities held for trading, and recorded gains of \$890,000 in connection with the early repayment of FHLB advances. Excluding these items, the Bank's pre-tax income for the six months ending June 30, 2023, would have been \$853,000, which represents a 314% increase compared to pre-tax income of \$206,000 in the same period last year.

Net interest income for the six months ended June 30, 2023, was \$9.3 million, an increase of 12.4% compared to \$8.3 million in the first half of 2022. This increase was attributable to growth in earning assets, partially offset by a decline in the Bank's net interest margin. The net interest margin for the first six months of 2023 was 2.76%, a decline of 32 basis points compared to 3.08% in the same period last year.

The Bank's provision for credit losses was \$678,000 for the six months ending June 30, 2023, compared to \$729,000 in the same period last year.

Non-interest income for the six months ended June 30, 2023, was \$887,000, an increase of 39.2% compared to \$637,000 in the same period last year. During the first half of 2022, the Bank recorded losses of \$333,000 in connection with securities held for trading, which is reported as a reduction in non-interest income. Excluding this item, the Bank's non-interest income of \$887,000 for the six months ended June 30, 2023, would have represented a decline of 8.6% compared to the same period last year. This decrease was due to a decline in mortgage banking revenue which has been adversely affected by the increase in interest rates.

Non-interest expenses for the first half of 2023 were \$8.3 million, an increase of 11.2% compared to \$7.4 million in the same period last year. During the first six months of 2022 and 2023, the Bank recorded gains in connection with the early repayment of FHLB advances in the amounts of \$890,000 and \$407,000, respectively, which are reported as reductions in non-interest expense. Excluding these items, the Bank's non-interest expenses for the six months ended June 30, 2023, would have been \$8.7 million, an increase of 4.2% compared to \$8.3 million for the same period last year. The Bank's efficiency ratio for the first half of 2023 was 85.0%, compared to 89.9% in the same period last year.

About Trustar Bank

Founded in 2019, Trustar Bank is a full-service commercial bank headquartered in Great Falls, Virginia, with full-service branches in Great Falls, Tysons Corner, and Reston, Virginia, and a limited-service branches in Potomac, Maryland, and Washington, D.C. The Bank offers mortgage loans through its subsidiary Trustar Mortgage, LLC. Additional information is available on the Bank's website at: www.trustarbank.com.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

This release includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as Trustar Bank or its management "believes," "expects," "anticipates," "foresees," "forecasts," "estimates" or other words or phrases of similar import. Similarly, statements herein that describe Trustar Bank's business strategy, outlook, objectives, plans, intentions, or goals are also forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in forward-looking statements.

Investor Relations Contact

Shaza L. Andersen, CEO

(571) 523-4445

sandersen@trustarbank.com

TRUSTAR BANK
Consolidated Balance Sheets
(unaudited)
(\$ In Thousands)

	June 30, 2023	December 31, 2022	June 30, 2022
Assets:			
Cash (currency and coin)	\$ 604	\$ 561	\$ 579
Interest-bearing balances due from banks	65,317	49,501	31,271
Cash and cash equivalents	65,921	50,062	31,850
Securities held to maturity, at amortized cost	45,613	44,084	44,761
Securities available for sale, at fair value	30,147	32,915	33,485
Loans held for sale	2,068	919	6,755
Loans held for investment:			
Loans held for investment at amortized cost	562,508	524,647	432,897
Allowance for loan losses	(5,605)	(5,318)	(4,421)
Total loans held for investment, net of allowance	556,903	519,329	428,476
Bank premises and equipment, net	5,267	5,192	1,196
Accrued interest receivable	1,992	2,045	1,376
Restricted investment in Federal Home Loan Bank stock, at cost	2,927	2,408	258
Goodwill	1,150	1,150	1,150
Other assets	5,869	5,391	925
Total Assets	<u>\$ 717,857</u>	<u>\$ 663,495</u>	<u>\$ 550,232</u>

Liabilities and Shareholders' Equity:

Liabilities:

Deposits:

Noninterest bearing demand	\$ 99,397	\$ 114,970	\$ 112,951
Interest-bearing demand	30,049	16,585	18,731
Money market	194,433	209,139	268,628
Savings	5,507	5,210	5,610
Time deposits up to \$250,000	122,562	92,096	31,194
Time deposits over \$250,000	129,162	99,971	63,891
Total Deposits	581,111	537,971	501,005

