



TRUSTAR BANK REPORTS SECOND QUARTER FINANCIAL RESULTS

GREAT FALLS, Virginia, August 12, 2024 – Trustar Bank, which was established on July 10, 2019, announced today its financial results for the second quarter of 2024, including the following highlights:

- Celebrated our 5th anniversary and 13 quarters of continued profitability.
- Total assets of \$834.1 million, an increase of 16.2% compared to one year ago.
- Total loans of \$661.4 million, an increase of 17.6% compared to one year ago.
- Total deposits of \$693.1 million, an increase of 19.3% compared to one year ago.
- Total equity of \$75.5 million, an increase of 12.3% compared to one year ago.
- Maintained strong credit quality with zero non-performing assets.
- Purchased new Bethesda location and received regulatory approval for new branch which is expected to open in the fourth quarter.

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview and Outlook

Trustar Bank started 2024 with strong earnings and strong growth. Year to date net income was \$1.1 million, our loans grew \$54.6 million, and deposits grew \$45.4 million. While our net interest margin is lower than the same period last year, our net interest margin grew 10 basis points from the prior 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 offset these costs during 2024. There can be no assurance that this will happen within that time frame, if at all.

Financial Condition as of June 30, 2024

Deposits

Total deposits as of June 30, 2024, were \$693.1 million, representing an increase of 19.3% compared to one year earlier. As of June 30, 2024, noninterest bearing demand deposits comprised 16.2% of total deposits, compared to 17.1% a year ago. In contrast, as of June 30, 2024, certificates of deposit comprised 44.1% of total deposits, compared to 43.3% as of June 30, 2023. These slight changes in our deposit mix indicate the beginning of a stabilization in deposit migration.

Loans

Loans held for investment totaled \$661.4 million as of June 30, 2024, representing an increase of 17.3% compared to one year earlier. As of June 30, 2024, commercial real estate loans (including construction loans) comprised 68% of total loans held for investment, commercial and industrial loans comprised 12% of total loans, and residential and consumer loans comprised 20% of total loans.

Asset Quality

As of June 30, 2024, the Bank's allowance for loan losses was \$6.6 million, or 0.99% of gross loans held for investment. This compares to an allowance of \$5.6 million or 1.00% of gross loans as of June 30, 2023. The Bank had no loans 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 June 30, 2024, were \$55 million, compared to \$60 million as of June 30, 2023. The level of borrowings fluctuates in response to imbalances in the rates of growth of core loans and deposits. As of June 30, 2024, the Bank had a total of \$124.2 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 entitled the holder to purchase an additional share of Trustar Bank Common Stock at \$10.00 per share on or before July 10, 2024. As of June 30, 2024, 425,245 of the Class A Warrants had been exercised and 949,755 remained outstanding. Subsequent to June 30, an additional 621,672 Class A Warrants were exercised and the remaining 328,083 Class A Warrants expired.

Stockholders' equity as of June 30, 2024, was \$75.5 million, representing an increase of 12.3% compared to one year earlier. As of June 30, 2024, the book value and tangible book value of the Bank's common stock were \$9.90 and \$9.75 per share, respectively, representing increases of 5.5% and 5.7%, compared to one year earlier. As of June 30, 2024, the Bank was classified as "well capitalized" based on the following regulatory capital ratios:

- Total risk-based capital ratio = 12.29%
- Tier 1 risk-based capital ratio = 11.25%
- Tier 1 leverage ratio = 9.15%

Results of Operations

Three Months Ended June 30, 2024, compared to the same period in 2023.

Net income for the three months ended June 30, 2024, was \$533,000, or \$0.07 per share, compared to \$499,000, or \$0.07 per share, in the same period last year. In the second quarter of 2023 the bank recorded a \$106,000 gain on the early repayment of an FHLB advance. Excluding this item, the Bank's pre-tax income for the three months ending June 30, 2024, would have increased \$150,000, or 28.4%, compared to the same period last year.

Net interest income for the second quarter of 2024 was \$4.9 million, an increase of 6.4% compared to the second quarter of 2023. The net interest margin for the second quarter of 2024 was 2.49%, a decline of 22 basis points compared to 2.71% 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. Compared to the first quarter of 2024, net interest income increased \$299,000, while net interest margin increased by 10 basis points. This was attributable to the growth in earning assets during the quarter.

