



TRUSTAR BANK REPORTS THIRD QUARTER FINANCIAL RESULTS AND OTHER NEWS

Company Release – October 28, 2022

Trustar Bank, which was established as a newly-chartered bank on July 10, 2019, announced today its financial results and other news for the third quarter of 2022, including the following highlights:

- Trustar Bank successfully completed its second capital raise in July. In less than two months' time, the offering surpassed its initial \$15 million goal, resulting in an over-subscription of 36% and over \$20 million in received subscriptions. To accommodate the overwhelming investor support, the offering was "up-sized" by approximately 20%, for a total capital raise of \$18 million. This was the Bank's second oversubscribed stock offering, the first taking place prior to the Bank's inception in early 2019.
- Trustar's newest branch, and first in Washington, D.C., opened on August 15, 2022, at 1701 Pennsylvania Ave, NW, Suite 200, Washington, D.C. 20006. This location offers our clients in the District the convenience and service they have come to know and expect from Trustar Bank.
- On September 10, 2022, the Bank sponsored Trustar Youth Foundation's annual Casino Night. The record-breaking fundraiser was filled with casino fun, delicious food, and great company. Nearly 200 attendees gathered in support of an incredibly worthy cause, Inova L. J. Murphy Children's Hospital.
- Total assets as of September 30, 2022, were \$620 million, representing a 38% increase over the last twelve months.
- The Bank posted net income of \$454,000 in the third quarter, representing the Bank's sixth consecutive month of profitability. Year-to-date net income totaled more than \$1.1 million.

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition as of September 30, 2022

Deposits

Total deposits as of September 30, 2022, were \$501.8 million, representing an increase of 35.0% compared to one year earlier and an increase of 14.8% compared to December 31, 2021. As of September 30, 2022, noninterest bearing demand deposits comprised 26.1% of total deposits, interest-bearing demand, money market deposits, and savings deposits comprised 51.4% of total deposits, and time deposits comprised 22.5% of total deposits.

Loans

Loans held for investment totaled \$499.1 million as of September 30, 2022, representing an increase of 34.2% compared to one year earlier and an increase of 32.4% compared to December 31, 2021. Of the \$97.6 million in loans originated under the Paycheck Protection Program ("PPP") in 2020 and 2021, only \$2.7 million were still outstanding as of September 30, 2022, compared to \$26.9 million as of September 30, 2021, and \$16.3 million as of December 31, 2021. Excluding PPP loans, total loans held for investment as of September 30, 2022, were \$496.5 million, representing an increase of 43.9% compared to one year earlier and an increase of 37.7% compared to December 31, 2021. As of September 30, 2022, commercial real estate loans (including construction loans) comprised 71.0% of total loans held for investment, commercial and industrial loans (including PPP loans) comprised 12.4% of total loans, and residential and consumer loans comprised 16.6% of total loans.

Deposit and Loan Activity During the Three Months Ended September 30, 2022

As noted above, total loans have grown 32.4% compared to December 31, 2021, while total deposits have grown only 14.8% during the same period. During the third quarter of 2022 in particular, deposits remained essentially flat, while loans increased 15%, resulting in a loan-to-deposit ratio of 99% as of September 30, 2022, compared to 86% as of December 31, 2021, and 100% as of September 30, 2021. Management attributes the loan and deposit growth imbalance experienced in the third quarter of 2022 to changes in customer behavior in response to recent increases in market interest rates. In response, the Bank has increased its marketing efforts toward deposit generation.

Asset Quality

As of September 30, 2022, the Bank's allowance for loan losses was \$5.1 million, or 1.03% of gross loans held for investment (excluding PPP loans). This compares to an allowance of \$3.7 million or 1.02% of gross loans as of December 31, 2021, and an allowance of \$3.6 million or 1.04% of gross loans as of September 30, 2021. Although the Bank has had no classified or nonperforming loans since its inception through September 30, 2022, the Bank seeks to maintain a prudent allowance for loan losses consistent with the prior experience of the Bank's management team.

