

## **TRIAD BUSINESS BANK**

### **Triad Business Bank (OTC Pink – “TBBC”), August 4, 2022, Announces Unaudited Second Quarter Results**

Triad Business Bank (“the Bank”) was formed in March of 2020 to help small to midsize businesses succeed. The Bank’s business plan is to provide lending, treasury and deposit services to the Triad communities it serves. The Bank has achieved substantial growth in loans and deposits and has been able to reinvest these deposits back into those communities.

CEO Ramsey K. Hamadi commented, “The quarter ending June 30, 2022, was the Bank’s ninth quarter since inception and the Bank’s second quarter of profitable core operations (net income before provision for loan losses and taxes). For the June quarter the Bank had core operating income of \$146,000 compared to \$61,000 in the previous quarter. The trends in the Bank’s quarterly performance reveal consistently increasing assets and profitability improvement. Total assets rose 10% in the June quarter, or \$37.7 million, to \$429.9 million, driven by ongoing growth in loan and deposit balances. Core loans increased \$18.9 million, or 9%, and deposits increased \$51.4 million, or 15%.” CEO Hamadi continued, “As mentioned in previous reports, the Bank is well positioned for the rising interest rate environment. Because the Bank’s assets are repricing faster than its liabilities, the Bank’s net interest margin rose 27 basis points to 2.77% in the June quarter from 2.50% in the March quarter. In addition to the benefits of the rising rate environment, the Bank’s margins should also improve as cash and investments are converted into higher yielding loans.”

#### **Second Quarter 2022 Compared to First Quarter 2022:**

##### **Balance Sheet Highlights:**

- Core loans increased \$18.9 million to \$236.6 million, or 9%
- Total assets increased \$37.7 million to \$429.9 million, or 10%
- Deposits increased \$51.4 million to \$384.4 million, or 15%
- Allowance for loan losses increased \$230,000 to \$3.0 million, or 1.25% of core loans
- No classified, nonperforming or past due assets reported
- New loan pipeline remains robust at approximately \$143 million
- Regulatory total risk-based capital increased \$325,000 to \$60.7 million

##### **Income Statement Highlights:**

- Core operating earnings (net income before provision for loan losses and taxes) increased \$85,000 to \$146,000 compared to \$61,000 in the previous quarter, an increase of 140%
- Net interest income increased 19% to \$2.8 million
- Interest income on core loans increased \$426,000, or 25%
- Noninterest income increased \$17,000, or 13%
- Noninterest expense increased \$344,000, or 14%

#### **Second Quarter Results**

The Bank reported a net loss of \$101,000, or \$0.02 per share, in the second quarter of 2022 compared to a net loss of \$569,000, or \$0.09 per share, for the first quarter of 2022. However, when excluding the

provision for loan losses and taxes, the second quarter resulted in net core operating income of \$146,000 compared to \$61,000 for the first quarter.

The Bank's primary source of income is the spread between the interest it earns on loans and investments and the interest it pays on deposits. Total interest income increased \$509,000 to \$3.2 million in the second quarter of 2022 compared to \$2.7 million in the first quarter of 2022. The growth in interest income was due primarily to growth in core loans which increased 25% to \$2.1 million. Income on investment securities totaled \$874,000 for the second quarter compared to \$805,000 for the first quarter. Interest expense increased \$62,000 in the second quarter to \$365,000 from \$303,000 in the first quarter. The Bank's net interest margin increased to 2.77% in the second quarter from 2.50% in the first quarter, due to the repricing of variable rate loans in a higher interest rate environment as well as growth of higher yielding core loans. In the second quarter, the average balance of core loans increased to \$227.4 million from \$195.0 million in the first quarter. The weighted average yield on core loans increased to 3.72% in the second quarter from 3.50% in the preceding quarter. The weighted average rate on interest-bearing liabilities increased from 0.55% in the first quarter of 2022 to 0.59% during the second quarter due to higher deposit rates offered by the Bank.

Total assets increased \$37.7 million during the quarter to \$429.9 million. During the second quarter, cash balances increased \$26.4 million as growth in deposits exceeded growth in loans and other assets. Deposit balances increased \$51.4 million in the second quarter. Growth in deposits stemmed primarily from a significant increase in noninterest-bearing demand deposit accounts (DDA accounts). DDA accounts increased \$45.1 million to \$146.6 million.

Shareholders' equity declined \$6.4 million during the quarter to \$43.1 million. This decline was primarily driven by changes in the market value of the Bank's investment portfolio which resulted in a \$6.4 million increase in accumulated other comprehensive loss.

