



## TRUSTAR BANK REPORTS FIRST QUARTER FINANCIAL RESULTS

Company Release – April 26, 2022

Dear Shareholders,

I'm excited to share with you our 1<sup>st</sup> quarter 2022 financials. As we near the end of our de novo status, I could not be more proud of what our team has accomplished. With the support of our Board and shareholders, we have cultivated a Bank that is outpacing our peer group and positively impacting our community. We continue to acquire top talent and were recently named one of Washington's Best Places to Work for the second year in a row. Below are just a few of the accomplishments solidifying our strong foundation. Thank you again for your support.

All the best,

A handwritten signature in black ink, appearing to read "Shaza Andersen".

Shaza Andersen  
CEO, Trustar Bank

### Highlights

- Total assets of \$546 million, a 45% increase in the last twelve months
- Total deposits of \$497 million, a 67% increase
- Non-PPP loans of \$387 million, a 50% increase
- First quarter net income of \$246,000, representing the Bank's fourth consecutive quarter of profitability

### Balance Sheet

Total deposits as of March 31, 2022, were \$497 million, representing an increase of 67% compared to one year earlier and an increase of 14% compared to December 31, 2021. In the twelve months ending March 31, 2022, noninterest bearing demand deposits increased 43%, interest-bearing demand and money market deposits increased 36%, and time and savings deposits increased 220%. As of March 31, 2022, noninterest bearing demand deposits comprised 21% of total deposits, interest-bearing demand and money market deposits comprised 49% of total deposits, and time and savings deposits comprised 30% of total deposits.

Loans held for investment totaled \$393 million as of March 31, 2022, representing an increase of 23% compared to one year earlier and an increase of 4% compared to December 31, 2021. Of the \$98 million in loans originated under the Paycheck Protection Program (PPP), only \$6 million were still outstanding as of March 31, 2022, compared to \$61 million as of March 31, 2021. Excluding PPP loans, total loans held for investment as of March 31, 2022, were \$387 million, representing an increase of 50% compared to one year earlier and an increase of 7% compared to December 31, 2021. In the twelve months ending March 31, 2022, commercial real estate loans (including construction loans) increased 36%, commercial and industrial loans (excluding PPP loans) increased 34%, and residential and consumer loans increased 157%. As of March 31, 2022, commercial real estate loans (including construction loans) comprised 73% of total loans, commercial and industrial loans (including PPP loans) comprised 12% of total loans, and residential and consumer loans comprised 15% of total loans. The Bank had no nonperforming loans as of March 31, 2022.

Fueled by substantial increases in deposits and government forgiveness of PPP loans, the Bank experienced a significant increase in liquidity during the first quarter of 2022 as well as the twelve months ending March 31, 2022. Consequently, the Bank has increased its portfolio of investment securities and reduced its borrowings from the Federal Home Loan Bank. Investment securities totaled \$57 million as of March 31, 2022, representing an increase of 93% compared to one year earlier and an increase of 32% compared to December 31, 2021. Advances from the Federal Home Loan Bank, which totaled \$30 million as of March 31 and December 31, 2021, were repaid in full during the first quarter of 2022.

## Income Statement

Net interest income for the first quarter of 2022 was \$3,965,000, an increase of 43% compared to the first quarter of 2021. This increase was primarily attributable to the Bank's balance sheet growth, as described above, slightly offset by a decline in the Bank's net interest margin from 3.13% in the first quarter of 2021 to 3.05% in the first quarter of 2022. The primary contributing factor to the decline in the net interest margin was an increase in the proportion of assets held in overnight funds from 11% of average total assets in the first quarter of 2021 to 20% in the first quarter of 2022.

Non-interest income for the three months ending March 31, 2022, was \$130,000, compared to a net loss of \$110,000 in the same period last year. During the first quarter of 2022, the Bank liquidated its securities trading account and now classifies all investment securities as either held-to-maturity or available-for-sale. Excluding mark-to-market losses on the trading account in both periods, non-interest income for the first quarter of 2022 would have been \$463,000, an increase of 35% compared to the first quarter of 2021. Gain on sale of mortgage loans increased 33% while other non-interest income increased 42% compared to the previous year.

Non-interest expenses for the first quarter of 2022 were \$3,501,000, an increase of 16% compared to the first quarter of 2021. Each of the periods, however, includes certain one-time components that distort the comparative figures. The first quarter of 2022 included a credit of \$890,000 received as a discount for the early prepayment of the Bank's Federal Home Loan Bank Advances, as well as a charge of \$362,000 incurred in connection with the termination of an employment contract. The first quarter of 2021 included a credit of \$114,000 to reverse an expense recorded in an earlier period. Excluding these items, non-interest expenses for the first quarter of 2022 would have been \$4,029,000, an increase of 28% compared to the previous year. Non-interest expenses for the first quarter of 2022, increased in large measure, due to an increase in salaries and benefits attributable to the expansion of the workforce to fuel the growth in assets and to properly manage that growth. The number of full-time equivalent employees at March 31, 2022 was 59 compared to 38 at March 31, 2021.

Net income for the three months ending March 31, 2022, was \$246,000, compared to a net loss of \$882,000 in the same period last year. The first quarter of 2022 was the Bank's fourth consecutive quarter of profitable operations since it opened for business in 2019. Excluding the one-time non-interest expense items described in the previous paragraph, as well as the mark-to-market losses on the trading account, the Bank's pre-tax net income for the three months ending March 31, 2022, would have been \$91,000, compared to a pre-tax loss of \$542,000 in the same period last year.