Deferred Taxes

As of December 31, 2021, the Bank had gross deferred tax assets of \$2.4 million and gross deferred tax liabilities of \$400,000, resulting in net deferred tax assets of \$2.0 million, against which the Bank carried a valuation allowance of \$2.0 million. The Bank does not anticipate reducing or eliminating the valuation allowance until it is in a three-year cumulative positive earnings position, which is not likely to occur until December 31, 2023, at the earliest.

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 borrowings as of September 30, 2022, were \$50 million, an increase of \$20 million compared to \$30 million of outstanding borrowings on December 31, 2021, and September 30, 2021. The level of borrowings fluctuates in response to imbalances in the rates of growth of core loans and deposits. With loan demand remaining robust and deposit growth essentially flat during the third quarter, the Bank increased its FHLB borrowings from \$0 as of June 30, 2022, to \$50.0 million as of September 30, 2022. As of September 30, 2022, the Bank had a total of \$56.7 million in additional borrowing capacity.

Effective July 15, 2022, the Bank completed an offering of 1,505,600 shares of newly issued common stock at a price of \$12.00 per share, realizing net proceeds of approximately \$17.9 million. Stockholders' equity totaled \$65.0 million as of September 30, 2022, representing an increase of \$18.2 million or 38.9% compared to December 31, 2021. In addition to the aforementioned offering proceeds, changes in stockholders' equity were attributable to net income of \$1.1 million, plus stock-based compensation expense of \$360,000, plus warrant exercise proceeds of \$13,750, partially offset by a \$1.3 million decline in the market value of securities available for sale. As of September 30, 2022, the Bank was classified as "well capitalized" based on the following regulatory capital ratios:

- Total risk-based capital ratio = 13.53%
- Tier 1 risk-based capital ratio = 12.55%
- Tier 1 leverage ratio = 11.15%

Results of Operations

Three Months Ended September 30, 2022, compared to the same period in 2021

Net income for the three months ending September 30, 2022, after accruing a current income tax liability of \$43,000, was \$454,000, or \$0.07 per share, compared to \$137,000, or \$0.02 per share, in the same period last year, during which no income tax accrual was required. The third quarter of 2022 was the Bank's sixth consecutive quarter of profitable operations since it was established as a newly chartered bank on July 10, 2019.

Net interest income for the third quarter of 2022 was \$5.0 million, an increase of 42.0% compared to the third quarter of 2021. This increase was attributable to both balance sheet growth coupled with a higher yield on earning assets. Average interest earning assets for the third quarter of 2022 were \$582.9 million, with an average yield of 4.31%, while average interest earning assets for the third quarter of 2021 were \$424.6 million, with an average yield of 3.75%. Average interest-bearing liabilities for the third quarter of 2022 were \$400.0 million, with an average cost of 1.31%,

while average interest-bearing liabilities for the third quarter of 2021 were \$297.5 million, with an average cost of 0.66%. These increases in asset yields and liability costs are primarily attributable to money supply tightening by the Federal Reserve, which has increased the benchmark fed funds rate from 0.33% as of March 31, 2022, to 3.08% as of September 30, 2022. The benchmark fed funds rate remained relatively constant at 0.08% throughout the calendar year 2021.

The Bank's provision for loan losses was \$672,000 for the three months ending September 30, 2022, compared to \$332,000 in the same period last year. The loan loss provision 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 Bank did not experience any loan payment defaults during the three months ended September 30, 2022, or in the comparable year-earlier period.

Non-interest income for the three months ending September 30, 2022, was \$524,000, an increase of 24.8% compared to \$420,000 in the same period last year. In the third quarter of 2021, the Bank recognized a loss of \$65,000 on trading securities. Mortgage banking income (net gain on sale of mortgage loans) was flat at \$410,000 in the third quarter of 2022 compared to third quarter of 2021. Other non-interest income (primarily service charges on deposit accounts) increased 52.5% to \$114,000 in the third quarter of 2022 from \$74,000 in the three months ended September 30, 2021.

