PUBLIC DISCLOSURE

November 12, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Trustar Bank
Certificate Number: 59183

9883 Georgetown Pike
Great Falls, VA 22066

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

10 10th Street NE, Suite 900
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.

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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 Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank originated a majority of home mortgage and small business loans within the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of loans reflects, given the demographics of the assessment area, poor penetration among borrowers of different income levels and businesses of different sizes.
- The institution did not receive any Community Reinvestment Act (CRA)-related complaints since the prior evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment area. The institution met these needs through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

DESCRIPTION OF INSTITUTION

Trustar Bank is a state non-member bank headquartered in Great Falls, Virginia, that commenced operations on July 10, 2019. Trustar Bank operates without a holding company; however, the bank operated with a wholly owned subsidiary, Trustar Mortgage LLC, during a portion of the evaluation period until it sold the subsidiary on November 1, 2023. Loans purchased from Trustar Mortgage LLC are included in the analysis of Trustar Bank's home mortgage lending performance. Trustar Bank received a Satisfactory CRA rating at the prior FDIC Performance Evaluation, dated June 14, 2021, based on Small Institution Examination Procedures.

Trustar Bank operates five full-service branches throughout the greater Washington, D.C. area, including three in Fairfax County, Virginia, one in Montgomery County, Maryland, and one in Washington, D.C. Since the prior CRA evaluation, the bank opened the Washington, D.C., branch, which is in a moderate-income census tract. The bank has not closed any branches since the last evaluation.

Trustar Bank offers a variety of products and services to meet the banking needs of its assessment area. Since the prior CRA evaluation, the bank's primary business focus has shifted from commercial lending towards a generally balanced focus on residential and commercial lending. Commercial credit products offered include commercial real estate loans, business lines of credit, and commercial installment loans. Consumer-purpose credit products offered include adjustable-rate mortgages, construction loans, home equity lines of credit, and personal loans. Of note, approximately half of the residential mortgage loans originated or purchased since the prior CRA evaluation were extended to borrowers for investment purposes. Deposit products offered include checking, savings, money market, certificates of deposit, and Individual Retirement Accounts. Alternative systems for delivering retail banking services include 24-hour automated teller machines located at two branches in Fairfax County, Virginia, online banking (including bill pay), and mobile banking (including mobile check deposit).

According to the September 30, 2024, Consolidated Reports of Condition and Income, Trustar Bank reported total assets of $913.7 million, total loans of $737.9 million, and total deposits of $765.1 million. The bank experienced significant growth since the prior CRA evaluation, when total assets totaled $375.9 million as of March 31, 2021. As illustrated in the following table, the loan portfolio continues to consist primarily of loans secured by nonfarm, nonresidential properties, followed by loans secured by one-to-four residential properties; construction, land development, and other land loans; and commercial and industrial loans. However, as a percentage of the loan portfolio, loans secured by one-to-four residential properties increased by 5.8 percentage points and nonfarm, nonresidential loans increased by 7.3 percentage points, whereas commercial and industrial loans declined by 14.9 percentage points. Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the assessment area's credit needs.

Loan Portfolio Distribution as of 9/30/2024		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	146,358	19.8
Secured by Farmland	1,951	0.3
Secured by 1-4 Family Residential Properties	202,358	27.4
Secured by Multifamily (5 or more) Residential Properties	12,182	1.6
Secured by Nonfarm Nonresidential Properties	291,142	39.5
Total Real Estate Loans	**653,991**	**88.6**
Commercial and Industrial Loans	82,621	11.2
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	1,241	0.2
Other Loans	0	0.0
Less: Unearned Income	0	0.0
Total Loans	**737,853**	**100.0**
Source: Consolidated Reports of Condition and Income 9/30/2024		

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. Trustar Bank continues to operate with a single delineated assessment area covering the greater Washington, D.C. area. The assessment area includes Arlington County, Fairfax County, Loudon County, Alexandria City, Fairfax City, and Falls Church City in Virginia, Montgomery County in Maryland, and the District of Columbia, all of which are part of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area (MSA).