Federal Home Loan Bank advances	60,000	50,000	-
Accrued interest payable	846	608	24
Other liabilities	8,685	8,851	1,979
Total Liabilities	650,642	597,431	503,008

Shareholders' Equity

Preferred stock, \$5.00 par value, 1,000,000 shares authorized, 0 shares issued and outstanding	-	-	-
Common stock, \$5.00 par value, 25,000,000 shares authorized, 7,164,809, 7,119,309, 5,612,709 shares issued and outstanding, respectively	35,824	35,597	28,064
Additional paid-in capital	38,838	38,874	28,234
Accumulated deficit	(6,374)	(7,183)	(8,484)
Accumulated other comprehensive loss	(1,073)	(1,224)	(590)
Total shareholders' equity	67,215	66,064	47,224
Total Liabilities & Shareholders' Equity	<u>\$ 717,857</u>	<u>\$ 663,495</u>	<u>\$ 550,232</u>

Key Metrics:

	June 30, 2023	December 31, 2022	June 30, 2022
Loans held for investment to deposits	96.80%	97.52%	86.41%
Noninterest bearing demand deposits to total deposits	17.10%	21.37%	22.54%
Allowance for loan losses to loans held for investment	1.00%	1.01%	1.02%
Nonperforming assets to total assets	-	-	-
Total risk-based capital ratio	12.76%	13.15%	11.24%
Tier 1 risk-based capital ratio	11.72%	12.17%	10.27%
Common equity tier 1 risk-based capital ratio	11.72%	12.17%	10.27%
Tier 1 leverage ratio	9.68%	10.27%	8.42%
Book value per share	\$ 9.38	\$ 9.28	\$ 8.41
Tangible book value per share	\$ 9.22	\$ 9.12	\$ 8.21

TRUSTAR BANK

Consolidated Statements of Operations
(unaudited)
(\$ In Thousands)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Interest and dividend income				
Interest and fees on loans	\$ 8,018	\$ 4,551	\$ 15,417	\$ 8,922
Interest and dividends on securities	515	418	1,037	577
Interest-bearing balances due from banks	632	119	1,364	167
Total interest and dividend income	9,165	5,088	17,818	9,666
Interest Expense				
Interest on deposits	3,852	773	7,350	1,361
Interest on borrowings	623	-	1,162	25
Total interest expense	4,475	773	8,512	1,386
Net interest income	4,689	4,315	9,307	8,280
Provision for credit losses on financial assets	458	421	676	729
Net interest income after provision for credit losses	4,231	3,894	8,631	7,551
Non-interest income (loss):				
Service charges and fees	58	32	141	60
Gain on sale of mortgage loans, net	280	383	557	755
Loss on trading securities	-	-	-	(333)
Other non-interest income	102	92	189	155
Total non-interest income (loss):	440	507	887	637
Non-interest expense:				
Salaries and employee benefits	2,225	2,473	5,000	5,558
Occupancy	526	395	1,034	792
Data processing	164	131	318	253
Network services	173	145	325	268
Professional services	328	177	622	362
Advertising	135	107	174	147
Regulatory assessments	132	146	323	291
Gain on debt extinguishment	(106)	-	(407)	(890)
Other operating expenses	461	350	869	644
Total non-interest expense	4,037	3,924	8,258	7,425
Net income (loss) before income taxes	635	477	1,260	763
Income taxes	136	48	267	88
Net income (loss)	\$ 499	\$ 429	\$ 993	\$ 675
Weighted average common shares outstanding	7,154,694	5,566,558	7,137,099	5,563,698
Net income (loss) per share	\$ 0.07	\$ 0.08	\$ 0.14	\$ 0.12

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Key Metrics:				
Return on average assets	0.29%	0.31%	0.29%	0.25%
Return on average shareholders' equity	2.97%	3.63%	2.99%	2.87%
Yield on average interest-earning assets	5.30%	3.67%	5.29%	3.60%
Rate on average interest-bearing liabilities	3.64%	0.79%	3.54%	0.72%
Net interest margin	2.71%	3.11%	2.76%	3.08%
Average loans to average earning assets	81.04%	75.02%	79.90%	73.84%
Efficiency Ratio(1)	80.76%	81.38%	85.00%	89.89%

(1) The efficiency ratio is calculated as total noninterest expense, excluding gain on debt extinguishment, divided by the sum of net interest income and total noninterest income, excluding gain (loss) on trading securities.