

PUBLIC DISCLOSURE

June 14, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Trustar Bank
Certificate Number: 59183

9883 Georgetown Pike
Great Falls, Virginia 22066

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Atlanta Regional Office

10 10th Street NE, Suite 800
Atlanta, Georgia 30309-3849

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREA	3
SCOPE OF EVALUATION.....	6
CONCLUSIONS ON PERFORMANCE CRITERIA.....	7
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	8
APPENDICES	9
SMALL BANK PERFORMANCE CRITERIA.....	9
GLOSSARY	10

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its small business loans in the assessment area.
- The geographic distribution of small business loans reflects poor dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration of loans among small businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

Trustar Bank is a \$375.9 million new (de novo) institution that commenced operations on July 10, 2019. The bank does not have a holding company; however, the bank purchased Trustar Mortgage in November 2020, which is wholly-owned subsidiary. This is the bank’s first CRA evaluation, which will be conducted under Small Bank Interagency CRA procedures.

Trustar Bank operates from its main office and three retail branch locations in northern Virginia and southern Maryland. Most of the offices are located in Fairfax County, which is just northwest of Washington, DC. The main office was recently relocated for greater visibility within Great Falls, Virginia. The old location now serves as an operations center and offers no retail services. The newest branch is located in Potomac, Maryland and operates by appointment only with limited hours and services. No offices were closed. ATMs are available at the main office and Reston branch. Refer to the following table for additional office information.

Office Locations				
Branch	City/State	County	Census Tract Income Level	Date Opened
Main Office (Present)	Great Falls, VA	Fairfax	Upper	01/04/2021
Operations Office (Old Main Office)	Great Falls, VA	Fairfax	Upper	07/10/2019
Reston Branch	Reston, VA	Fairfax	Upper	06/22/2020
McLean Branch	McLean, VA	Fairfax	Middle	12/16/2019
Potomac Branch	Potomac, MD	Montgomery	Upper	03/30/2021

The bank is a commercial bank offering traditional deposit- and credit-related products primarily to retail and commercial customers in Fairfax County and Fairfax City, surrounding counties and cities in Virginia, and Montgomery County. The bank's business strategy is to offer basic core banking deposit and loan products. Loan products include commercial and industrial, construction, land development, and commercial real estate. The bank also offers home equity lines of credit and 1-4 family secured loans; however, these are almost exclusively to commercial customers. Alternative delivery systems offered include ATMs, online banking with bill-pay, and mobile banking.

The following table shows all loans originated by the bank in 2020. The primary loans products are commercial and construction and land development. One-to-four family residential loans include first-lien residential loans and home-equity-lines-of-credit and comprise 17.2 percent of the dollar volume and 16.9 percent of the number of loans originated in 2020. However, nearly all of these are business-purpose loans to commercial customers. No farm loans were originated, and consumer loans are nominal.

Loans Originated or Purchased (2020)				
Loan Category	#	%	\$(000)	%
Construction and Land Development	51	10.6	95,167	30.2
Secured by Farmland	0	0.0	0	0.0
Secured by 1-4 Family Residential Properties	81	16.9	54,222	17.2
Commercial Real Estate Loans	24	5.0	47,202	15.0
Commercial and Industrial Loans	321	66.9	118,016	37.5
Agricultural Loans	0	0.0	0	0.0
Consumer Loans	3	0.6	453	0.1
Other Loans	0	0.0	0	0.0
Total Loans	480	100.0	315,060	100.0
<i>Source: Bank Records</i>				

Trustar Bank has grown rapidly, with total assets increasing from \$174.9 million as of March 31, 2020, to \$375.9 million as of March 31, 2021. Loans have increased by \$211.0 million during the same time period, partially attributed to loans originated under the SBA Payroll Protection Program (PPP). The following table presents the loan portfolio distribution as of March 31, 2021.

Loan Portfolio Distribution as of 3/31/2021		
Loan Category	\$(000s)	%
Construction and Land Development	63,416	19.5
Secured by Farmland	747	0.2
Secured by 1-4 Family Residential Properties	70,080	21.6
Secured by Multifamily (5 or more) Residential Properties	440	0.2
Secured by Nonfarm Nonresidential Properties	104,292	32.1
Total Real Estate Loans	238,975	73.6
Commercial and Industrial Loans	84,750	26.1
Consumer Loans	1,018	0.3
Total Loans	324,743	100.0
<i>Source: Reports of Condition and Income</i>		

There are no known legal, financial, or other factors impeding the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA regulation requires financial institutions to define at least one assessment area within which its CRA performance will be evaluated. Trustar Bank has designated an assessment area consisting of seven counties and cities in Virginia (Arlington County, Fairfax County, Loudoun County, Fairfax City, Fall Church City, and Alexandria City), the District of Columbia, and Montgomery County, MD that partially makes up the Washington-Arlington-Alexandria, DC-VA-MD-WV multistate MSA. The main office and two branches are located in Fairfax County, which is approximately 10 miles northwest of Washington D.C. The remaining branch is located in Montgomery County, Maryland, which is not

included as part of the assessment area for the present evaluation as the branch was opened on March 31, 2021.