The demographic composition of the assessment area changed since the prior CRA evaluation due to the 2020 U.S. Census data released by the Federal Financial Institutions Examination Council (FFIEC) in April 2022. The 2020 U.S. Census data updated the 2015 American Community Survey (ACS) data based on information collected from 2015 through 2020. As a result, there was an increase in the number of census tracts, as well as tract income classification changes, which affected the bank's assessment area. Specifically, based on the 2015 ACS data, the assessment area included 822 total census tracts consisting of 88 low-, 115 moderate-, 241 middle-, and 364 upper-income census tracts, and 14 census tracts with no income designation. Based on the 2020 U.S. Census data, the assessment area now includes 914 total census tracts consisting of 80 low-, 136 moderate-, 264 middle-, and 414 upper-income census tracts, and 20 census tracts with no income designation. The following sections provide information regarding the assessment area's economic and demographic data, competition, community contact information, and credit needs.

<u>Economic and Demographic Data</u>

The following table outlines select demographic characteristics of the assessment area based on the 2020 U.S. Census data and the 2023 Dun & Bradstreet (D&B) business demographic data.

Demographic Information of the Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	914	8.7	14.9	28.9	45.3	2.2
Population by Geography	3,759,788	8.2	15.7	29.5	45.6	1.0
Housing Units by Geography	1,468,922	8.7	15.9	30.1	44.6	0.8
Owner-Occupied Units by Geography	830,271	3.7	12.2	29.6	54.2	0.3
Occupied Rental Units by Geography	556,354	15.5	21.0	31.4	30.8	1.4
Vacant Units by Geography	82,297	12.7	18.7	27.0	39.9	1.7
Businesses by Geography	609,233	4.4	13.9	30.2	50.5	1.0
Farms by Geography	8,099	3.4	13.3	30.9	52.1	0.3
Family Distribution by Income Level	862,733	19.8	14.4	18.4	47.4	0.0
Household Distribution by Income Level	1,386,625	22.0	14.7	17.9	45.4	0.0
Median Family Income MSA - 47894 Washington-Arlington-Alexandria, DC-VA-MD-WV		$126,224	Median Housing Value			$559,384
			Median Gross Rent			$1,826
			Families Below Poverty Level			5.1%
Source: 2020 U.S. Census and 2023 D&B Data *Due to rounding, totals may not equal 100.0%* *(*) The NA category consists of geographies that have not been assigned an income classification.*						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units and small business loans to the percentage of businesses located in low-, moderate-, middle-, and upper-income census tracts. Only 3.7 percent of the assessment area's owner-occupied housing units and 4.4 percent of businesses are in low-income census tracts, indicating limited lending opportunities in the respective tracts.

Examiners used FFIEC-updated median family income levels for the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA to analyze home mortgage lending under the Borrower Profile criterion. The following table reflects low-, moderate-, middle-, and upper-income categories in the assessment area.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
2021 ($122,100)	<$61,050	$61,050 to <$97,680	$97,680 to <$146,520	≥$146,520
2022 ($139,700)	<$69,850	$69,850 to <$111,760	$111,760 to <$167,640	≥$167,640
2023 ($150,100)	<$75,050	$75,050 to <$120,080	$120,080 to <$180,120	≥$180,120
Source: FFIEC				

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue level. Of the assessment area's businesses in 2023, 90.1 percent had gross annual revenues of $1 million or less, 3.3 percent had gross annual revenues of more than $1 million, and 6.6 percent had unknown revenues. Service industries represent the largest sector of business in the assessment area at 43.6 percent, followed by finance, insurance, and real estate at 10.2 percent. According to Moody's Analytics, major employers include the Federal government, Inova Health System, MedStar Health, Marriott International Inc., and Booz Allen Hamilton.

Data obtained from the U.S. Bureau of Labor Statistics indicates a decline in the unemployment rate from 2021 to 2022 and little change in the unemployment rate from 2022 to 2023. The unemployment rate in each of the assessment area's counties and cities in Virgina and Maryland was below the unemployment rate for the respective state and the national average each year. However, the unemployment rate in the District of Columbia was considerably above the national average each year.

