



## TRUSTAR BANK REPORTS FOURTH QUARTER FINANCIAL RESULTS

**GREAT FALLS, Virginia, February 16, 2024** – Trustar Bank, which was established on July 10, 2019, announced today its financial results for the fourth quarter of 2023, including the following highlights:

- Total assets of \$804.5 million, an increase of 21.2% compared to one year ago.
- Total loans of \$606.8 million, an increase of 15.7% compared to one year ago.
- Total deposits of \$647.8 million, an increase of 20.4% compared to one year ago.
- Annual pretax net income increased by 4.2% year over year.
- Tangible book value of \$9.60 per share of common stock, an increase of 5.3% compared to one year ago.
- Maintained strong credit quality with only one loan past due more than 90 days still accruing.

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

### Overview and Outlook

Despite continued margin compression from an inverted yield curve, Trustar Bank finished the year strong with net income over \$3 million and year-over-year asset growth of \$141.0 million or 21.2%. Growth in non-interest income was driven by the sale of our mortgage company, Trustar Mortgage for \$500,000. During the fourth quarter, management determined that our earnings momentum was sufficient to remove the valuation allowance for our deferred tax asset. This removal created a tax benefit that resulted in tax savings of \$1.4 million. While we do expect margin compression to continue in the near term, 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 December 31, 2023**

### ***Deposits***

Total deposits as of December 31, 2023, were \$647.8 million, representing an increase of 20.4% compared to one year earlier. The Bank's deposit base continues to migrate from lower yielding accounts toward accounts earning a higher rate of interest, particularly certificates of deposit. As of December 31, 2023, noninterest bearing demand deposits comprised 16.3% of total deposits, compared to 21.4% a year ago. In contrast, as of December 31, 2023, certificates of deposit comprised 46.7% of total deposits, compared to 35.7% as of December 31, 2022.

### ***Loans***

Loans held for investment totaled \$606.8 million as of December 31, 2023, representing an increase of 15.7% compared to one year earlier. As of December 31, 2023, commercial real estate loans (including construction loans) comprised 70% of total loans held for investment, commercial and industrial loans comprised 14% of total loans, and residential and consumer loans comprised 16% of total loans.

### ***Asset Quality***

As of December 31, 2023, the Bank's allowance for loan losses was \$6.0 million, or 0.99% 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. The Bank had one past due loan more than 90 days still accruing as of year-end.

### ***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 December 31, 2023, were \$75 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 December 31, 2023, the Bank had a total of \$71.3 million in additional borrowing capacity from the FHLB.

Stockholders' equity as of December 31, 2023, was \$70.3 million, representing an increase of 6.4% compared to one year earlier. 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 December 31, 2023, the book value and tangible book value of the Bank's common stock were \$9.76 and \$9.60 per share, respectively, representing

increases of 5.2% and 5.3%, respectively, compared to one year earlier. As of December 31, 2023, the Bank was classified as “well capitalized” based on the following regulatory capital ratios:

- Total risk-based capital ratio = 12.22%
- Tier 1 risk-based capital ratio = 11.20%
- Tier 1 leverage ratio = 9.19%

## Results of Operations

### ***Three Months Ended December 31, 2023, compared to the same period in 2022***

Net income for the three months ended December 31, 2023, was \$1,701,000, or \$0.24 per share, compared to \$864,000, or \$0.12 per share, in the same period last year. During the fourth quarter of 2023, the Bank recorded a gain of \$500,000 in connection with the sale of the mortgage company. In the fourth quarter of 2022 the bank recorded a \$106,000 gain on the early repayment of an FHLB advance. Excluding these items, the Bank’s pre-tax income for the three months ending December 31, 2023, would have been \$87,000, compared to pre-tax income of \$807,000 in the same period last year.

Net interest income for the fourth quarter of 2023 was \$4.5 million, a decrease of 9.1% compared to the fourth quarter of 2022. This decrease was attributable to a decline in the Bank’s net interest margin. The net interest margin for the fourth quarter of 2023 was 2.38%, a decline of 69 basis points compared to 3.07% in the same period last year. The margin compression is largely 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 \$364,000 for the three months ending December 31, 2023, compared to \$226,000 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.

Non-interest income for the three months ended December 31, 2023, was \$569,000, compared to \$282,000 in the same period last year. Excluding the income from the sale of the mortgage company, non-interest income for the three months ended December 31, 2023, would have been \$69,000, a 76% decrease from 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 December 31, 2023, were \$4.1 million, compared to \$4.1 million in 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.

***Twelve Months Ended December 31, 2023, compared to the same period in 2022***

Net income for the twelve months ended December 31, 2023, was \$3,012,000, or \$0.42 per share, compared to \$1,977,000 or \$0.32 per share, in the same period last year. Pretax net income, which excludes the benefit of the tax cost savings from the deferred tax asset increased in 2023 by 4.2% to \$2,247,000 versus \$2,157,000 for 2022.

Net interest income for the twelve months ended December 31, 2023, was \$18.2 million, compared to \$18.2 million in the twelve months of 2022. Earnings from net interest income were maintained by strong growth in our earning assets despite significant net interest margin compression. The net interest margin for the twelve months of 2023 was 2.60%, a decline of 56 basis points compared to 3.16% in the same period last year.

The Bank's provision for credit losses was \$1,064,000 for the twelve months ending December 31, 2023, compared to \$1,627,000 in the same period last year. During 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 2022.

