



## TRUSTAR BANK REPORTS THIRD QUARTER FINANCIAL RESULTS

**GREAT FALLS, Virginia, November 13, 2023** – Trustar Bank, which was established as a newly-chartered bank on July 10, 2019, announced today its financial results for the third quarter of 2023, including the following highlights:

- Total assets of \$729 million, an increase of 18% compared to one year ago.
- Net loans of \$563 million, an increase of 14% compared to one year ago.
- Total deposits of \$581 million, an increase of 16% compared to one year ago.
- Continued profitability in spite of significant pressure on net interest margin.
- Tangible book value of \$9.30 per share of common stock, an increase of 3.7% compared to one year ago.
- Zero non-performing assets as of September 30, 2023.

## MANAGEMENT’S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview and Outlook

Between March of 2022 and July of 2023, the Federal Reserve increased short-term interest rates eleven times in an effort to reduce inflation. While Trustar Bank seeks to match the maturities of its assets and liabilities to a significant extent, the shifting mix of the bank’s deposit base, in response to the higher interest rate environment, has resulted in liability costs rising more rapidly than asset yields. This phenomenon is mitigated to a certain extent by loan and deposit growth, but the existence of an “inverted yield curve” has reduced, in the near term, the interest margin on new loan and deposit business compared to the Bank’s historical experience. The Bank’s strategy is to continue seeking good quality loan and deposit business in the expectation that, over time, the relationship between loan and deposit rates will revert to historical norms. The Bank’s internal projections anticipate that this pressure on the net interest

margin will continue into 2024, with a reversal of the negative trend occurring in the second half of 2024. There can be no assurance that this will happen within that time frame, if at all.

## **Financial Condition as of September 30, 2023**

### ***Deposits***

Total deposits as of September 30, 2023, were \$580.5 million, representing an increase of 15.7% compared to one year earlier and an increase of 7.9% compared to December 31, 2022. As referenced above, the Bank's deposit base has migrated from lower yielding accounts toward accounts earning a higher rate of interest, particularly certificates of deposit. As of September 30, 2023, noninterest bearing demand deposits comprised 16.4% of total deposits, compared to 21.4% as of December 31, 2022, and 26.1% as of September 30, 2022. In contrast, as of September 30, 2023, certificates of deposit comprised 44.2% of total deposits, compared to 35.7% as of December 31, 2022, and 22.5% as of September 30, 2022. While the vast majority of these certificates of deposit are held by regular customers of the Bank, the migration of the Bank's deposit base into higher yielding accounts is the principal factor contributing to the decline in the Bank's net interest margin.

### ***Loans***

Loans held for investment totaled \$568.7 million as of September 30, 2023, representing an increase of 13.9% compared to one year earlier and an increase of 8.4% compared to December 31, 2022. As of September 30, 2023, commercial real estate loans (including construction loans) comprised 69% of total loans held for investment, commercial and industrial loans comprised 14% of total loans, and residential and consumer loans comprised 17% of total loans.

### ***Asset Quality***

As of September 30, 2023, the Bank's allowance for loan losses was \$5.7 million, or 1.00% of gross loans held for investment. This compares to an allowance of \$5.3 million or 1.01% of gross loans as of December 31, 2022, and an allowance of \$5.1 million or 1.02% of gross loans as of September 30, 2022. The Bank had no nonperforming loans or other assets as of September 30, 2023.

### ***Liquidity and Capital Resources***

As a secondary source of liquidity, the Bank maintains borrowing relationships with the Federal Home Loan Bank of Atlanta ("FHLB") and two other correspondent banks. Outstanding FHLB advances as of September 30, 2023, were \$71 million, compared to \$50 million as of December 31, 2022. The level of borrowings fluctuates in response to imbalances in the rates of growth of core loans and deposits. As of September 30, 2023, the Bank had a total of \$72.5 million in additional borrowing capacity from the FHLB.

Stockholders' equity as of September 30, 2023, was \$68.0 million, representing an increase of 4.6% compared to one year earlier and an increase of 2.9% 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 September 30, 2023, the book value and tangible book value of the Bank's common stock were \$9.46 and \$9.30 per share, respectively, representing increases of 3.6% and 3.7%, respectively, compared to one year earlier. As of September 30, 2023, the Bank was classified as "well capitalized" based on the following regulatory capital ratios:

- Total risk-based capital ratio = 12.68%
- Tier 1 risk-based capital ratio = 11.65%
- Tier 1 leverage ratio = 9.51%

## **Results of Operations**

### ***Three Months Ended September 30, 2023, compared to the same period in 2022***

Net income for the three months ended September 30, 2023, was \$318,000, or \$0.04 per share, compared to \$454,000, or \$0.07 per share, in the same period last year. During the second quarter of 2023, the Bank recorded a gain of \$366,000 in connection with the early repayment of an FHLB advance. Excluding this item, the Bank's pre-tax income for the three months ending September 30, 2023, would have been \$34,000, compared to pre-tax income of \$497,000 in the same period last year.