Unemployment Rates			
Area	**2021**	**2022**	**2023**
	%	%	%
Arlington County, VA	3.0	2.0	2.1
Fairfax County, VA	3.5	2.4	2.5
Loudoun County, VA	3.1	2.3	2.5
Alexandria City, VA	3.7	2.3	2.3
Fairfax City, VA	3.4	2.4	2.4
Falls Church City, VA	2.6	2.1	2.3
Montgomery County, MD	5.0	2.7	1.9
District of Columbia	6.8	4.7	4.9
Virginia	3.9	2.8	2.9
Maryland	5.2	3.0	2.1
National Average	5.4	3.7	3.6
Source: U.S. Bureau of Labor Statistics (not seasonally adjusted)			

Competition

The market is highly competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2024, 58 financial institutions operate 826 branches within Trustar Bank's assessment area. Of these institutions, Trustar Bank ranked 26th with a deposit market share of 0.3 percent. The three leading financial institutions included Capital One NA, Bank of America NA, and Wells Fargo NA, accounting for 51.4 percent of the total deposit market share.

Significant competition exists in the assessment area for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. According to 2023 Peer Mortgage Data, 591 institutions reported 63,377 residential mortgage loans originated or purchased in the assessment area. By number of loans, Trustar Bank ranked 162nd with a market share of 0.1 percent. The top three lenders by number of loans include Truist Bank, Pennymac Loan Services LLC, and Navy Federal Credit Union, accounting for 13.4 percent of the total home mortgage loan market share.

Significant competition also exists in the assessment area for small business loans. Trustar Bank is not required to report small business loan data and has elected not to report such information. Therefore, the analysis of small business loans under the Lending Test does not include a comparison to aggregate data. However, regarding competition and demand for small business loans, aggregate data for 2022 indicates 200 lenders reported 117,153 small business loans originated or purchased in the assessment area. The top three lenders by number of loans include American Express National Bank, JP Morgan Chase Bank NA, and Bank of America NA, accounting for 60.9 percent of the total small business loan market share.

Community Contact

As part of the CRA evaluation process, examiners contact community organizations, or utilize existing community contacts, to gain insight regarding the credit needs and economic conditions of an assessment area. For this evaluation, examiners conducted a community contact with a representative from a non-profit affordable housing developer in the Washington, D.C. metro region. The contact noted that low-income areas in the Washington, D.C. area continue to be plagued by high levels of vacant units, as most low- and moderate-income individuals cannot afford the cost of housing. As a result, the contact identified a significant need for affordable housing.

Credit and Community Development Needs and Opportunities

Based on demographic information and economic data, examiners identified certain credit and community development needs and opportunities within the assessment area. The number of low- and moderate-income families, at 19.8 percent and 14.4 percent, respectively, indicates a need and opportunity to provide affordable housing. The community contact further supported the need for, and opportunity to finance, affordable housing loans. Additionally, a need and opportunity exist for small business loans considering the assessment area includes 609,233 businesses, of which 90.1 percent have gross annual revenues of $1 million or less.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior CRA evaluation dated June 14, 2021, to the current evaluation dated November 12, 2024. Examiners used Interagency Intermediate Small Institution Examination Procedures to evaluate Trustar Bank's CRA performance. As described in the Appendices, these procedures include a Lending Test and Community Development Test.

Activities Reviewed

Trustar Bank's major product lines are commercial and home mortgage loans. In reaching this conclusion, examiners considered the bank's business strategy since the prior CRA evaluation and the number and dollar volume of loans originated during the evaluation period. Small business and home mortgage lending performance received equal weight in the overall Lending Test conclusions, as they constituted a similar number of loan originations during the evaluation period. No other loan type, such as small farm loans, represents a major product line and therefore is not included in the review.

For the Lending Test, examiners reviewed the universe of home mortgage loans originated in 2021, 2022, and 2023. Although Trustar Bank was not subject to the Home Mortgage Disclosure Act's reporting requirements prior to 2023, poor lending performance in 2023 under the Geographic Distribution and Borrower Profile criteria led examiners to review additional years of lending data. In 2021, 2022, and 2023, the bank originated 53 home mortgage loans totaling $47.6 million, 77 home mortgage loans totaling $72.0 million, and 57 home mortgage loans totaling $53.7 million, respectively. For comparison purposes, examiners analyzed 2021 performance using 2015 ACS data, 2022 performance using 2020 U.S. Census data, and 2023 performance using both 2020 U.S. Census data and 2023 aggregate lending data.

For the Lending Test, examiners also reviewed the universe of small business loans originated in 2022 and 2023. Marginal lending performance in 2023 under the Geographic Distribution and Borrower Profile criteria led examiners to review an additional year of lending data. Trustar Bank originated 40 small business loans totaling $12.6 million in 2022 and 46 small business loans totaling $19.0 million in 2023. As a non-reporter of CRA data, aggregate small business lending data is not used for comparison purposes. Therefore, examiners compared the bank's 2022 and 2023 small business lending performance to 2022 and 2023 D&B business demographic data, respectively.