### **Regulatory Capital**

The Bank's regulatory capital, which is the primary factor that allows for bank growth, increased during the second quarter, with total risk-based capital increasing by \$325,000 to \$60.7 million. Total risk-based capital consists of tier 1 capital and tier 2 capital. The Bank's tier 1 capital is largely a measure of the Bank's equity as calculated under generally accepted accounting principles ("GAAP") but eliminates certain volatile elements such as accumulated other comprehensive income (loss). The Bank's tier 1 capital increased from operations for the first time in the Bank's short history. Tier 1 capital increased \$76,000 to \$57.8 million at June 30, 2022. The Bank's tier 2 capital increased by \$249,000. Tier 1 and tier 2 capital ratios are measured against total assets and risk-weighted assets. For the Bank to be able to grow, it must maintain capital ratios that meet "well-capitalized" standards under regulatory guidelines. The Bank is increasing the leverage of its "well-capitalized" position as it grows. The following is a summary presentation of the Bank's total capital to risk-weighted assets, tier 1 capital to risk-weighted assets and tier 1 capital to average assets in comparison with the regulatory guidelines at June 30, 2022:

## Capital and Capital Ratios

	Quarter Ended 6/30/2022	
	Amount	Ratio
<b>Actual</b>		
(dollars in thousands)		
Total Capital (to risk-weighted assets)	\$ 60,713	16.87%
Tier 1 Capital (to risk-weighted assets)	\$ 57,781	16.05%
Tier 1 Capital (to average assets)	\$ 57,781	13.67%

## Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions

(dollars in thousands)

Total Capital (to risk-weighted assets)	\$ 36,000	10.00%
Tier 1 Capital (to risk-weighted assets)	\$ 29,000	8.00%
Tier 1 Capital (to average assets)	\$ 21,000	5.00%

## Loans

The Bank's core loans increased \$18.9 million, or 9%, during the second quarter to \$236.6 million. While not included in loans outstanding, the Bank also had unfunded loan commitments of \$89.8 million, bringing total core loans outstanding and unfunded commitments to \$326.4 million at quarter end. For internal monitoring purposes, the Bank considers owner occupied real estate loans to be part of commercial and industrial ("C&I") loans. At June 30, 2022, approximately 47% of the Bank's outstanding core loan portfolio was composed of C&I loans:

## Loan Diversification

<u>Loan Category</u>	<u>6/30/2022</u>	<u>Composition</u>
Other Construction & Land Development	\$ 45,545,846	
Non-owner Occupied Commercial Real Estate	80,369,383	
<b>Total Commercial Real Estate</b>	125,915,229	53%
Owner Occupied Real Estate	43,434,586	
C&I	66,899,844	
<b>Total C&amp;I</b>	110,334,430	47%
<b>Other Revolving Loans</b>	334,358	0%
<b>Total</b>	<u>\$ 236,584,017</u>	

## **Noninterest Expense**

Noninterest expense increased \$344,000, or 14%, in the second quarter to \$2.7 million from \$2.4 million in the first quarter of 2022. Salaries and benefits expense totaled \$1.9 million for the second quarter, which was an increase of \$242,000, or 15%. The growth in salaries expense was due to staff additions in commercial underwriting, private banking and network administration, as well as salary adjustments, increased long-term incentive expense and lower deferred salary expense on loan production. Other noninterest expense increased in the second quarter, most notably from higher expenses associated with the Bank's business development efforts.

## **Credit Risk**

The Bank had no past due loans or nonperforming assets and reported no criticized or substandard assets at June 30, 2022. The Bank's loan portfolio has been underwritten conservatively with a focus on cash flows of prospective borrowers.

## **Deferred Tax Asset and AOCI (Non-GAAP Measures)**

The Bank's GAAP tangible book value declined from \$7.49 at March 31, 2022 to \$6.52 at June 30, 2022. On a non-GAAP basis, excluding the Bank's accumulated other comprehensive loss and the impairment on its deferred tax asset (two reductions in capital the Bank anticipates it will recover over time), adjusted tangible book value was \$8.99 at June 30, 2022 compared to \$8.98 at March 31, 2022.

The organization and startup costs incurred during the Bank's organizational period and net operating losses the first nine quarters of operations have created a deferred tax asset of \$1.6 million. This asset is currently fully impaired and will be carried at \$0 until sufficient, verifiable evidence exists (generally, sustained profitability) to demonstrate that the deferred tax asset will more likely than not be realized. At that time, the valuation allowance will be reversed.