Economic and Demographic Data

The assessment area consists of 73 low-income, 69 moderate-income, 175 middle-income, 277 upper-income, and 13 N/A census tracts. A majority of the population, owner-occupied housing units, and businesses are located in middle- and upper-income geographies, indicating greater opportunities for lending in those geographies. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	607	12.0	11.4	28.8	45.6	2.1
Population by Geography	2,537,305	11.0	11.0	29.1	47.9	1.0
Housing Units by Geography	1,030,335	11.5	11.2	29.1	47.4	0.8
Owner-Occupied Units by Geography	546,967	4.5	8.2	28.7	58.4	0.3
Occupied Rental Units by Geography	411,163	19.3	14.9	30.2	34.1	1.4
Vacant Units by Geography	72,205	19.6	12.4	26.1	41.1	0.8
Businesses by Geography	312,415	4.5	9.9	29.4	55.2	1.1
Farms by Geography	3,655	3.8	6.7	29.1	60.1	0.4
Family Distribution by Income Level	573,883	20.2	13.6	18.1	48.2	0.0
Household Distribution by Income Level	958,130	22.0	14.3	17.5	46.1	0.0
Median Family Income - Washington-Arlington-Alexandria, DC-VA-MD-WV		\$118,700	Median Housing Value			\$496,391
			Median Gross Rent			\$1,606
			Families Below Poverty Level			6.2%

*Source: 2015 ACS and 2020 D&B Data.
Due to rounding, totals may not equal 100.0 percent.
(*) The NA category consists of geographies that have not been assigned an income classification.*

The median family income for Washington-Arlington-Alexandria, DC-VA-MD-WV MSA is used to analysis the Borrower Profile. According to the FFIEC data, the 2020 median family income is \$118,700. Although families making more than the median family income would likely be able to afford the \$496,391 median home value, low- and moderate-income families would have difficulty qualifying for a conventional home mortgage loan. The following table details the median family income ranges of the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$118,700)	<\$59,350	\$59,350 to <\$94,960	\$94,960 to <\$142,440	≥\$142,440
<i>Source: FFIEC</i>				

According to the U.S. Bureau of Labor Statistics, unemployment rates in the assessment area have significantly varied from 2019 to 2020, primarily due to the impact of the COVID-19 pandemic. At year-end 2019, the unemployment rate was 2.8 percent. The rate increased to a high of 8.9 percent in the second quarter 2020 and decreased to 6.6 percent as of year-end 2020. However, the assessment area was partially shielded economically from the full effects of the pandemic due to a greater reliance on the Government sector, which saw fewer job losses. Leading employment sectors in the assessment area include Professional and Business (23.5 percent), Government (21.7 percent), and Education and Health (12.8 percent). The Leisure and Hospitality Services sector is still struggling with permanent job losses and spending well below pre-pandemic levels. Commercial real estate activity is also projected to recover more slowly as many companies have moved to remote work. Top employers in the assessment area include Naval Support Activity Washington, Joint Base Andrews-Naval Air Facility, MedStar Health, Marriott International, Inova Health System, SAIC, Inc., and Booz Allen Hamilton, all with over 10,000 employees.

Competition

The assessment area is extremely competitive for banking services. According to FDIC Deposit Market Share data as of June 30, 2020, 54 institutions operate 741 branches within the assessment area. Of these institutions, the bank ranked 35th with a market share of 0.08 percent. Top competitor institutions included E-Trade Bank with 19.8 percent market share, Capital One with 15.7 percent market share, Wells Fargo with 13.3 percent market share, Bank of America, N.A. with 12.6 percent market share, and Truist Bank with 10.4 percent market share. These top five market share institution account for nearly 72.0 percent of the deposit market.

To obtain a more quantifiable reference point, examiners also reviewed aggregate lending data from institutions that report small business loan data. This data represents actual lending activity in the assessment area and provides a reasonable indication of actual loan demand by businesses of varying revenue levels. The 2019 aggregate data (the most recent available) shows reporting institutions originated 49.9 percent of reported loans to businesses with gross annual revenues of \$1.0 million or less.

