



TRUSTAR BANK REPORTS FOURTH QUARTER FINANCIAL RESULTS

GREAT FALLS, Virginia, February 7, 2025 – Trustar Bank announced today its financial results for the fourth quarter of 2024, including the following highlights:

- Total assets of \$943 million, an increase of 17% compared to one year ago.
- Total loans of \$761 million, an increase of 25% compared to one year ago.
- Total deposits of \$794 million, an increase of 23% compared to one year ago.
- Total equity of \$82.6 million, an increase of 17% compared to one year ago.
- Annual adjusted pre-tax income of \$2.45 million increased by 151% year over year.
- Annual net income of \$2.08 million for 2024.

In addition, by a separate press release, the Bank recently announced that it had opened a new full-service branch in Bethesda, Maryland, on February 3rd. The branch is located at the corner of Norfolk and St. Elmo Avenues, in a building that the Bank purchased in the spring of 2024.

MANAGEMENT’S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview and Outlook

Trustar Bank finished 2024 with strong growth, an expanding net interest margin and increased core profitability. Our strategy is to continue seeking good quality loans and deposits increasing our market share in the vibrant and affluent Washington, DC, 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. 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 our growing earnings trajectory, will enhance shareholder value over the long term.

Financial Condition as of December 31, 2024

Deposits

Total deposits as of December 31, 2024, were \$794 million, compared to \$648 million as of December 31, 2023, an increase of 23%. Deposit generation in 2023 was challenging for community banks across the country, and Trustar was no exception. In 2024, the Bank’s primary objective was to

generate more core deposits and reduce its dependence on institutional sources of funding. As a result of these efforts, total deposits of individuals, partnerships, and corporations (as distinguished from states, political subdivisions, and other financial institutions), increased 29% to \$723 million (91% of total deposits) as of December 31, 2024, compared to \$562 million (87% of total deposits) one year ago.

In terms of deposit composition, the Bank experienced a 41% increase in transaction accounts (checking, savings, money market) during the calendar year 2024. As of December 31, 2024, transaction accounts were 61% of total deposits compared to 53% as of December 31, 2023. Noninterest bearing demand deposits, which increased 9% during the year, comprised 14.5% of total deposits as of December 31, 2024, compared to 16.3% as of December 31, 2023. Certificates of deposit, which increased 1% during the year, comprised 39% of total deposits as of December 31, 2024, compared to 47% as of December 31, 2023. Brokered deposits comprised less than 6% of total deposits as of December 31, 2024, compared to more than 7% as of December 31, 2023.

Loans

Loans held for investment totaled \$761 million as of December 31, 2024, compared to \$607 million as of December 31, 2023. The Bank attributes its 25% 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. Commercial real estate loans (including construction loans) comprised 69% of the Bank's loan portfolio as of December 31, 2024, compared to 70% as of December 31, 2023. As of December 31, 2024, commercial and industrial loans comprised 12% of total loans, and residential and consumer loans comprised 19% of total loans.

Asset Quality

As of December 31, 2024, the Bank's allowance for loan losses was \$7.6 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. As of December 31, 2024, the Bank had one construction loan relationship in the amount of \$269,000 (0.03% of total assets) in nonaccrual status and no other loans 90 days or more past due. As of December 31, 2023, the bank had no loans in nonaccrual status and one loan in the amount of \$597,000 past due 90 days still accruing, which loan has subsequently been brought current.

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. Consistent with its objective to reduce its dependence on institutional sources of funding, the Bank reduced its outstanding FHLB advances to \$55 million (5.8% of total assets) as of December 31, 2024, compared to \$75 million (9.3% of total assets) as of December 31, 2023. The level of borrowing fluctuates in response to imbalances in the rates of growth of core loans and deposits. As of December 31, 2024, the Bank had a total of \$179 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. As of December 31, 2024, the Bank had 95,000 Class B Warrants outstanding. Each Class B Warrant entitles the holder to purchase an additional share of Trustar Bank Common Stock at \$10.00 per share on or before July 10, 2029.