The Bank's provision for credit losses was \$217,000 for the three months ending June 30, 2024, compared to \$458,000 in the same period last year. This decrease is due to approximately \$222,000 the Bank charged off during the second quarter of 2023 in connection with the sale of a loan that was in bankruptcy. The Bank did not incur any net charge-offs during the second quarter of 2024.

Non-interest income for the three months ended June 30, 2024, was \$90,000, compared to \$440,000 in the same period last year, a 79.5% decrease. 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 June 30, 2024, were \$4.2 million, compared to \$4.0 million in the same period last year. Excluding offsetting gains on early repayment of FHLB advances totaling \$106,000 in the second quarter of 2023, total non-interest expenses for the three months ended June 30, 2024, were \$4.2 million, compared to \$4.1 million in the same period last year, an increase of 1.0%. This minimal increase is related to cost savings

from the sale of the mortgage company. The Bank's efficiency ratio for the second quarter of 2024 was 82.4% compared to 80.8% in the same period last year.

Six Months Ended June 30, 2024, compared to the same period in 2023

Net income for the six months ended June 30, 2024, was \$1.1 million, or \$0.14 per share, compared to \$993,000, or \$0.14 per share, in the same period last year. Excluding offsetting gains on early repayment of FHLB advances of \$28,000 and \$407,000 in the first half of 2024 and 2023, respectively, the Bank's pre-tax income for the six months ending June 30, 2024, would have been \$925,000, which represents an 8.4% increase compared to pre-tax income of \$853,000 in the same period last year.

Net interest income for the six months ended June 30, 2024, was \$9.7 million, an increase of 4.6% compared to \$9.3 million in the first half of 2023. This increase was attributable to growth in earning assets, partially offset by a decline in the Bank's net interest margin. The net interest margin for the first six months of 2024 was 2.44%, a decline of 32 basis points compared to 2.76% in the same period last year.

The Bank's provision for credit losses was \$538,000 for the six months ending June 30, 2024, compared to \$676,000 in the same period last year. Excluding the previously mentioned charge-off of \$222,000 in 2023, the provision for credit losses for the six months ended June 30, 2024, increased \$84,000 compared to the same period in the prior year. This increase reflects the addition to the allowance for loan losses required, in management's judgment, to increase the allowance commensurate with the growth of the Bank's loan portfolio.

Non-interest income for the six months ended June 30, 2024, was (\$11,000), a decrease of 101.2% compared to \$887,000 in the same period last year. During the first half of 2024, the Bank recorded losses of \$199,000 in connection with a "make-whole" call on a municipal bond, which is reported as a reduction in non-interest income. Excluding this item, the Bank's non-interest income would have been \$188,000 for the six months ended June 30, 2024, representing a decline of 78.8% compared to 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 first half of 2024 were \$8.2 million, a decrease of 0.3% compared to \$8.3 million in the same period last year. During the first six months of 2024 and 2023, the Bank recorded gains in connection with the early repayment of FHLB advances in the amounts of \$28,000 and \$407,000, respectively, which are reported as reductions in non-interest expense. Excluding these items, the Bank's non-interest expenses for the six months ended June 30, 2024, would have been \$8.3 million, a decrease of 4.7% compared to \$8.7 million for the same period last year. This reduction in expense is related to the sale of the mortgage company. The Bank's efficiency ratio for the first half of 2024 was 83.2%, compared to 85.0% 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)

	June 30, 2024	December 31, 2023	June 30, 2023
Assets:			
Cash (currency and coin)	\$ 700	\$ 586	\$ 604
Interest-bearing balances due from banks	67,202	87,377	65,317
Cash and cash equivalents	67,902	87,963	65,921
Securities held to maturity, at amortized cost	39,786	43,135	45,613
Securities available for sale, at fair value	50,220	51,368	30,147
Loans held for sale	-	-	2,068
Loans held for investment:			
Loans held for investment at amortized cost	661,404	606,803	562,508
Allowance for credit losses	(6,573)	(6,036)	(5,605)
Total loans held for investment, net of allowance	654,831	600,767	556,903
Bank premises and equipment, net	5,786	4,940	5,267
Accrued interest receivable	3,179	2,925	1,992
Restricted investment in Federal Home Loan Bank stock, at cost	3,200	4,064	2,927
Goodwill	1,150	1,150	1,150
Other assets	8,080	8,157	5,869
Total Assets	<u>\$ 834,134</u>	<u>\$ 804,469</u>	<u>\$ 717,857</u>