## Regulatory Capital Ratios

As of March 31, 2022, the Bank was classified as "well capitalized" based on the following regulatory capital ratios:

- Total risk-based capital ratio = 12.23%
- Tier 1 risk-based capital ratio = 11.26%
- Tier 1 leverage ratio = 8.71%

## 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 branch in Potomac, Maryland. The Bank offers mortgage loans through its subsidiary Trustar Mortgage, LLC. Additional information is available on the Bank's website at: <https://link.edgepilot.com/s/91f7215a/GTrqr8gQUU2tXFhmBHIYEA?u=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.

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

	March 31, 2022	December 31, 2021	March 31, 2021
<b><u>Assets:</u></b>			
Cash (currency and coin)	\$ 590	\$ 800	\$ 507
Interest-bearing balances due from banks	88,413	91,717	18,827
Cash and cash equivalents	89,003	92,517	19,334
Securities held to maturity, at amortized cost	31,646	12,430	-
Securities available for sale, at fair value	25,488	4,099	-
Securities classified as trading, at fair value	-	26,709	29,545
Loans held for sale	6,449	1,971	5,597
Loans held for investment			
Loans held for investment at amortized cost	393,041	376,853	319,147
Allowance for loan losses	(4,000)	(3,691)	(2,902)
Total loans held for investment, net of allowance	389,041	373,162	316,245
Bank premises and equipment, net	1,167	1,208	1,403
Accrued interest receivable	1,118	1,055	988
Restricted investment in Federal Home Loan Bank stock, at cost	258	1,289	1,289
Goodwill	1,150	1,150	1,150
Other assets	562	385	305
Total Assets	<u>\$ 545,882</u>	<u>\$ 515,975</u>	<u>\$ 375,856</u>
<b><u>Liabilities and Shareholders' Equity:</u></b>			
<b><u>Liabilities:</u></b>			
Deposits:			
Noninterest bearing demand	\$ 105,260	\$ 96,574	\$ 73,466
Interest-bearing demand	16,100	18,936	18,439
Money market	224,947	230,153	158,925
Savings	8,291	7,109	3,370
Time deposits up to \$250,000	33,853	33,714	13,838
Time deposits over \$250,000	108,489	50,488	29,800
Total Deposits	496,940	436,974	297,838
Federal Home Loan Bank advances	-	30,000	30,000
Accrued interest payable	59	45	37
Other liabilities	1,870	2,154	1,935
Total Liabilities	498,869	469,173	329,810
<b><u>Shareholders' Equity</u></b>			
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, 5,564,584, 5,554,584, 5,502,500 shares issued and outstanding, respectively	27,823	27,773	27,513
Additional paid-in capital	28,354	28,199	28,244
Accumulated deficit	(8,914)	(9,160)	(9,710)
Accumulated other comprehensive loss	(250)	(10)	-
Total shareholders' equity	47,013	46,802	46,046
Total Liabilities & Shareholders' Equity	<u>\$ 545,882</u>	<u>\$ 515,975</u>	<u>\$ 375,856</u>

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

	<u>For the Three Months Ended</u>	
	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Interest and dividend income		
Interest and fees on loans	\$ 4,371	\$ 3,067
Interest and dividends on securities	159	115
Interest-bearing balances due from banks	48	9
Total interest and dividend income	<u>4,578</u>	<u>3,191</u>
Interest Expense		
Interest on deposits	588	423
Interest on borrowings	25	52
Total interest expense	<u>613</u>	<u>475</u>
Net interest income	3,965	2,716
Provision for loan losses	308	463
Net interest income after provision for loan losses	<u>3,657</u>	<u>2,253</u>
Non-interest income (loss):		
Service charges and fees	28	20
Gain on sale of mortgage loans, net	372	280
Loss on trading securities	(333)	(454)
Other non-interest income	63	44
Total non-interest income (loss):	<u>130</u>	<u>(110)</u>
Non-interest expense:		
Salaries and employee benefits	3,085	1,881
Occupancy	397	388
Data processing	122	109
Network services	123	118
Professional services	185	127
Advertising	40	7
Regulatory assessments	145	145
Gain on debt extinguishment	(890)	-
Other operating expenses	294	250
Total non-interest expense	<u>3,501</u>	<u>3,025</u>
Net income (loss) before income taxes	286	(882)
Income taxes	40	-
Net income (loss)	<u>\$ 246</u>	<u>\$ (882)</u>
Weighted average common shares outstanding	\$ 5,560,806	\$ 5,502,500
Net income (loss) per share	0.04	(0.16)

	March 31, 2022	March 31, 2021
<b>Key Metrics:</b>		
Return on average assets	0.19%	-1.00%
Return on average shareholders' equity	2.10%	-7.83%
Yield on average interest-earning assets	3.52%	3.68%
Rate on average interest-earning liabilities	0.52%	0.62%
Net interest margin	3.05%	3.13%
Average loans to average earning assets	72.63%	83.57%
Loans to deposits	79.09%	86.24%
Noninterest bearing demand deposits to total deposits	21.18%	24.67%
Efficiency Ratio <sup>(1)</sup>	90.99%	102.58%
Allowance for loan losses to loans held for investment	1.02%	0.91%
Nonperforming assets to total assets	-	-
Total risk-based capital ratio	12.23%	16.30%
Tier 1 risk-based capital ratio	11.26%	15.31%
Common equity tier 1 risk-based capital ratio	11.26%	15.31%
Tier 1 leverage ratio	8.71%	12.70%
Book value per share	8.45	8.37
Tangible book value per share	8.24	8.16

<sup>(1)</sup> The efficiency ratio is calculated as total noninterest expense less gain on debt extinguishment, employment contract termination expenses and one-time expense reversals divided by the sum of net interest income and total noninterest income excluding of loss on trading securities

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