



TRUSTAR BANK REPORTS THIRD QUARTER FINANCIAL RESULTS

GREAT FALLS, Virginia, November 27, 2024 – Trustar Bank announced today its financial results as of and for the quarter ended September 30, 2024, including the following highlights:

- Celebrated our 5th anniversary on July 10, 2024.
- Total assets of \$914 million, an increase of 25% compared to one year ago.
- Total loans of \$738 million, an increase of 30% compared to one year ago.
- Total deposits of \$765 million, an increase of 32% compared to one year ago.
- Total equity of \$82.4 million, an increase of 21% compared to one year ago.
- Year-to-date net income of \$1,315,000 and year-to-date core pre-tax pre-provision income of \$2.8 million, an increase of 78% compared to one year ago.
- Continued to maintain strong credit quality.
- New Bethesda branch location purchased, approved, under construction, and projected to open in the fourth quarter.

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview and Outlook

The calendar year 2023 was a challenging year for Trustar Bank as rising market interest rates increased the Bank's cost of deposits and virtually eliminated any revenue from the Bank's mortgage subsidiary. The Bank has responded by selling its mortgage subsidiary in the fourth quarter of 2023 and by continuing to grow its core loan and deposit business to gradually build back its net interest margin. From a low point of 2.38% in the fourth quarter of 2023, the Bank's net interest margin has increased 8 basis points to 2.46% in the third quarter of 2024. This improved margin, coupled with the substantial increase in the bank's asset base, has significantly improved the Bank's recurring income picture, as described in more detail below.

Trustar Bank's strategy is to continue seeking good quality loan and deposit business to grow its market share in the vibrant and affluent Washington, D.C., metropolitan area. To accomplish this, the Bank has hired bankers with extensive experience and contacts in the local market, who in turn have helped the Bank capitalize on opportunities presented by constrained

lending activity on the part of some of the Bank's local competitors due to personnel turnover, funding concerns, and acquisitions by out-of-area institutions. While this growth strategy requires ongoing investments in personnel, facilities, and increased loan loss provisions, the Bank believes that this increased market share, coupled with growing earnings trajectory, will enhance shareholder value over the long term. Of course, there can be no assurance that such objectives will be achieved.

Financial Condition as of September 30, 2024

Deposits

Total deposits as of September 30, 2024, were \$765 million, compared to \$648 million as of December 31, 2023, and \$581 million as of September 30, 2023. The Bank attributes its 32% year-over-year deposit growth to a 40% increase in transaction accounts (checking, savings, money market) and a 21% increase in time deposits. Noninterest bearing demand deposits comprised 12.6% of total deposits as of September 30, 2024, compared to 16.3% as of December 31, 2023, and 16.4% as of September 30, 2023.

Loans

Loans held for investment totaled \$738 million as of September 30, 2024, compared to \$607 million as of December 31, 2023, and \$569 million as of September 30, 2023. The Bank attributes its 30% year-over-year loan growth to the addition of two senior lenders with extensive experience in the Bank's market area, as well as constrained lending activity on the part of some of the Bank's local competitors due to personnel turnover and funding concerns. Commercial real estate loans (including construction loans) comprised 70% of the Bank's loan portfolio as of September 30, 2024, compared to 69% as of September 30, 2023.

Asset Quality

As of September 30, 2024, the Bank's allowance for loan losses was \$7.4 million, or 1.00% of gross loans held for investment. This compares to an allowance of \$6.0 million or 0.99% of gross loans as of December 31, 2023, and \$5.7 million or 1.00% of gross loans as of September 30, 2023. The Bank had no loans past due 90 days or more, and no loans on non-accrual status, as of September 30, 2024.

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 September 30, 2024, were \$55 million, compared to \$75 million as of December 31, 2023, and \$71 million as of September 30, 2023. The level of borrowings fluctuates in response to imbalances in the rates of growth of core loans and deposits. As of September 30,

2024, the Bank had a total of \$129 million in additional borrowing capacity from the FHLB and other correspondent banks.