For the Community Development Test, examiners reviewed information provided by bank management regarding community development loans, qualified investments, and community development services from June 14, 2021, through November 12, 2024. Qualified investments included new investments and donations, as the bank did not have any prior period investments. Of note, Trustar Bank became subject to the Community Development Test as of January 1, 2023, based on its asset size exceeding the Intermediate Small Bank asset threshold as of December 31st of the prior two calendar years.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test is rated satisfactory. Lending levels are more than reasonable, given the institution's size, financial condition, and the assessment area's credit needs, and the bank originated a majority of loans within the assessment area. The Geographic Distribution of loans reflects reasonable dispersion throughout the assessment area; however, the Borrower Profile reflects poor penetration among individuals of different income levels and businesses of different sizes.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area's credit needs. The net loan-to-deposit ratio averaged 94.4 percent over the previous 14 calendar quarters from June 30, 2021, to September 30, 2024. Over this period, the quarterly net loan-to-deposit ratio ranged from a low of 79.6 percent as of March 31, 2022, to a high of 103.5 percent as of June 30, 2021. The quarterly net loan-to-deposit ratio exhibited a decreasing trend from June 30, 2021, through March 31, 2022, due to deposit growth outpacing loan growth; an increasing trend from March 31, 2022, to September 30, 2022, due to loan growth outpacing deposit growth; and remained stable from September 30, 2022, to September 30, 2024, as loans and deposits grew at relatively similar rates. Trustar Bank's most recent quarterly net loan-to-deposit ratio totaled 95.5 percent as of September 30, 2024.

Examiners identified one similarly situated institution that is comparable in terms of bank structure, lending focus, market area served, and number of years since commencing operations. Trustar Bank's average net loan-to-deposit ratio is consistent with that of the similarly situated institution, as illustrated in the following table.

Loan-to-Deposit Ratio Comparison		
Bank	**Total Assets as of 9/30/2024 $(000s)**	**Average Net Loan-to-Deposit Ratio (%)**
Trustar Bank, Great Falls, VA	913,655	94.4
Founders Bank, Washington, D.C.	331,670	96.7
Source: Consolidated Reports of Condition and Income		

Assessment Area Concentration

The bank originated a majority of home mortgage and small business loans by number and dollar volume within the assessment area. The following table illustrates the distribution of lending inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	**Number of Loans**				**Total #**	**Dollars Amount of Loans $(000s)**				**Total $(000s)**
	Inside		**Outside**			**Inside**		**Outside**		
	#	**%**	**#**	**%**		**$**	**%**	**$**	**%**	
Home Mortgage										
2021	34	64.2	19	35.8	53	33,869	71.1	13,739	28.9	47,608
2022	52	67.5	25	32.5	77	58,177	80.9	13,776	19.1	71,953
2023	41	71.9	16	28.1	57	44,417	82.7	9,304	17.3	53,721
Subtotal	**127**	**67.9**	**60**	**32.1**	**187**	**136,463**	**78.8**	**36,819**	**21.2**	**173,282**
Small Business										
2022	26	65.0	14	35.0	40	7,539	60.0	5,029	40.0	12,568
2023	36	78.3	10	21.7	46	15,093	79.6	3,864	20.4	18,957
Subtotal	**62**	**72.1**	**24**	**27.9**	**86**	**22,632**	**71.8**	**8,893**	**28.2**	**31,525**
Total	**189**	**69.2**	**84**	**30.8**	**273**	**159,095**	**77.7**	**45,712**	**22.3**	**204,807**
Source: 2023 HMDA Data and Bank Records										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Home Mortgage Loans
The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The bank did not originate any loans in low- or moderate-income census tracts in 2023, which trailed the demographic and aggregate data. However, the bank's lending in low-income census tracts in 2021 and 2022 exceeded demographic data. Lending in moderate-income census tracts in 2021 and 2022 was below, but within a reasonable range of, the demographic data. The following table illustrates the distribution of home mortgage loans within the assessment area.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2021	4.1	--	4	11.8	4,615	13.6
2022	3.7	--	3	5.8	4,259	7.3
2023	3.7	4.4	0	0.0	0	0.0
Moderate						
2021	10.6	--	3	8.8	2,870	8.5
2022	12.2	--	4	7.7	4,969	8.6
2023	12.2	12.8	0	0.0	0	0.0
Middle						
2021	30.2	--	2	5.9	2,055	6.1
2022	29.6	--	4	7.7	8,575	14.7
2023	29.6	29.7	8	19.5	7,681	17.3
Upper						
2021	54.9	--	25	73.5	24,329	71.8
2022	54.2	--	41	78.8	40,374	69.4
2023	54.2	52.6	32	78.0	36,236	81.6
Not Available						
2021	0.2	--	0	0.0	0	0.0
2022	0.3	--	0	0.0	0	0.0
2023	0.3	0.5	1	2.5	500	1.1
Total						
2021	**100.0**	**--**	**34**	**100.0**	**33,869**	**100.0**
2022	**100.0**	**--**	**52**	**100.0**	**58,177**	**100.0**
2023	**100.0**	**100.0**	**41**	**100.0**	**44,417**	**100.0**
Source: 2015 ACS Data; 2020 U.S. Census Data; HMDA Aggregate Data; Bank Data; "--" not applicable						