Stockholders' equity as of December 31, 2024, was \$82.6 million or \$10.02 per share of common stock outstanding, compared to \$70.3 million or \$9.76 per share as of December 31, 2023. As of December 31, 2024, the Bank was classified as "well capitalized" based on the following regulatory capital ratios:

- Total capital ratio = 12.06%
- Tier 1 capital ratio = 11.00%
- Common equity tier 1 capital ratio = 11.00%
- Leverage ratio = 8.80%

Results of Operations

Three Months Ending December 31, 2024, compared to the same period in 2023.

Net income for the three months ending December 31, 2024, was \$766,000 or \$0.09 per share of common stock, compared to \$1,701,000 or \$0.24 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 occurred during the fourth quarter of 2023 that may obscure the underlying improvement in the Bank's recurring income picture. During the fourth quarter of 2023 the Bank determined that our earnings momentum was sufficient to remove the valuation allowance from our deferred tax asset. This removal created a tax benefit of \$1.4 million that the bank realized in the fourth quarter of 2023. Also during the fourth quarter of 2023, the Bank sold its subsidiary Trustar Mortgage for \$500,000. Excluding gains on the sale of the mortgage company the Bank's adjusted pre-tax income for the three months ended December 31, 2023, would have been \$87,000. The Bank's actual pre-tax income for the three months ended December 31, 2024, was \$981,000, which represents a substantial increase compared to the same period last year.

Net interest income for the three months ending December 31, 2024, was \$6.0 million, an increase of 32% compared to \$4.5 million in the fourth quarter of 2023. This increase was attributable to significant growth in earning assets and growth in net interest margin. The net interest margin for the fourth quarter of 2024 was 2.56%, an increase of 18 basis points compared to 2.38% in the same period last year.

The Bank's provision for credit losses was \$226,000 for the three months ending December 31, 2024, compared to \$364,000 in the same period last year. The Bank incurred no charge-offs during either period.

Non-interest income for the three months ending December 31, 2024, was \$80,000, a decrease of 86% compared to \$569,000 in the same period last year. This decrease was due to the sale of the Bank's mortgage subsidiary, Trustar Mortgage, LLC, in the fourth quarter of 2023. Excluding the gain from the sale, non-interest income increased 16%.

Non-interest expenses for the three months ending December 31, 2024, were \$4.8 million, an increase of 17.1% compared to \$4.1 million in the same period last year, commensurate with the Bank's overall growth in loans and deposits during the year.

Twelve Months Ending December 31, 2024, compared to the same period in 2023

Net income for the twelve months ending December 31, 2024, was \$2,081,000 or \$0.27 per share of common stock, a decrease compared to \$3,012,000 or \$0.42 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 bond (\$199,000 in 2024), and gains on the sale of the mortgage company (\$500,000 in 2023), the Bank's adjusted pre-tax income for the twelve months ending December 31, 2024, would have been \$2,449,000, which represents a 151% increase compared to adjusted pre-tax income of \$974,000 in the same period last year.

Net interest income for the twelve months ending December 31, 2024, was \$21.2 million, an increase of 16.3% compared to \$18.2 million year over year. This increase was attributable to growth in earning assets, partially offset by a decline in the Bank's net interest margin. While the margin has trended upwards in the latter part of 2024, as illustrated by the chart below, the net interest margin for the full calendar year 2024 was 2.48%, a decline of 12 basis points compared to 2.60% in the calendar year 2023. The primary driver of the decline of the margin during 2023, illustrated in the chart below, was an increase in the interest cost of deposits.