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 July 10, 2024, 1,046,917 of the Class A Warrants had been exercised and the remaining 328,083 Class A Warrants expired.

Stockholders' equity as of September 30, 2024, was \$82.4 million or \$9.99 per share of common stock outstanding, compared to \$70.3 million or \$9.76 per share as of December 31, 2023, and \$68.0 million or \$9.46 per share as of September 30, 2023. As of September 30, 2024, the Bank was classified as "well capitalized" based on the following regulatory capital ratios:

- Total capital ratio = 12.84%
- Tier 1 capital ratio = 11.73%
- Common equity tier 1 capital ratio = 11.73%
- Leverage ratio = 8.99%

Results of Operations

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

Net income for the three months ended September 30, 2024, was \$256,000 or \$0.03 per share of common stock, compared to \$318,000 or \$0.04 per share in the same period last year. Detailed comparisons of each component of net income, described below, point out certain items of an unusual nature that may obscure the underlying improvement in the Bank's recurring income picture. Excluding gains on early repayment of FHLB advances (\$366,000 in 2023) and loan loss provisions, the Bank's adjusted pre-tax pre-provision income for the three months ending September 30, 2024, would have been \$1,166,000, which represents a substantial increase compared to adjusted pre-tax pre-provision income of \$58,000 in the same period last year.

Net interest income for the three months ended September 30, 2024, was \$5.5 million, an increase of 25% compared to \$4.4 million in the third quarter 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 third quarter of 2024 was 2.46%, a decline of 5 basis points compared to 2.51% in the same period last year.

The Bank's provision for credit losses was \$823,000 for the three months ended September 30, 2024, compared to \$24,000 in the same period last year. The Bank incurred no charge-offs during either period.

Non-interest income for the three months ended September 30, 2024, was \$84,000, a decrease of 29% compared to \$119,000 in the same period last year. This decrease was due primarily to the loss of income from the sale of mortgage loans as a result of the sale of the Bank's mortgage subsidiary, Trustar Mortgage, LLC, in the fourth quarter of 2023.

Non-interest expenses for the three months ended September 30, 2024, were \$4.4 million, an increase of 8.0% compared to \$4.1 million in the same period last year. During the third quarter of 2023, the Bank recorded gains in connection with the early repayment of FHLB advances in the amount of \$366,000, which are reported as reductions in non-interest expense. Excluding these items, the Bank's adjusted non-interest expenses for the three months ended September 30, 2024, would have represented a decrease of 0.9% compared to \$4.5 million for the same period last year. This reduction in adjusted non-interest expense is directly related to the sale of the Bank's mortgage subsidiary.

Nine Months Ended September 30, 2024, compared to the same period in 2023

Net income for the nine months ended September 30, 2024, was \$1,315,000 or \$0.17 per share of common stock, virtually unchanged compared to \$1,311,000 or \$0.18 per share in the same period last year. Detailed comparisons of each component of net income, described below, point out certain items of an unusual nature that may obscure the underlying improvement in the Bank's recurring income picture. Excluding gains on early repayment of FHLB advances (\$28,000 in 2024 and \$773,000 in 2023), loss recognized on a called municipal bond (\$199,000 in 2024), and loan loss provisions (\$1,361,000 in 2024 and \$700,000 in 2023), the Bank's adjusted pre-tax pre-provision income for the nine months ending September 30, 2024, would have been \$2,828,000, which represents a 78% increase compared to adjusted pre-tax pre-provision income of \$1,587,000 in the same period last year.

Net interest income for the nine months ended September 30, 2024, was \$15.3 million, an increase of 11% compared to \$13.7 million in the first nine months 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 nine months of 2024 was 2.45%, a decline of 22 basis points compared to 2.67% in the same period last year.