Small Business Loans
The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank did not originate any loans in low-income census tracts in 2023, which was below the demographic data. However, in 2022, lending in low-income census tracts was consistent with demographic data. Lending in moderate-income census tracts in 2022 and 2023 was

below, but within a reasonable range of, the demographic data. Of note, the bank originated 7 of 36 loans (19.4 percent) to the same business in an upper-income census tract in 2023. The following table illustrates the distribution of small business loans within the assessment area.

Geographic Distribution of Small Business Loans					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Low					
2022	4.2	1	3.8	200	2.7
2023	4.4	0	0.0	0	0.0
Moderate					
2022	13.7	2	7.7	350	4.6
2023	13.9	3	8.3	1,450	9.6
Middle					
2022	30.2	6	23.1	1,464	19.4
2023	30.2	9	25.0	3,646	24.2
Upper					
2022	50.8	17	65.4	5,525	73.3
2023	50.5	24	66.7	9,997	66.2
Not Available					
2022	1.1	0	0.0	0	0.0
2023	1.0	0	0.0	0	0.0
Total					
2022	**100.0**	**26**	**100.0**	**7,539**	**100.0**
2023	**100.0**	**36**	**100.0**	**15,093**	**100.0**
Source: 2022-2023 D&B Data; Bank Data					

Borrower Profile

The distribution of loans reflects, given the demographics of the assessment area, poor penetration among borrowers of different income levels and businesses of different sizes.

Home Mortgage Loans

The distribution of home mortgage loans reflects poor penetration among individuals of different income levels. Overall, lending to low- and moderate-income borrowers was significantly below demographic and aggregate data. The bank did not originate any home mortgage loans to low-income borrowers in 2021, 2022, or 2023, or to moderate-income borrowers in 2023. Although the bank originated loans to moderate-income borrowers in 2021 and 2022, performance was significantly below demographic data. The following table illustrates the distribution of home mortgage loans by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2021	20.5	--	0	0.0	0	0.0
2022	19.8	--	0	0.0	0	0.0
2023	19.8	6.2	0	0.0	0	0.0
Moderate						
2021	14.4	--	1	2.9	556	1.6
2022	14.4	--	2	3.8	603	1.0
2023	14.4	16.6	0	0.0	0	0.0
Middle						
2021	18.5	--	0	0.0	0	0.0
2022	18.4	--	3	5.8	1,800	3.1
2023	18.4	21.5	2	4.9	800	1.8
Upper						
2021	46.6	--	18	53.0	16,460	48.6
2022	47.4	--	29	55.8	30,903	53.1
2023	47.4	40.6	16	39.0	19,513	43.9
Income Not Available						
2021	0.0	--	15	44.1	16,853	49.8
2022	0.0	--	18	34.6	24,871	42.8
2023	0.0	15.1	23	56.1	24,104	54.3
Total						
2021	**100.0**	**--**	**34**	**100.0**	**33,869**	**100.0**
2022	**100.0**	**--**	**52**	**100.0**	**58,177**	**100.0**
2023	**100.0**	**100.0**	**41**	**100.0**	**44,417**	**100.0**
Source: 2015 ACS Data; 2020 U.S. Census Data; HMDA Aggregate Data; Bank Data; "--" not applicable						