Net Interest Income and Net Interest Margin, 2023 - 2024		
Period	Net Interest Income (dollars in thousands)	Net Interest Margin (percent of earning assets)
1 st Qtr 2023	\$ 4,746	2.77%
2 nd Qtr 2023	\$ 4,689	2.71%
3 rd Qtr 2023	\$ 4,430	2.51%
4 th Qtr 2023	\$ 4,508	2.38%
1 st Qtr 2024	\$ 4,618	2.39%
2 nd Qtr 2024	\$ 4,988	2.49%
3 rd Qtr 2024	\$ 5,531	2.46%
4 th Qtr 2024	\$ 5,959	2.56%

The Bank's provision for credit losses was \$1,587,000 for the twelve months ending December 31, 2024, compared to \$1,064,000 in the same period last year. The Bank incurred no loan charge-offs in 2024. During the twelve months ending December 31, 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 twelve months ending December 31, 2024, was \$153,000, a decrease of 90% compared to \$1,575,000 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. During the fourth quarter of 2023, the Bank recognized \$500,000 in non-interest income from the sale of Trustar Mortgage LLC. Excluding these items, the Bank's non-interest income would have been \$352,000 for the twelve months ending December 31, 2024, representing a decline of 67% compared to \$1,075,000 for the year ending December 31, 2023. This decrease was due primarily to the loss of fee income generated by Trustar Mortgage, LLC in 2023 prior to its sale in the fourth quarter of 2023.

Non-interest expenses for the twelve months of 2024 were \$17.5 million, an increase of 6.1% compared to \$16.5 million in the same period last year. During the twelve 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 non-interest expenses for the twelve months ending December 31, 2024, would have been \$17.5 million, an increase of 1.5% compared to \$17.3 million for 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, a newly-opened full service branch in Bethesda, Maryland, and limited-service branches in Potomac, Maryland, and Washington, D.C. The Bank has recently obtained regulatory approval to establish a branch in Arlington, Virginia, and plans to open a by appointment only branch there in the near future. 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," "may," "might," "will," "intend," "could" or other words, expressions or phrases of similar meaning or import. Similarly, statements herein that describe Trustar Bank's business strategy, outlook, objectives, plans, intentions, or goals are also forward-looking statements. These forward-looking statements are not statements of historical fact, are inherently uncertain and are based on the beliefs of Trustar Bank's management and reflect management's current views with respect to certain events that could have an impact on the Bank's future financial performance. There can be no assurance that the underlying assumptions will prove to

be accurate, and actual results could differ materially from those anticipated or implied by such statements.

All such forward-looking statements are subject to certain risks and uncertainties that are difficult to predict and may be outside of Trustar Bank's control. Forward-looking statements may be impacted by changes in economic conditions such as market interest rates and unemployment levels, conditions within financial markets generally or in our local markets, regulatory changes, competitive pressures, conditions in the financial services industry, demand for financial products and services, the quality or composition of the loan portfolio and the value of the collateral securing those loans, composition of the deposit portfolio, the strength of the Bank's counterparties, and other similar factors. These risks and uncertainties should be considered in evaluating forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this release. Trustar Bank undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

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

	December 31, 2024	December 31, 2023
Assets:		
Cash (currency and coin)	\$ 582	\$ 586
Interest-bearing balances due from banks	94,185	87,377
Cash and cash equivalents	94,767	87,963
Securities held to maturity, at amortized cost	38,955	43,135
Securities available for sale, at fair value	34,416	51,368
Loans held for investment at amortized cost	761,360	606,803
Allowance for credit losses	(7,645)	(6,036)
Total loans held for investment, net of allowance	753,715	600,767
Bank premises and equipment, net	5,985	4,940
Accrued interest receivable	3,147	2,925
Restricted investment in Federal Home Loan Bank stock, at	3,200	4,064
Goodwill	1,150	1,150
Other assets	7,657	8,157
Total Assets	<u>\$ 942,992</u>	<u>\$ 804,469</u>

Liabilities and Shareholders' Equity:

Liabilities:

Deposits:		
Noninterest bearing demand	\$ 114,774	\$ 105,334
Interest-bearing demand	53,431	35,832
Money market	298,415	193,803
Savings	21,028	10,543
Time deposits up to \$250,000	192,357	176,397
Time deposits over \$250,000	114,103	125,852
Total Deposits	794,108	647,761
Federal Home Loan Bank advances	55,000	75,000
Accrued interest payable	1,274	1,196
Other liabilities	10,053	10,187
Total Liabilities	860,435	734,144

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 and 7,205,626 issued and outstanding, respectively	41,211	36,028
Additional paid-in capital	44,340	39,241
Accumulated deficit	(2,275)	(4,355)
Accumulated other comprehensive loss	(719)	(589)
Total shareholders' equity	82,557	70,325
Total Liabilities & Shareholders' Equity	<u>\$ 942,992</u>	<u>\$ 804,469</u>

	December 31, 2024	December 31, 2023
Key Metrics:		
Loans held for investment to deposits	95.88%	93.68%
Noninterest bearing demand deposits to total deposits	14.45%	16.26%
Allowance for loan losses to loans held for investment	1.00%	0.99%
Nonperforming assets to total assets	0.03%	-
Total capital ratio	12.06%	12.22%
Tier 1 capital ratio	11.00%	11.20%
Common equity tier 1 capital ratio	11.00%	11.20%
Leverage ratio	8.80%	9.19%
Book value per share	\$ 10.02	\$ 9.76
Tangible book value per share	\$ 9.88	\$ 9.60

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

	For the Three Months Ended		For the Twelve Months Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Interest and dividend income				
Interest and fees on loans	\$ 11,964	\$ 9,070	\$ 42,995	\$ 32,907
Interest and dividends on securities	758	618	3,226	2,189
Interest-bearing balances due from banks	1,072	1,034	4,453	3,222
Total interest and dividend income	13,794	10,722	50,674	38,318
Interest Expense				
Interest on deposits	7,169	5,434	26,716	17,584
Interest on borrowings	666	780	2,734	2,488
Total interest expense	7,835	6,214	29,450	20,072
Net interest income	5,959	4,508	21,224	18,246
Provision for credit losses on financial assets	226	364	1,587	1,064
Net interest income after provision for credit losses	5,733	4,144	19,637	17,182
Non-interest income:				
Service charges and fees	49	37	230	214
Gain on sale of mortgage loans, net	-	(24)	-	548
Loss on securities	-	-	(199)	-
Net gain on sale of assets	-	500	-	500
Other non-interest income	31	56	122	313
Total non-interest income:	80	569	153	1,575
Non-interest expense:				
Salaries and employee benefits	2,849	2,200	10,374	9,951
Occupancy	473	625	2,141	2,218
Data processing	190	172	683	650
Network services	165	145	586	633
Professional services	122	172	703	1,054
Advertising	78	99	362	395
Regulatory assessments	232	192	745	707
Gain on debt extinguishment	-	-	(28)	(773)
Other operating expenses	723	521	1,946	1,675
Total non-interest expense	4,832	4,126	17,512	16,510
Net income before income taxes	981	587	2,278	2,247
Income taxes	215	(1,114)	197	(765)
Net income	\$ 766	\$ 1,701	\$ 2,081	\$ 3,012
Weighted average common shares outstanding	8,242,247	7,194,327	7,767,172	7,160,165
Net income per share	\$ 0.09	\$ 0.24	\$ 0.27	\$ 0.42

	For the Three Months Ended		For the Twelve Months Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Key Metrics:				
Return on average assets	0.33%	0.89%	0.24%	0.42%
Return on average shareholders' equity	3.68%	9.83%	2.69%	4.45%
Yield on average interest-earning assets	5.04%	5.67%	5.92%	5.45%
Rate on average interest-bearing liabilities	4.28%	4.28%	4.42%	3.88%
Net interest margin	2.56%	2.38%	2.48%	2.60%
Average loans to average earning assets	81.43%	78.87%	79.39%	79.63%
Efficiency Ratio(1)	80.01%	90.15%	81.29%	89.45%

(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 loss on securities and gain on sale of assets.