The change in value of the Bank's investment securities that are available for sale is recorded in accumulated other comprehensive income (loss) as an unrealized component of equity. The Bank currently has an accumulated other comprehensive loss. Assuming the underlying investment securities are held to maturity and there is no credit loss, the value of the securities will return to the face value at maturity. Therefore, as a non-GAAP measure, the Bank eliminates the accumulated other comprehensive loss to reflect an adjusted tangible book value. At June 30, 2022, the accumulated other comprehensive loss was \$14.7 million.

## **Outlook**

Management expects the balance of 2022 to continue the trends of strong loan and deposit growth, higher margins and improved profitability. With a focus on controlling costs, we anticipate the Bank will soon be delivering consistent profitability.

## **About Triad Business Bank**

With three co-equal offices located in Winston-Salem, High Point and Greensboro, Triad Business Bank focuses on meeting the needs of small to midsize businesses and their owners by providing loans, treasury

management and private banking, all with a high level of personal attention and best-in-class technology. For more information, visit [www.triadbusinessbank.com](http://www.triadbusinessbank.com)

**Forward Looking Language**

*This release contains certain forward-looking statements with respect to the financial condition, results of operations and business of Triad Business Bank. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of management of Triad Business Bank and on the information available to management at the time that these disclosures were prepared. These statements can be identified by the use of words like “expect,” “anticipate,” “estimate” and “believe,” variations of these words and other similar expressions. Readers should not place undue reliance on forward-looking statements as a number of important factors could cause actual results to differ materially from those in the forward-looking statements. Triad Business Bank undertakes no obligation to update any forward-looking statements.*

Triad Business Bank					
Balance Sheet (Unaudited)	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
<b>Assets</b>					
Cash & Due from Banks	\$ 46,737,951	\$ 20,310,759	\$ 38,743,278	\$ 73,134,972	\$ 48,089,006
Securities	139,131,597	141,254,967	149,560,211	132,753,497	65,049,332
Federal Funds Sold	-	-	-	-	-
PPP Loans	2,273,307	7,592,431	11,605,363	22,675,019	40,276,095
Core Loans	236,584,017	217,654,388	167,657,470	132,115,788	108,315,230
Allowance for Loan Loss	(2,956,667)	(2,727,138)	(2,101,115)	(1,651,905)	(1,354,915)
<b>Loans, Net</b>	<b>235,900,657</b>	<b>222,519,681</b>	<b>177,161,718</b>	<b>153,138,902</b>	<b>147,236,410</b>
Other Assets	8,116,313	8,133,919	7,516,522	6,622,029	6,102,655
<b>Total Assets</b>	<b>\$ 429,886,518</b>	<b>\$ 392,219,326</b>	<b>\$ 372,981,729</b>	<b>\$ 365,649,400</b>	<b>\$ 266,477,403</b>
<b>Liabilities</b>					
Demand Deposits	\$ 146,584,560	\$ 101,451,870	\$ 100,963,064	\$ 90,450,329	\$ 57,493,414
Interest-bearing NOW	32,071,869	41,499,830	42,820,018	23,921,946	21,626,263
Interest-bearing Savings & MMA	165,238,615	149,857,953	155,805,422	165,103,780	122,161,899
Time Deposits	40,461,260	40,098,022	5,731,398	8,040,235	8,027,714
<b>Total Deposits</b>	<b>384,356,304</b>	<b>332,907,675</b>	<b>305,319,902</b>	<b>287,516,290</b>	<b>209,309,289</b>
Other Borrowings	-	7,232,282	8,033,689	17,318,266	10,756,485
Federal Funds Purchased	-	-	-	-	-
Other Liabilities	2,473,355	2,648,360	2,651,588	2,493,999	2,204,446
<b>Total Liabilities</b>	<b>386,829,659</b>	<b>342,788,317</b>	<b>316,005,179</b>	<b>307,328,555</b>	<b>222,270,220</b>
<b>Shareholders' Equity</b>					
Common Stock	65,421,510	65,244,746	65,112,537	64,980,329	49,881,777
Accumulated Deficit	(7,640,872)	(7,539,404)	(6,970,816)	(6,434,054)	(6,114,560)
Accumulated Other Comprehensive Income (Loss)	(14,723,779)	(8,274,333)	(1,165,171)	(225,430)	439,965
<b>Total Shareholders' Equity</b>	<b>43,056,859</b>	<b>49,431,009</b>	<b>56,976,550</b>	<b>58,320,845</b>	<b>44,207,183</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 429,886,518</b>	<b>\$ 392,219,326</b>	<b>\$ 372,981,729</b>	<b>\$ 365,649,400</b>	<b>\$ 266,477,403</b>
Shares Outstanding	6,602,984	6,602,984	6,602,984	6,602,984	5,102,984
Tangible Book Value per Share	\$ 6.52	\$ 7.49	\$ 8.63	\$ 8.83	\$ 8.66