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. Lending performance was significantly below the percentage of businesses with gross annual revenues of $1 million or less in 2023. Lending performance was also below the percentage of businesses with gross annual revenues of $1 million or less in 2022. While the bank is not a reporter for small business loans and aggregate data is not used as a comparison, the aggregate data can provide information on the level of demand as well as competition for small business loans. Aggregate data for 2022 reflects 51.4 percent of small business loans reported were to small businesses, which indicates moderate demand. The bank's lending performance is consistent with the demand for small business loans within the assessment area. Additionally, the bank originated 7 of 36 small business loans (19.4 percent) to the same business with gross annual revenues of greater than $1 million in 2023, which affected the comparative analysis. The following table illustrates the distribution of small business loans by gross annual revenue level.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
≤ $1,000,000					
2022	89.6	16	61.5	5,261	69.8
2023	90.1	16	44.4	6,291	41.7
> $1,000,000					
2022	3.7	10	38.5	2,278	30.2
2023	3.3	20	55.6	8,802	58.3
Revenue Not Available					
2022	6.7	0	0.0	0	0.0
2023	6.6	0	0.0	0	0.0
Total					
2022	**100.0**	**26**	**100.0**	**7,539**	**100.0**
2023	**100.0**	**36**	**100.0**	**15,093**	**100.0**
Source: 2022-2023 D&B Data; Bank Data					

Response to Complaints

The bank has not received any CRA-related complaints since its prior CRA evaluation; therefore, this criterion did not affect the rating.

COMMUNITY DEVELOPMENT TEST

The Community Development Test is rated satisfactory. The bank's community development performance demonstrated adequate responsiveness to community development needs in the assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the assessment area.

Community Development Loans

Trustar Bank originated 10 community development loans totaling $37.0 million during the evaluation period, representing 5.6 percent of average total assets and 7.1 percent of average total loans since the prior CRA evaluation. Although limited to affordable housing, these loans demonstrate adequate responsiveness to the assessment area's opportunities for community development lending. Of note, 4 of the 10 community development loans totaling $4.8 million were extended outside of the assessment area but are considered since the bank met the community development needs of its assessment area. The following table details the community development loans by year and purpose.

Community Development Lending										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Total**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
6/14/2021-12/31/2021	3	7,373	0	0	0	0	0	0	**3**	**7,373**
2022	3	4,078	0	0	0	0	0	0	**3**	**4,078**
2023	2	20,855	0	0	0	0	0	0	**2**	**20,855**
1/1/2024-11/12/2024	2	4,700	0	0	0	0	0	0	**2**	**4,700**
Total	**10**	**37,006**	**0**	**0**	**0**	**0**	**0**	**0**	**10**	**37,006**
Source: Bank Data										

The following are examples of community development loans originated during the evaluation period.

- In 2023, the bank originated a $11.5 million loan to acquire and renovate a vacant 26-unit apartment complex. All 26 units will be leased through the District of Columbia Housing Choice Voucher Program (formerly named the Section 8 Housing Program). Tenants under this program are restricted to 50.0 percent of the area median income (AMI).

- In 2023, the bank originated a $9.4 million loan to acquire and renovate a vacant 61-unit apartment complex. The complex is in a moderate-income census tract in Washington, D.C. All 61 units are to be leased at rents below market rates, as the average rent of $1,635 per month compares favorably to HUD Fair Market Rents of $1,772 and $1,803 per month for studio and one-bedroom units, respectively.

- In 2024, the bank originated a $4 million participation in a $10.3 million acquisition-and-renovation loan to convert a 43-unit apartment complex into a 50-unit apartment complex. The project is specifically targeted to District of Columbia Housing Choice Voucher Program clients whose income is restricted to 50.0 percent of the AMI.

- In 2021, the bank originated a $1.2 million loan to refinance and renovate a five-unit multifamily property in Washington, D.C. All five units will be rented to District of Columbia Housing Choice Voucher Program clients whose income is restricted to 50.0 percent of the AMI.