Net interest income for the third quarter of 2023 was \$4.4 million, a decrease of 11.5% compared to the third quarter of 2022. This decrease was attributable to a decline in the Bank's net interest margin. The net interest margin for the third quarter of 2023 was 2.51%, a decline of 90 basis points compared to 3.41% in the same period last year. The margin compression is the result of an increase in the average rate of interest paid on the Bank's deposit accounts.

The Bank's provision for credit losses was \$24,000 for the three months ending September 30, 2023, compared to \$672,000 in the same period last year. The Bank incurred no charge-offs during either period. In the absence of charge-offs, the provision for credit losses reflects the addition to the allowance for loan losses required, in management's judgement, to increase the allowance commensurate with the growth of the Bank's loan portfolio. The lower provision in the third quarter of 2023, compared to 2022, reflects a decline in the rate of growth of the Bank's loan portfolio, as the Bank has become more mature and turnover in the loan portfolio has increased.

Non-interest income for the three months ended September 30, 2023, was \$119,000, compared to \$524,000 in the same period last year. This decrease was due to a decline in mortgage banking revenue generated by the Bank's mortgage subsidiary, Trustar Mortgage, LLC. The mortgage banking business has been adversely affected by the increases in market interest

rates. To mitigate this trend, the bank sold its mortgage subsidiary during the fourth quarter of 2023.

Non-interest expenses for the three months ended September 30, 2023, were \$4.1 million, compared to \$4.4 million in the same period last year. During the third quarter of 2023, the Bank recorded a gain of \$366,000 in connection with the early repayment of an FHLB advance, which is reported as a reduction in non-interest expense. Excluding this item, the Bank's non-interest expenses for the three months ended September 30, 2023, would have been \$4.5 million, an increase of 3.0% compared to the same period last year. The Bank's efficiency ratio continues to be adversely affected by the decline in the Bank's revenue (net interest income plus non-interest income) and the sub-scale operations of its mortgage subsidiary.

***Nine Months Ended September 30, 2023, compared to the same period in 2022***

Net income for the nine months ended September 30, 2023, was \$1,311,000, or \$0.18 per share, compared to \$1,129,000, or \$0.20 per share, in the same period last year. Excluding losses in the securities trading account and gains in connection with the early repayment of FHLB advances, the Bank's pre-tax income for the nine months ending September 30, 2023, would have been \$887,000, which represents a 26% increase compared to pre-tax income of \$702,000 in the same period last year.

Net interest income for the nine months ended September 30, 2023, was \$13.7 million, compared to \$13.3 million in the first nine months of 2022. This increase was attributable to growth in earning assets, substantially offset by a decline in the Bank's net interest margin. The net interest margin for the first nine months of 2023 was 2.67%, a decline of 53 basis points compared to 3.20% in the same period last year.

The Bank's provision for credit losses was \$700,000 for the nine months ending September 30, 2023, compared to \$1,401,000 in the same period last year. During the nine months ended September 30, 2023, the bank charged off \$222,000 in connection with the sale, at a discount, of a commercial real estate loan that was in bankruptcy. The Bank incurred no net charge-offs during the first nine months of 2022.

Non-interest income for the nine months ended September 30, 2023, was \$1,006,000, compared to \$1,161,000 in the same period last year. Excluding losses in the securities trading account, the Bank's non-interest income of \$1,006,000 for the nine months ended September 30, 2023, would have represented a decline of 38% compared to the same period last year. This decrease was due to a 51% decline in mortgage banking revenue compared to the same period last year.

Non-interest expenses for the first nine months of 2023 were \$12.4 million, an increase of 5.0% compared to \$11.8 million in the same period last year. Excluding gains in connection with the early repayment of FHLB advances, the Bank's non-interest expenses for the nine

months ended September 30, 2023, would have been \$13.2 million, an increase of 3.8% compared to \$12.7 million for 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 limited-service branches in Potomac, Maryland, and Washington, D.C. Additional information is available on the Bank's website at: [www.trustarbank.com](http://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](mailto:sandersen@trustarbank.com)

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

	September 30, 2023	December 31, 2022	September 30, 2022
<b>Assets:</b>			
Cash (currency and coin)	\$ 644	\$ 561	\$ 597
Interest-bearing balances due from banks	70,718	49,501	34,316
Cash and cash equivalents	71,362	50,062	34,912
Securities held to maturity, at amortized cost	45,395	44,084	44,445
Securities available for sale, at fair value	30,351	32,915	32,762
Loans held for sale	1,218	919	5,468
Loans held for investment:			
Loans held for investment at amortized cost	568,745	524,647	499,126
Allowance for loan losses	(5,678)	(5,318)	(5,093)
Total loans held for investment, net of allowance	563,069	519,329	494,033
Bank premises and equipment, net	5,125	5,192	2,308
Accrued interest receivable	2,315	2,045	1,556
Restricted investment in Federal Home Loan Bank stock, at cost	3,874	2,408	2,158
Goodwill	1,150	1,150	1,150
Other assets	5,509	5,390	857
<b>Total Assets</b>	<b>\$ 729,387</b>	<b>\$ 663,495</b>	<b>\$ 619,651</b>