Non-interest expenses for the three months ended September 30, 2022, were \$4.4 million, an increase of \$877,000 or 25.1% compared to \$3.5 million in the same period last year. This increase was primarily 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 Bank's efficiency ratio for the third quarter of 2022 was 78.9%, compared to 86.9% in the same period next year, reflecting the Bank's more efficient use of the infrastructure it needed to establish as a new business. The number of full-time equivalent employees as of September 30, 2022, was 48.5 at the Bank and 14 at Trustar Mortgage, LLC, compared to 40.5 at the Bank and 11 at Trustar Mortgage, LLC, as of September 30, 2021.

Nine Months Ended September 30, 2022, compared to the same period in 2021

Net income for the nine months ending September 30, 2022, after accruing a current income tax liability of \$131,000, was \$1,129,000, or \$0.19 per share, compared to a net loss of \$543,000, or \$0.10 per share, in the same period last year.

Net interest income for the first nine months of 2022 was \$13.3 million, an increase of 42.1% compared to the first nine months of 2021. This increase was primarily attributable to the Bank's balance sheet growth, as described above, coupled with a modest improvement in the Bank's net interest margin to 3.20% for the first nine months of 2022 from 3.18% for the same period in 2021.

The Bank's provision for loan losses was \$1,401,000 for the nine months ending September 30, 2022, compared to \$1,136,000 in the same period last year. The loan loss provision 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 Bank did not experience any loan payment defaults during the nine months ended September 30, 2022, or in the comparable year-earlier period.

Non-interest income for the nine months ending September 30, 2022, was \$1.2 million, a decline of \$115 thousand (-9.0%) compared to \$1.3 million in the same period last year. Excluding a \$200,000 contingent liability reversal in June of 2021, non-interest income for the nine months ending September 30, 2022, would have been \$85,000 higher (+7.9%) compared to the same period in 2021. Mortgage banking income (i.e., net gains on sales of loans) decreased 3.4% to \$1.165 million in the first nine months of 2022 from \$1.206 million in the nine months ended September 30, 2021.

Non-interest expenses for the nine months ended September 30, 2022, were \$11.7 million, an increase of \$1.7 million or 17.5% compared to \$10.0 million in the same period last year. Non-interest expenses for the nine months 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.

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: https://link.edgepilot.com/s/f8b849c9/Eyu_92T9c0S-YNZ_XireHQ?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.

Investor Relations Contact

Shaza L. Andersen, CEO
(571) 523-4445
sandersen@trustarbank.com

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

	September 30, 2022	December 31, 2021	September 30, 2021
Assets:			
Cash (currency and coin)	\$ 597	\$ 800	\$ 796
Interest-bearing balances due from banks	34,316	91,717	38,005
Cash and cash equivalents	34,912	92,517	38,801
Securities held to maturity, at amortized cost	44,445	12,430	2,019
Securities available for sale, at fair value	32,762	4,099	-
Securities classified as trading, at fair value	-	26,709	29,644
Loans held for sale	5,468	1,971	6,457
Loans held for investment:			
Loans held for investment at amortized cost	499,126	376,853	371,845
Allowance for loan losses	(5,093)	(3,691)	(3,575)
Total loans held for investment, net of allowance	494,033	373,162	368,270
Bank premises and equipment, net	2,308	1,208	1,286
Accrued interest receivable	1,556	1,055	892
Restricted investment in Federal Home Loan Bank stock, at cost	2,158	1,289	1,289
Goodwill	1,150	1,150	1,150
Other assets	857	385	500
Total Assets	\$ 619,651	\$ 515,975	\$ 450,308
Liabilities and Shareholders' Equity:			
	496,453	360,540	344,911
Liabilities:	1.03%	1.02%	1.04%
Deposits:			
Noninterest bearing demand	\$ 130,995	\$ 96,574	\$ 92,046
Interest-bearing demand	13,795	18,936	15,365
Money market	239,491	230,153	196,920
Savings	4,686	7,109	4,307
Time deposits up to \$250,000	30,824	33,714	22,721
Time deposits over \$250,000	82,002	50,488	40,388
Total Deposits	501,793	436,974	371,747
Federal Home Loan Bank advances	50,000	30,000	30,000
Accrued interest payable	53	45	39
Other liabilities	2,807	2,154	2,007
Total Liabilities	554,654	469,173	403,793
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, 7,119,059, 5,554,584, 5,554,500 shares issued and outstanding, respectively	35,595	27,773	27,773
Additional paid-in capital	38,777	28,199	28,116
Accumulated deficit	(8,031)	(9,160)	(9,373)
Accumulated other comprehensive loss	(1,344)	(10)	-
Total shareholders' equity	64,997	46,802	46,515
Total Liabilities & Shareholders' Equity	\$ 619,651	\$ 515,975	\$ 450,308