Qualified Investments

Trustar Bank made 19 qualified investments totaling $9.2 million during the evaluation period, representing 1.4 percent of average total assets and 14.4 percent of average total securities since the prior CRA evaluation. Qualified investments include five investments totaling $9.1 million and 14 donations totaling $165,600. Although not innovative, the bank's investments and donations demonstrate adequate responsiveness to the assessment area's opportunities for qualified investments. The following table details the bank's qualified investments by year and purpose.

Qualified Investments										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Total**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Prior Period	0	0	0	0	0	0	0	0	**0**	**0**
6/14/2021-12/31/2021	0	0	0	0	2	4,000	0	0	**2**	**4,000**
2022	0	0	0	0	0	0	0	0	**0**	**0**
2023	1	2,137	0	0	0	0	0	0	**1**	**2,137**
1/1/2024-11/12/2024	2	2,919	0	0	0	0	0	0	**2**	**2,919**
Subtotal	**3**	**5,056**	**0**	**0**	**2**	**4,000**	**0**	**0**	**5**	**9,056**
Qualified Grants & Donations	0	0	14	166	0	0	0	0	**14**	**166**
Total	**3**	**5,056**	**14**	**166**	**2**	**4,000**	**0**	**0**	**19**	**9,222**
Source: Bank Data										

The following are examples of qualified investments made during the evaluation period.

- In 2023 and 2024, the bank purchased three mortgage-backed securities totaling $5.1 million. The mortgage-backed securities are secured by 18 one-to-four family loans extended to low- and moderate-income borrowers in the assessment area.

- In 2021, the bank made a $2.0 million investment in a Community Development Financial Institution (CDFI) that operates inside of the assessment area. The CDFI primarily serves low-income families and disadvantaged communities.

- In 2021, the bank made a $2.0 million investment in a Minority Deposit Institution (MDI) that operates inside of the assessment area. The investment provided funding to the MDI to serve the needs of its communities.

- During the evaluation period, the bank made three donations totaling $60,000 to a non-profit hospital foundation whose health care programs are targeted to assist children of families receiving Medicaid or that do not have health insurance.

- During the evaluation period, the bank made three donations totaling $20,000 to the bank's Trustar Youth Foundation (TYF). TYF provides financial support directly to organizations whose programs benefit low- and moderate-income families in the assessment area.

Community Development Services

Bank representatives provided 52 community development services during the evaluation period. Although not innovative, the community development services demonstrated adequate responsiveness to the assessment area's community development opportunities. Directors, officers, and employees predominately served in leadership capacities with 12 organizations whose missions are consistent with the definition of community development. It is noted that 86.5 percent of bank-wide community development services were for services in the assessment area, while the remaining 13.5 percent of community development services benefitted a state-wide area. The following table details the community development services by year and purpose.

Community Development Services					
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Total**
	#	#	#	#	#
6/14/2021-12/31/2024	0	9	2	0	**11**
2022	0	11	2	0	**13**
2023	0	12	2	0	**14**
1/1/2024-11/12/2024	0	12	2	0	**14**
Total	**0**	**44**	**8**	**0**	**52**
Source: Bank Data					

The following are examples of community development services provided during the evaluation period.

- A bank officer serves on the Board of a non-profit organization in Fairfax County, Virginia that provides an array of community services to low-income individuals, including free daily meals, emergency shelter services, and other essential services.

- Four bank officers serve in leadership positions for the bank's TYF that provides funding directly to organizations whose programs support low- and moderate-income families in the assessment area.

- A bank officer serves on the Board of a non-profit organization that provides shelter, supportive housing, and services for survivors of domestic violence in Arlington, Virginia.

- A bank officer serves as a business counselor for a nonprofit organization funded by the U.S. Small Business Administration that aids and educates prospective and established small business owners.

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

INTERMEDIATE 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).

Community Development Test

The Community Development Test considers the following criteria:

1) The number and amount of community development loans;
2) The number and amount of qualified investments;
3) The extent to which the bank provides community development services; and
4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

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.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

(1) Support affordable housing for low- and moderate-income individuals;
(2) Target community services toward low- and moderate-income individuals;
(3) Promote economic development by financing small businesses or farms; or
(4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:
- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

(1) Has as its primary purpose community development; and
(2) Except in the case of a wholesale or limited purpose institution:
  (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

(1) Has as its primary purpose community development;
(2) Is related to the provision of <u>financial</u> services; and
(3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

(1) An unemployment rate of at least 1.5 times the national average;
(2) A poverty rate of 20 percent or more; or
(3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.