



TRUSTAR BANK REPORTS FIRST QUARTER FINANCIAL RESULTS

GREAT FALLS, Virginia, May 14, 2024 – Trustar Bank, which was established on July 10, 2019, announced today its financial results for the first quarter of 2024, including the following highlights:

- Total assets of \$813 million, an increase of 20.6% compared to one year ago.
- Total loans of \$640.7 million, an increase of 19.1% compared to one year ago.
- Total deposits of \$669.7 million, an increase of 22.3% compared to one year ago.
- Total equity of \$72.0 million, an increase of 7.8% compared to one year ago.
- Maintained strong credit quality with zero non-performing assets.

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview and Outlook

Trustar Bank started 2024 with strong earnings and strong growth. During the first quarter net income was \$526,000, our loans grew \$33.9 million, and deposits grew \$21.9 million. While our net interest margin is lower than the same period last year, it increased slightly compared to the previous quarter. While we do expect continued increases in our cost of deposits 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 the pressure on deposit costs will continue but that increases in loan yields will drive net interest margin expansion in the remainder of 2024. There can be no assurance that this will happen within that time frame, if at all.

Financial Condition as of March 31, 2024

Deposits

Total deposits as of March 31, 2024, were \$669.7 million, representing an increase of 22.3% 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 March 31, 2024, noninterest bearing demand deposits comprised 16.4% of total deposits, compared to 22.8% a year ago. In contrast, as of March 31, 2024, certificates of deposit comprised 45.4% of total deposits, compared to 41.1% as of March 31, 2023.

Loans

Loans held for investment totaled \$640.7 million as of March 31, 2024, representing an increase of 19.1% compared to one year earlier. As of March 31, 2024, commercial real estate loans (including construction loans) comprised 69% of total loans held for investment, commercial and industrial loans comprised 13% of total loans, and residential and consumer loans comprised 17% of total loans.

Asset Quality

As of March 31, 2024, the Bank's allowance for loan losses was \$6.4 million, or 0.99% of gross loans held for investment. This compares to an allowance of \$5.3 million or 1.00% of gross loans as of March 31, 2023. The Bank had one loan past due more than 30 days at quarter-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 March 31, 2024, were \$60 million, compared to \$50 million as of March 31, 2023. The level of borrowings fluctuates in response to imbalances in the rates of growth of core loans and deposits. As of March 31, 2024, the Bank had a total of \$117.1 million in additional borrowing capacity from the FHLB.

The Bank raised its initial capitalization in 2019 through the sale of 55,000 Units at a price of \$1,000 per Unit. Each Unit consisted of 100 Shares of Common Stock and 25 Class A Warrants. Each Class A Warrant entitles the holder to purchase an additional share of Trustar Bank Common Stock at \$10.00 per share. As of March 31, 2024, 139,083 of the Class A Warrants had been exercised and 1,235,917 remained outstanding. **Any Class A Warrants not previously exercised will expire at the close of business on July 10, 2024.**

Stockholders' equity as of March 31, 2024, was \$72.0 million, representing an increase of 7.8% compared to one year earlier. As of March 31, 2024, the book value and tangible book value of the Bank's common stock were \$9.86 and \$9.70 per share, respectively, representing increases

of 5.2% and 5.3%, compared to one year earlier. As of March 31, 2024, the Bank was classified as “well capitalized” based on the following regulatory capital ratios:

- Total risk-based capital ratio = 12.03%
- Tier 1 risk-based capital ratio = 11.00%
- Tier 1 leverage ratio = 8.81%

Results of Operations

Three Months Ended March 31, 2024, compared to the same period in 2023.

Net income for the three months ended March 31, 2024, was \$526,000, or \$0.07 per share, compared to \$494,000, or \$0.07 per share, in the same period last year. During the first quarter of 2024, the Bank recorded a loss of \$199,000 in connection with a “make-whole” call on a municipal bond and a \$28,000 gain on early repayment of FHLB advances. The Bank also booked a \$309,000 reduction in tax expense related to the sale of the mortgage company. In the first quarter of 2023 the bank recorded a \$301,000 gain on the early repayment of an FHLB advance. Excluding these items, the Bank’s pre-tax income for the three months ending March 31, 2024, would have been \$446,000, compared to pre-tax income of \$324,000 in the same period last year an increase of 37.7%.

Net interest income for the first quarter of 2024 was \$4.4 million, an increase of 2.8% compared to the first quarter of 2023. The net interest margin for the first quarter of 2024 was 2.39%, a decline of 38 basis points compared to 2.77% in the same period last year. This 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 \$321,000 for the three months ending March 31, 2024, compared to \$218,000 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 March 31, 2024, was (\$101,000), compared to \$447,000 in the same period last year. Excluding the loss from the early call of the security, non-interest income for the three months ended March 31, 2024, would have been \$98,000, a 78.1% decrease from the same period last year. This decrease was due to the sale of the mortgage subsidiary and the loss of income from the sale of mortgage loans.

Non-interest expenses for the three months ended March 31, 2024, were \$4.0 million, compared to \$4.2 million in the same period last year. Excluding offsetting gains on early repayment of FHLB advances totaling \$28,000 in the first quarter of 2024 and \$301,000 in the first quarter of 2023, total non-interest expenses for the three months ended March 31, 2024, were \$4.1 million, compared to \$4.5 million in the same period last year, a reduction of 9.9%.