Liabilities and Shareholders' Equity:

Liabilities:

Deposits:

Noninterest bearing demand	\$ 112,025	\$ 105,334	\$ 99,397
Interest-bearing demand	53,316	35,832	30,049
Money market	210,050	193,803	194,433
Savings	11,830	10,543	5,507
Time deposits up to \$250,000	187,523	176,397	122,562
Time deposits over \$250,000	118,398	125,852	129,162
Total Deposits	693,142	647,761	581,111

Federal Home Loan Bank advances	55,000	75,000	60,000
Accrued interest payable	1,388	1,196	846
Other liabilities	9,150	10,187	8,685
Total Liabilities	758,680	734,144	650,642

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, 7,620,575, 7,205,626 and 7,164,804 issued and outstanding, respectively	38,103	36,028	35,824
Additional paid-in capital	41,054	39,241	38,838
Accumulated deficit	(3,296)	(4,355)	(6,374)
Accumulated other comprehensive loss	(407)	(589)	(1,073)
Total shareholders' equity	75,454	70,325	67,215
Total Liabilities & Shareholders' Equity	<u>\$ 834,134</u>	<u>\$ 804,469</u>	<u>\$ 717,857</u>

	June 30, 2024	December 31, 2023	June 30, 2023
Key Metrics:			
Loans held for investment to deposits	95.42%	93.68%	96.80%
Noninterest bearing demand deposits to total deposits	16.16%	16.26%	17.10%
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	12.29%	12.22%	12.76%
Tier 1 risk-based capital ratio	11.25%	11.20%	11.72%
Common equity tier 1 risk-based capital ratio	11.25%	11.20%	11.72%
Tier 1 leverage ratio	9.15%	9.19%	9.68%
Book value per share	\$ 9.90	\$ 9.76	\$ 9.38
Tangible book value per share	\$ 9.75	\$ 9.60	\$ 9.22

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

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Interest and dividend income				
Interest and fees on loans	\$ 10,143	\$ 8,018	\$ 19,724	\$ 15,417
Interest and dividends on securities	864	515	1,713	1,037
Interest-bearing balances due from banks	848	632	1,965	1,364
Total interest and dividend income	11,855	9,165	23,402	17,818
Interest Expense				
Interest on deposits	6,244	3,852	12,266	7,350
Interest on borrowings	623	623	1,402	1,162
Total interest expense	6,867	4,476	13,668	8,512
Net interest income	4,988	4,689	9,734	9,307
Provision for credit losses on financial assets	217	458	538	676
Net interest income after provision for credit losses	4,771	4,231	9,196	8,631
Non-interest income (loss):				
Service charges and fees	59	58	125	141
Gain on sale of mortgage loans, net	-	280	-	557
Loss on trading securities	-	-	(199)	-
Other non-interest income	31	102	63	189
Total non-interest income (loss):	90	440	(11)	887
Non-interest expense:				
Salaries and employee benefits	2,619	2,225	4,899	5,000
Occupancy	574	526	1,129	1,034
Data processing	167	164	329	318
Network services	141	173	276	325
Professional services	211	328	419	622
Advertising	146	135	223	174
Regulatory assessments	168	132	326	323
Gain on debt extinguishment	-	(106)	(28)	(407)
Other operating expenses	156	461	659	869
Total non-interest expense	4,182	4,037	8,232	8,258
Net income (loss) before income taxes	679	635	953	1,260
Income taxes	146	136	(106)	267
Net income (loss)	\$ 533	\$ 499	\$ 1,059	\$ 993
Weighted average common shares outstanding	7,404,104	7,154,694	7,318,436	7,137,099
Net income (loss) per share	\$ 0.07	\$ 0.07	\$ 0.14	\$ 0.14

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Key Metrics:				
Return on average assets	0.26%	0.29%	0.26%	0.29%
Return on average shareholders' equity	2.92%	2.97%	2.94%	2.99%
Yield on average interest-earning assets	5.91%	5.30%	5.86%	5.29%
Rate on average interest-bearing liabilities	4.46%	3.64%	4.45%	3.54%
Net interest margin	2.49%	2.71%	2.44%	2.76%
Average loans to average earning assets	80.00%	81.04%	78.65%	79.90%
Efficiency Ratio(1)	82.36%	80.76%	83.25%	85.00%

(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.