The Bank's provision for credit losses was \$1,361,000 for the nine months ended September 30, 2024, an increase of 94% compared to \$700,000 in the same period last year. The Bank incurred no loan charge-offs in the nine months ended September 30, 2024. During the nine months ended September 30, 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.

Non-interest income for the nine months ended September 30, 2024, was \$73,000 a decrease of 93% compared to \$1,005,000 in the same period last year. During the first quarter 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 adjusted non-interest income would have been \$272,000 for the nine months ended

September 30, 2024, representing a decline of 73% compared to the same period last year. This decrease was due primarily to the loss of income from the sale of mortgage loans as a result of the sale of the Bank's mortgage subsidiary, Trustar Mortgage, LLC, in the fourth quarter of 2023.

Non-interest expenses for the first nine months of 2024 were \$12.7 million, an increase of 2.4% compared to \$12.4 million in the same period last year. During the first nine 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 \$773,000, respectively, which are reported as reductions in non-interest expense. Excluding these items, the Bank's adjusted non-interest expenses for the nine months ended September 30, 2024, would have been \$12.7 million, a decrease of 3.4% compared to \$13.2 million for the same period last year. This reduction in adjusted non-interest expense is directly related to the sale of the Bank's mortgage subsidiary.

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.

Non-GAAP Financial Information

In this release, the Bank provides information about the Bank's adjusted pre-tax pre-provision income, which is a non-GAAP financial measure. This information supplements the Bank's results that are reported in accordance with generally accepted accounting principles in the United States (GAAP) and should not be viewed in isolation from, or as a substitute for, GAAP results. The differences between the non-GAAP financial measures and the nearest comparable GAAP financial measures are described in this release. The Bank believes that these non-GAAP financial measures may be useful to investors because they adjust for items that management does not believe reflects the Bank's fundamental operating performance.

"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. While all such forward-looking statements are based on assumptions that management believes are reasonable based on information presently available, 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. Any forward-looking statement speaks only as of the date it was made, and the Bank does not undertake to update any forward-

looking statement to reflect the impact of events, circumstances or results that arise after the date that the statement was made, except to the extent required by applicable law. Forward-looking statements are not guarantees of future performance, and you are cautioned not to rely on any forward-looking statement.

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

	September 30, 2024	December 31, 2023	September 30, 2023
Assets:			
Cash (currency and coin)	\$ 603	\$ 586	\$ 643
Interest-bearing balances due from banks	81,719	87,377	70,718
Cash and cash equivalents	82,322	87,963	71,361
			-
Securities held to maturity, at amortized cost	39,174	43,135	45,395
Securities available for sale, at fair value	40,749	51,368	30,351
			-
Loans held for sale	-	-	1,218
Loans held for investment:			-
Loans held for investment at amortized cost	737,853	606,803	568,745
Allowance for credit losses	(7,390)	(8,038)	(5,678)
Total loans held for investment, net of allowance	730,463	600,767	563,069
			-
Bank premises and equipment, net	5,793	4,940	5,125
Accrued interest receivable	3,021	2,925	2,315
Restricted investment in Federal Home Loan Bank stock, at cost	3,200	4,064	3,874
Goodwill	1,150	1,150	1,150
Other assets	7,783	8,157	5,509
Total Assets	<u>\$ 913,655</u>	<u>\$ 804,469</u>	<u>\$ 729,367</u>

Liabilities and Shareholders' Equity:

Liabilities:

Deposits:

Noninterest bearing demand	\$ 96,436	\$ 105,334	\$ 95,319
Interest-bearing demand	50,518	35,832	28,911
Money market	295,013	193,803	189,383
Savings	12,349	10,543	10,208
Time deposits up to \$250,000	189,278	176,397	132,628
Time deposits over \$250,000	121,537	125,852	124,084
Total Deposits	765,131	647,761	580,533