Community Contacts

As part of the CRA evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. A community contact interview was conducted with an economic development organization located within the assessment area.

Examiners referred to several recent community contacts conducted with organizations operating within the assessment area, including a non-profit economic development organization and a housing organization. The contacts indicated there is a need for affordable housing, including renovation and construction financing, down-payment assistance, first-time homebuyer, and small business economic development programs.

Another contact indicated that the effects of the pandemic haven't impacted the assessment area as much as other parts of the country due to the large number of Government, hospital, and university employers that retained nearly all of their employees. Most of the job losses have come from small businesses. The cost of living, including housing, is very high in the assessment area and even middle-income residents are forced to commute from outer areas due to the lack of affordable housing. Low- and moderate-income residents are generally unable to afford housing at any level within the assessment area without government assistance.

Credit Needs

Based on community contacts and other demographic data, examiners determined that affordable home loans, down-payment assistance, and small business lending are among some of the greatest credit needs in the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the date the bank opened for business on July 8, 2019, to the current evaluation dated June 14, 2021. Examiners used the Interagency Small Bank Procedures to evaluate the bank's CRA performance.

Activities Reviewed

Based on the March 31, 2021, Call Report, discussions with management regarding business strategy, and the 2020 loan originations, examiners determined that the bank's primary loan product is commercial loans. No other loan types, such as home mortgage, small farm, or consumer loans represent a major product line.

Examiners reviewed all 306 small business loans totaling \$46.8 million originated in 2020 for Geographic Distribution and Assessment Area Concentration. However, for the Borrower Profile, examiners sampled 53 small business loans totaling \$9.5 million that were originated within the assessment area in order to obtain revenue information about the borrower as the bank does not readily maintain this information. D&B business demographic data was used as a standard of comparison for small business loans in the Geographic Distribution and Borrower Profile criteria.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test performance is reasonable based on reasonable performance related to loan-to-deposit ratio, Geographic Distribution, and Borrower Profile and a majority of loans reviewed were originated with the assessment area.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is more than reasonable given the institution’s size, financial condition, de novo status, and assessment area credit needs. The loan-to-deposit ratio, calculated from Call Report data, averaged 99.1 percent over the past seven calendar quarters from September 30, 2019 to March 31, 2021. As of March 31, 2021, the ratio stood at 108.1 percent. During 2020, the loan-to-ratio generally remained relatively stable at just over 100.0 percent. For comparison purposes, examiners used the March 31, 2021, loan-to-deposit ratio for the peer group of all de novo institution opened in 2019, as there were no similarly-situated banks in terms of asset size, loan product offerings, and time open serving the same assessment area. The peer loan-to-deposit ratio averaged 87.9 percent over the same time period and stood at was 90.0 percent as of March 31, 2021.

Assessment Area Concentration

Trustar Bank originated a majority of small business loans in the assessment area. The following table presents lending inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	197	64.4	109	35.6	306	31,410	67.2	15,350	32.8	46,760

Source: Bank Records.

Geographic Distribution

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. The percentage of small business loans originated in low-income census tracts is substantially below demographic data. Lending in moderate-income census tracts is below demographic data.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	4.5	1	0.5	42	0.1
Moderate	9.9	10	5.1	1,004	3.2
Middle	29.4	45	22.8	4,901	15.6
Upper	55.2	141	71.6	25,463	81.1
Not Available	1.1	0	0.0	0	0.0
Totals	100.0	197	100.0	31,410	100.0

*Source: 2020 D&B and Bank Records.
Due to rounding, totals may not equal 100.0 percent.*

Borrower Profile

The distribution of small business loan reflects reasonable penetration to businesses of different sizes. The bank's lending to businesses with gross annual revenues of less than or equal to \$1 million (small business) is significantly below D&B data. Although the bank's performance is below the demographic information data, the D&B can reflect the demand for small business loans by small businesses. To gain a better understanding of credit needs and demand in the assessment area, examiners reviewed aggregate market data from institutions that collect and report data on small business loans. The 2019 aggregate data reflects that institution's that reported data on small business lending shows 49.9 percent of all loans reported were originated to small businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	86.9	27	50.9	1,901	20.1
>\$1,000,000	5.0	26	49.1	7,573	79.9
Revenue Not Available	8.0	0	0.0	0	0.0
Total	100.0	53	100.0	9,474	100.0

*Source: 2020 D&B Data and Bank Records.
Due to rounding, totals may not equal 100.0 percent.*

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution,

borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.