Key Metrics:

	September 30, 2022	December 31, 2021	September 30, 2021
Loans held for investment to deposits	99.47%	86.24%	100.03%
Noninterest bearing demand deposits to total deposits	26.11%	22.10%	24.76%
Allowance for loan losses to loans held for investment	1.02%	0.98%	0.96%
Nonperforming assets to total assets	-	-	-
Total risk-based capital ratio	13.53%	12.48%	12.10%
Tier 1 risk-based capital ratio	12.55%	11.55%	11.22%
Common equity tier 1 risk-based capital ratio	12.55%	11.55%	11.22%
Tier 1 leverage ratio	11.15%	9.79%	10.62%
Book value per share	\$ 9.13	\$ 8.43	\$ 8.37
Tangible book value per share	\$ 8.97	\$ 8.22	\$ 8.17

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

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Interest and dividend income				
Interest and fees on loans	\$ 5,615	\$ 3,908	\$ 14,537	\$ 10,451
Interest and dividends on securities	481	97	1,058	304
Interest-bearing balances due from banks	235	12	402	25
Total interest and dividend income	6,331	4,017	15,998	10,780
Interest Expense				
Interest on deposits	1,225	430	2,585	1,252
Interest on borrowings	100	62	125	175
Total interest expense	1,325	491	2,710	1,427
Net interest income	5,007	3,525	13,288	9,353
Provision for loan losses	672	322	1,401	1,136
Net interest income after provision for loan losses	4,335	3,203	11,886	8,217
Non-interest income (loss):				
Service charges and fees	42	29	102	68
Gain on sale of mortgage loans, net	410	410	1,165	1,206
Gain/(Loss) on trading securities	0	(65)	(333)	(356)
Other non-interest income	72	46	227	358
Total non-interest income (loss):	524	420	1,161	1,276
Non-interest expense:				
Salaries and employee benefits	2,855	2,247	8,412	6,467
Occupancy	429	394	1,221	1,177
Data processing	136	107	390	323
Network services	114	122	382	353
Professional services	198	163	560	528
Advertising	117	20	265	29
Regulatory assessments	140	137	431	388
Gain on debt extinguishment	(0)	-	(891)	-
Other operating expenses	372	297	1,016	771
Total non-interest expense	4,362	3,486	11,787	10,036
Net income (loss) before income taxes	497	137	1,260	(543)
Income taxes	43	-	131	-
Net income (loss)	\$ 454	\$ 137	\$ 1,129	\$ (543)
Weighted average common shares outstanding	6,726,154	5,554,500	5,967,441	5,531,833
Net income (loss) per share	\$ 0.07	\$ 0.02	\$ 0.19	\$ (0.10)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Key Metrics:				
Return on average assets	0.31%	0.13%	0.27%	-0.18%
Return on average shareholders' equity	2.95%	1.17%	2.90%	-1.56%
Yield on average interest-earning assets	4.31%	3.75%	3.85%	3.67%
Rate on average interest-bearing liabilities	1.31%	0.66%	0.92%	0.70%
Net interest margin	3.41%	3.29%	3.20%	3.18%
Average loans to average earning assets	79.40%	85.20%	75.81%	85.03%
Efficiency Ratio ⁽¹⁾	78.88%	86.92%	85.77%	91.36%

⁽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.