Federal Home Loan Bank advances	55,000	75,000	71,000
Accrued interest payable	1,418	1,196	880
Other liabilities	9,730	10,187	8,959
Total Liabilities	831,279	734,144	661,372

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, 8,242,247, 7,205,626 and 7,186,584 issued and outstanding, respectively	41,211	36,028	35,933
Additional paid-in capital	44,233	39,241	39,042
Accumulated deficit	(3,041)	(4,355)	(6,057)
Accumulated other comprehensive loss	(27)	(589)	(923)
Total shareholders' equity	82,376	70,325	67,995
Total Liabilities & Shareholders' Equity	<u>\$ 913,655</u>	<u>\$ 804,469</u>	<u>\$ 729,367</u>

	September 30, 2024	December 31, 2023	September 30, 2023
Key Metrics:			
Loans held for investment to deposits	96.43%	93.68%	97.97%
Noninterest bearing demand deposits to total deposits	12.60%	16.26%	16.42%
Allowance for loan losses to loans held for investment	1.00%	0.99%	1.00%
Nonperforming assets to total assets	-	-	-
Total capital ratio	12.84%	12.22%	12.68%
Tier 1 capital ratio	11.73%	11.20%	11.65%
Common equity tier 1 capital ratio	11.73%	11.20%	11.65%
Leverage ratio	8.99%	9.19%	9.51%
Book value per share	\$ 9.99	\$ 9.76	\$ 9.46
Tangible book value per share	\$ 9.85	\$ 9.60	\$ 9.30

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

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Interest and dividend income				
Interest and fees on loans	\$ 11,307	\$ 8,420	\$ 31,031	\$ 23,839
Interest and dividends on securities	755	534	2,488	1,570
Interest-bearing balances due from banks	1,416	824	3,381	2,188
Total interest and dividend income	13,478	9,778	36,880	27,597
Interest Expense				
Interest on deposits	7,281	4,801	19,547	12,150
Interest on borrowings	666	547	2,068	1,709
Total interest expense	7,947	5,348	21,615	13,859
Net interest income	5,531	4,430	15,265	13,738
Provision for credit losses on financial assets	823	24	1,361	700
Net interest income after provision for credit losses	4,708	4,406	13,904	13,038
Non-interest income (loss):				
Service charges and fees	56	35	181	176
Gain on sale of mortgage loans, net	-	15	-	572
Loss on securities	-	-	(199)	-
Other non-interest income	28	69	91	257
Total non-interest income (loss):	84	119	73	1,005
Non-interest expense:				
Salaries and employee benefits	2,626	2,751	7,525	7,751
Occupancy	538	560	1,667	1,593
Data processing	164	160	493	478
Network services	145	162	421	487
Professional services	163	260	582	882
Advertising	61	122	284	296
Regulatory assessments	188	192	514	515
Gain on debt extinguishment	-	(366)	(28)	(773)
Other operating expenses	564	284	1,223	1,154
Total non-interest expense	4,449	4,125	12,681	12,383
Net income (loss) before income taxes	343	400	1,296	1,660
Income taxes	87	82	(19)	349
Net income (loss)	\$ 256	\$ 318	\$ 1,315	\$ 1,311
Weighted average common shares outstanding	8,179,815	7,171,382	7,607,658	7,148,652
Net income (loss) per share	\$ 0.03	\$ 0.04	\$ 0.17	\$ 0.18

Key Metrics:	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Return on average assets	0.11%	0.18%	0.21%	0.25%
Return on average shareholders' equity	1.25%	1.86%	2.33%	2.61%
Yield on average interest-earning assets	6.00%	5.53%	5.91%	5.37%
Rate on average interest-bearing liabilities	4.50%	3.99%	4.47%	3.70%
Net interest margin	2.46%	2.51%	2.45%	2.67%
Average loans to average earning assets	78.62%	80.05%	78.64%	79.93%
Efficiency Ratio(1)	79.23%	98.72%	81.80%	89.24%

(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 securities.