This expense reduction is directly related to the sale of the mortgage company in the fourth quarter of 2023. The Bank's efficiency ratio for the first quarter of 2024 improved to 84.2% from 89.3% in 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.

"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)

	March 31, 2024	December 31, 2023	March 31, 2023
Assets:			
Cash (currency and coin)	\$ 663	\$ 586	\$ 561
Interest-bearing balances due from banks	62,162	87,377	46,976
Cash and cash equivalents	62,825	87,963	47,537
Securities held to maturity, at amortized cost	40,091	43,135	43,716
Securities available for sale, at fair value	54,944	51,368	32,247
Loans held for sale	-	-	1,156
Loans held for investment:			
Loans held for investment at amortized cost	640,747	606,803	538,047
Allowance for credit losses	(6,366)	(6,036)	(5,389)
Total loans held for investment, net of allowance	634,381	600,767	532,658
Bank premises and equipment, net	4,811	4,940	5,360
Accrued interest receivable	2,891	2,925	1,998
Restricted investment in Federal Home Loan Bank stock, at cost	3,437	4,064	2,482
Goodwill	1,150	1,150	1,150
Other assets	8,427	8,157	6,051
Total Assets	\$ 812,957	\$ 804,470	\$ 674,355

Liabilities and Shareholders' Equity:

Liabilities:

Deposits:

Noninterest bearing demand	\$ 109,629	\$ 105,334	\$ 124,727
Interest-bearing demand	42,553	35,832	29,380
Money market	200,226	193,803	164,244
Savings	13,219	10,543	4,061
Time deposits up to \$250,000	190,142	176,397	111,195
Time deposits over \$250,000	113,923	125,852	113,921
Total Deposits	669,692	647,761	547,528

Federal Home Loan Bank advances	60,000	75,000	50,000
Accrued interest payable	1,261	1,196	687
Other liabilities	10,048	10,187	9,373
Total Liabilities	741,001	734,144	607,588

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, 7,296,183, 7,205,626 and 7,119,309 issued and outstanding, respectively	36,481	36,028	35,597
Additional paid-in capital	39,819	39,241	38,969
Accumulated deficit	(3,829)	(4,355)	(6,873)
Accumulated other comprehensive loss	(515)	(589)	(925)
Total shareholders' equity	71,956	70,325	66,767
Total Liabilities & Shareholders' Equity	812,957	804,469	674,355

Key Metrics:

	March 31, 2024	December 31, 2023	March 31, 2023
Loans held for investment to deposits	95.68%	93.68%	98.27%
Noninterest bearing demand deposits to total deposits	16.37%	16.26%	22.78%
Allowance for loan losses to loans held for investment	0.99%	0.99%	1.00%
Nonperforming assets to total assets	-	-	-
Total risk-based capital ratio	12.03%	12.22%	13.21%
Tier 1 risk-based capital ratio	11.00%	11.20%	12.16%
Common equity tier 1 risk-based capital ratio	11.00%	11.20%	12.16%
Tier 1 leverage ratio	8.81%	9.19%	9.71%
Book value per share	\$ 9.86	\$ 9.76	\$ 9.38
Tangible book value per share	\$ 9.70	\$ 9.60	\$ 9.22

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

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
Interest and dividend income		
Interest and fees on loans	\$ 9,581	\$ 7,399
Interest and dividends on securities	849	522
Interest-bearing balances due from banks	1,117	732
Total interest and dividend income	<u>11,547</u>	<u>8,653</u>
Interest Expense		
Interest on deposits	6,022	3,496
Interest on borrowings	779	539
Total interest expense	<u>6,801</u>	<u>4,035</u>
Net interest income	4,746	4,618
Provision for credit losses on financial assets	321	218
Net interest income after provision for credit losses	<u>4,425</u>	<u>4,400</u>
Non-interest income (loss):		
Service charges and fees	66	83
Gain on sale of mortgage loans, net	-	277
Loss on trading securities	(199)	-
Other non-interest income	32	87
Total non-interest income (loss):	<u>(101)</u>	<u>447</u>
Non-interest expense:		
Salaries and employee benefits	2,280	2,776
Occupancy	556	508
Data processing	162	155
Network services	135	153
Professional services	207	294
Advertising	77	38
Regulatory assessments	157	191
Gain on debt extinguishment	(28)	(301)
Other operating expenses	503	408
Total non-interest expense	<u>4,049</u>	<u>4,222</u>
Net income (loss) before income taxes	275	625
Income taxes	(251)	131
Net income (loss)	<u>\$ 526</u>	<u>\$ 494</u>
Weighted average common shares outstanding	7,232,767	7,119,309
Net income (loss) per share	\$ 0.07	\$ 0.07

Key Metrics:	For the Three Months Ended	
	March 31, 2024	March 31, 2023
Return on average assets	0.26%	0.29%
Return on average shareholders' equity	2.97%	3.00%
Yield on average interest-earning assets	5.81%	5.20%
Rate on average interest-bearing liabilities	4.44%	3.43%
Net interest margin	2.39%	2.77%
Average loans to average earning assets	77.30%	79.40%
Efficiency Ratio(1)	84.17%	89.29%

(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.