Triad Business Bank					
Income Statement (Unaudited)	For three months ended June 30, 2022	For three months ended March 31, 2022	For three months ended December 31, 2021	For three months ended September 30, 2021	For three months ended June 30, 2021
<b>Interest Income</b>					
Interest & Fees on PPP Loans	\$ 111,590	\$ 143,170	\$ 367,328	\$ 348,946	\$ 819,102
Interest & Fees on Core Loans	2,107,818	1,682,226	1,366,047	1,218,791	948,447
Interest & Dividend Income on Securities	873,881	804,501	751,493	548,462	419,317
Interest Income on Balances Due from Banks	61,152	10,672	19,281	18,364	8,017
Other Interest Income	5,877	10,717	11,068	11,094	10,404
<b>Total Interest Income</b>	<b>3,160,318</b>	<b>2,651,286</b>	<b>2,515,217</b>	<b>2,145,657</b>	<b>2,205,287</b>
<b>Interest Expense</b>					
Interest on NOW Deposits	48,086	57,028	49,219	42,289	43,225
Interest on Savings & MMA Deposits	223,635	203,850	285,101	222,766	197,613
Interest on Time Deposits	76,666	20,459	10,930	13,692	13,692
Interest on Federal Funds Purchased	717	918	-	-	422
Interest on Borrowings	12,928	11,739	12,565	16,434	24,320
Other Interest Expense	2,750	8,940	10,036	10,082	9,917
<b>Total Interest Expense</b>	<b>364,782</b>	<b>302,934</b>	<b>367,851</b>	<b>305,263</b>	<b>289,189</b>
<b>Net Interest Income</b>	<b>2,795,536</b>	<b>2,348,352</b>	<b>2,147,366</b>	<b>1,840,394</b>	<b>1,916,098</b>
Provision for Loan Losses	229,529	626,024	449,210	296,990	164,565
<b>Net Interest Income After Provision for LL</b>	<b>2,566,007</b>	<b>1,722,328</b>	<b>1,698,156</b>	<b>1,543,404</b>	<b>1,751,533</b>
<b>Total Noninterest Income</b>	<b>146,953</b>	<b>129,855</b>	<b>114,725</b>	<b>32,104</b>	<b>36,882</b>
<b>Total Gain (Loss) on Securities</b>	<b>(46,893)</b>	<b>(11,907)</b>	<b>20,684</b>	<b>370,750</b>	<b>70,525</b>
<b>Noninterest Expense</b>					
Salaries & Benefits	1,901,183	1,658,862	1,573,671	1,517,840	1,475,650
Premises & Equipment	126,979	122,069	119,100	120,048	118,819
Total Other Noninterest Expense	721,227	624,372	677,557	627,865	577,084
<b>Total Noninterest Expense</b>	<b>2,749,389</b>	<b>2,405,303</b>	<b>2,370,328</b>	<b>2,265,753</b>	<b>2,171,553</b>
<b>Loss Before Income Tax</b>	<b>(83,322)</b>	<b>(565,027)</b>	<b>(536,763)</b>	<b>(319,495)</b>	<b>(312,613)</b>
<b>Income Tax</b>	<b>18,146</b>	<b>3,561</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Loss</b>	<b>\$ (101,468)</b>	<b>\$ (568,588)</b>	<b>\$ (536,763)</b>	<b>\$ (319,495)</b>	<b>\$ (312,613)</b>
Net Loss per Share					
Basic & Diluted	\$ (0.02)	\$ (0.09)	\$ (0.08)	\$ (0.05)	\$ (0.06)
Weighted Average Shares Outstanding					
Basic & Diluted	6,602,984	6,602,984	6,602,984	6,064,941	5,102,984
Pre-provision, Pre-tax Income (Loss)	\$ 146,207	\$ 60,997	\$ (87,553)	\$ (22,505)	\$ (148,048)