**Liabilities and Shareholders' Equity:**

**Liabilities:**

<b>Deposits:</b>			
Noninterest bearing demand	\$ 95,319	\$ 114,970	\$ 130,995
Interest-bearing demand	28,911	16,585	13,795
Money market	189,383	209,139	239,491
Savings	10,208	5,210	4,886
Time deposits up to \$250,000	132,628	92,096	30,824
Time deposits over \$250,000	124,085	99,971	82,002
<b>Total Deposits</b>	<b>580,532</b>	<b>537,972</b>	<b>501,793</b>
Federal Home Loan Bank advances	71,000	50,000	50,000
Accrued interest payable	880	608	53
Other liabilities	8,960	8,851	2,807
<b>Total Liabilities</b>	<b>661,372</b>	<b>597,431</b>	<b>554,654</b>

**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, 7,186,584, 7,119,309, 7,119,059 shares issued and outstanding, respectively	35,933	35,597	35,595
Additional paid-in capital	39,042	38,874	38,777
Accumulated deficit	(6,057)	(7,183)	(8,031)
Accumulated other comprehensive loss	(923)	(1,224)	(1,344)
<b>Total shareholders' equity</b>	<b>67,995</b>	<b>66,064</b>	<b>64,997</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 729,387</b>	<b>\$ 663,495</b>	<b>\$ 619,651</b>

	September 30, 2023	December 31, 2022	September 30, 2022
<b>Key Metrics:</b>			
Loans held for investment to deposits	97.97%	97.52%	99.47%
Noninterest bearing demand deposits to total deposits	16.42%	21.37%	26.11%
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	12.68%	13.15%	13.53%
Tier 1 risk-based capital ratio	11.85%	12.17%	12.55%
Common equity tier 1 risk-based capital ratio	11.85%	12.17%	12.55%
Tier 1 leverage ratio	9.51%	10.27%	11.15%
Book value per share	\$ 9.46	\$ 9.28	\$ 9.13
Tangible book value per share	\$ 9.30	\$ 9.12	\$ 8.97

**TRUSTAR BANK**  
Consolidated Statements of Operations  
(unaudited)  
(\$ In Thousands)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
<b>Interest and dividend income</b>				
Interest and fees on loans	\$ 8,420	\$ 5,615	\$ 23,837	\$ 14,537
Interest and dividends on securities	534	481	1,571	1,058
Interest-bearing balances due from banks	824	235	2,188	402
Total interest and dividend income	9,778	6,331	27,596	15,998
<b>Interest Expense</b>				
Interest on deposits	4,801	1,225	12,150	2,585
Interest on borrowings	547	100	1,709	125
Total interest expense	5,348	1,325	13,859	2,710
Net interest income	4,430	5,007	13,737	13,288
Provision for credit losses on financial assets	24	672	700	1,401
Net interest income after provision for credit losses	4,406	4,335	13,037	11,886
<b>Non-interest income (loss):</b>				
Service charges and fees	35	42	177	102
Gain on sale of mortgage loans, net	15	410	572	1,165
Loss on trading securities	-	-	-	(333)
Other non-interest income	69	72	257	227
Total non-interest income (loss):	119	524	1,006	1,161
<b>Non-interest expense:</b>				
Salaries and employee benefits	2,751	2,855	7,751	8,412
Occupancy	560	429	1,593	1,221
Data processing	160	136	478	390
Network services	162	114	487	382
Professional services	260	198	882	560
Advertising	122	117	296	265
Regulatory assessments	192	140	515	431
Gain on debt extinguishment	(366)	-	(773)	(891)
Other operating expenses	284	373	1,153	1,016
Total non-interest expense	4,125	4,362	12,382	11,787
Net income (loss) before income taxes	400	497	1,660	1,260
Income taxes	82	43	349	131
Net income (loss)	\$ 318	\$ 454	\$ 1,311	\$ 1,129
<b>Weighted average common shares outstanding</b>	7,171,382	6,726,154	7,148,652	5,967,441
Net income (loss) per share	\$ 0.04	\$ 0.07	\$ 0.18	\$ 0.19

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
<b>Key Metrics:</b>				
Return on average assets	0.18%	0.31%	0.25%	0.27%
Return on average shareholders' equity	1.86%	2.95%	2.61%	2.90%
Yield on average interest-earning assets	5.53%	4.31%	5.37%	3.85%
Rate on average interest-bearing liabilities	3.99%	1.31%	3.70%	0.92%
Net interest margin	2.51%	3.41%	2.67%	3.20%
Average loans to average earning assets	80.05%	79.40%	79.93%	75.81%
Efficiency Ratio(1)	98.72%	78.86%	89.23%	85.77%

(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.