Non-interest income for the twelve months ended December 31, 2023, was \$1,575,000 compared to \$1,325,000 in the same period last year. Excluding losses in the securities trading account and the income for the sale of the mortgage company, the Bank's non-interest income of \$1,075,000 for the twelve months ended December 31, 2023, would have represented a decline of 35% compared to \$1,658,000 for the same period last year. This decrease was due to a 53.3% decline in mortgage banking revenue compared to the same period last year.

Non-interest expenses for the year ended December 31, 2023, were \$16.5 million, an increase of 0.5% compared to \$15.8 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 year ended December 31, 2023, would have been \$17.3 million, an increase of 3.0% compared to \$16.8 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.

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

	December 31, 2023	December 31, 2022
<b><u>Assets:</u></b>		
Cash (currency and coin)	\$ 586	\$ 561
Interest-bearing balances due from banks	87,377	49,501
Cash and cash equivalents	87,963	50,062
Securities held to maturity, at amortized cost	43,135	44,084
Securities available for sale, at fair value	51,368	32,915
Loans held for sale	-	919
Loans held for investment:		
Loans held for investment at amortized cost	606,803	524,647
Allowance for credit losses	(6,036)	(5,318)
Total loans held for investment, net of allowance	600,767	519,329
Bank premises and equipment, net	4,940	5,192
Accrued interest receivable	2,925	2,045
Restricted investment in Federal Home Loan Bank stock, at cost	4,064	2,408
Goodwill	1,150	1,150
Other assets	8,157	5,391
Total Assets	\$ 804,469	\$ 663,495

**Liabilities and Shareholders' Equity:**

**Liabilities:**

<b>Deposits:</b>		
Noninterest bearing demand	105,334	\$ 114,970
Interest-bearing demand	35,832	16,585
Money market	193,803	209,139
Savings	10,543	5,210
Time deposits up to \$250,000	176,397	92,096
Time deposits over \$250,000	125,852	99,971
Total Deposits	647,761	537,971
Federal Home Loan Bank advances	75,000	50,000
Accrued interest payable	1,196	608
Other liabilities	10,187	8,852
Total Liabilities	734,144	597,431

**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, 7,205,626, 7,119,309 issued and outstanding, respectively	36,028	35,597
Additional paid-in capital	39,241	38,874
Accumulated deficit	(4,355)	(7,183)
Accumulated other comprehensive loss	(589)	(1,224)
Total shareholders' equity	70,325	66,064
Total Liabilities & Shareholders' Equity	\$ 804,469	\$ 663,495

	December 31, 2023	December 31, 2022
<b>Key Metrics:</b>		
Loans held for investment to deposits	93.68%	97.52%
Noninterest bearing demand deposits to total deposits	16.26%	21.37%
Allowance for loan losses to loans held for investment	0.99%	1.01%
Nonperforming assets to total assets	-	-
Total risk-based capital ratio	12.22%	13.15%
Tier 1 risk-based capital ratio	11.20%	12.17%
Common equity tier 1 risk-based capital ratio	11.20%	12.17%
Tier 1 leverage ratio	9.19%	10.27%
Book value per share	\$ 9.76	\$ 9.28
Tangible book value per share	\$ 9.60	\$ 9.12

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

	For the Three Months Ended		For the Twelve Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Interest and dividend income				
Interest and fees on loans	\$ 9,070	\$ 7,105	\$ 32,907	\$ 21,643
Interest and dividends on securities	618	502	2,189	1,559
Interest-bearing balances due from banks	1,034	377	3,222	780
Total interest and dividend income	10,722	7,984	38,318	23,982
Interest Expense				
Interest on deposits	5,434	2,446	17,584	5,031
Interest on borrowings	780	578	2,488	703
Total interest expense	6,214	3,024	20,072	5,734
Net interest income	4,508	4,960	18,246	18,248
Provision for credit losses on financial assets	364	226	1,064	1,627
Net interest income after provision for credit losses	4,144	4,734	17,182	16,621
Non-interest income (loss):				
Service charges and fees	37	46	214	148
Gain on sale of mortgage loans, net	(24)	128	548	1,175
Loss on trading securities	-	-	-	(333)
Other non-interest income	556	108	813	335
Total non-interest income (loss):	569	282	1,575	1,325
Non-interest expense:				
Salaries and employee benefits	2,200	2,565	9,951	10,977
Occupancy	625	375	2,218	1,597
Data processing	172	140	650	530
Network services	145	142	633	524
Professional services	172	163	1,054	723
Advertising	99	75	395	340
Regulatory assessments	192	319	707	750
Gain on debt extinguishment	(0)	(106)	(773)	(997)
Other operating expenses	521	430	1,675	1,345
Total non-interest expense	4,126	4,104	16,510	15,789
Net income (loss) before income taxes	587	913	2,247	2,157
Income taxes	(1,114)	48	(765)	180
Net income (loss)	\$ 1,701	\$ 864	\$ 3,012	\$ 1,977
Weighted average common shares outstanding	7,194,327	7,119,083	7,160,165	6,257,718
Net income (loss) per share	\$ 0.24	\$ 0.12	\$ 0.42	\$ 0.32

Key Metrics:	For the Three Months Ended		For the Twelve Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Return on average assets	0.89%	0.53%	0.42%	0.34%
Return on average shareholders' equity	9.83%	5.21%	4.45%	3.56%
Yield on average interest-earning assets	5.67%	4.94%	5.45%	4.16%
Rate on average interest-bearing liabilities	4.28%	2.67%	3.86%	1.41%
Net interest margin	2.38%	3.07%	2.60%	3.16%
Average loans to average earning assets	78.87%	81.41%	79.63%	77.38%
Efficiency Ratio(1)	81.28%	80.31%	87.20%	84.43%

(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.