**Triad Business Bank****Non-GAAP Measures (Unaudited)****Tangible Book Value**

	Actual 6/30/2022	Non-GAAP 6/30/2022
Total Shareholders' Equity	\$ 43,056,859	\$ 43,056,859
Eliminate Deferred Tax Asset Valuation Allowance	-	1,604,931
Eliminate Accumulated Other Comprehensive Loss	-	14,723,779
Adjusted Shareholders' Equity	<u>\$ 43,056,859</u>	<u>\$ 59,385,569</u>

Shares Outstanding	6,602,984	6,602,984
Tangible Book Value per Share	\$ 6.52	\$ 8.99

Effect of Non-GAAP Measures on Tangible Book Value	\$ 2.47
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During the start-up phase of the Bank, a valuation allowance was created which fully impairs the deferred tax asset. When sufficient, verifiable evidence exists (generally, sustained profitability) demonstrating that the deferred tax asset will more likely than not be realized, the valuation allowance will be eliminated. This Non-GAAP measure is shown to disclose the effect on tangible book value per share at June 30, 2022 had there been no valuation allowance at that date.

Changes in the market value of available-for-sale securities are reflected in accumulated other comprehensive income. Since the securities value will return to face value at maturity, assuming the underlying securities are held to maturity and there is no credit loss, accumulated other comprehensive income has been eliminated in this Non-GAAP measure.

**Pre-provision Loss**

	Qtr Ended 6/30/2022	Qtr Ended 3/31/2022	Qtr Ended 12/31/2021
Loss Before Income Tax	\$ (83,322)	\$ (565,027)	\$ (536,763)
Provision for Loan Losses	229,529	626,024	449,210
Pre-provision Income (Loss) Before Income Tax (Non-GAAP)	<u>\$ 146,207</u>	<u>\$ 60,997</u>	<u>\$ (87,553)</u>

The pre-provision loss is a measure of operating performance exclusive of potential losses from lending.



Triad Business Bank									
Key Ratios & Other Information (Unaudited)									
		Quarter Ended 6/30/2022			Quarter Ended 3/31/2022			Quarter Ended 12/31/2021	
	Balance	Interest Income/ Expense	Yield/ Rate	Balance	Interest Income/ Expense	Yield/ Rate	Balance	Interest Income/ Expense	Yield/ Rate
<b>Yield on Average Loans</b>									
Average PPP Loans	\$ 3,314,501	\$ 111,590	13.504%	\$ 10,481,083	\$ 143,170	5.540%	\$ 16,324,782	\$ 367,328	8.927%
Average Core Loans	227,417,815	2,107,818	3.718%	194,987,088	1,682,226	3.499%	152,532,487	1,366,047	3.553%
<b>Yield on Average Investment Securities</b>	\$ 142,754,858	\$ 873,881	2.455%	\$ 145,816,868	\$ 804,501	2.238%	\$ 140,528,403	\$ 751,493	2.122%
<b>Cost of Average Interest-bearing Liabilities</b>	\$ 246,148,158	\$ 364,782	0.594%	\$ 221,981,810	\$ 302,934	0.553%	\$ 216,709,743	\$ 367,851	0.673%
<b>Net Interest Margin</b>									
Interest Income		\$ 3,160,318			\$ 2,651,286			\$ 2,515,217	
Interest Expense		364,782			302,934			367,851	
Average Earnings Assets	\$ 404,352,657			\$ 380,351,577			\$ 360,372,664		
<b>Net Interest Income &amp; Net Interest Margin</b>		2,795,536	2.773%		2,348,352	2.504%		2,147,366	2.364%
<b>Loan to Asset Ratio</b>									
Loan Balance	\$ 238,857,324			\$ 225,246,819			\$ 179,262,833		
Total Assets	429,886,518		55.563%	392,219,326		57.429%	372,981,729		48.062%
<b>Leverage Ratio</b>									
Tier 1 Capital	\$ 57,780,638			\$ 57,705,342			\$ 58,141,721		
Average Total Assets	425,001,436			393,553,369			369,837,690		
Average FRB Borrowings	2,332,853		13.670%	7,659,018		14.954%	12,049,791		16.250%
<b>Unfunded Commitments to Extend Credit</b>	\$ 89,833,906			\$ 100,350,230			\$ 86,746,649		
<b>Standby Letters of Credit</b>	27,240			-			-		

<b>Triad Business Bank</b>										
<b>Capital and Capital Ratios (Unaudited)</b>										
	<b>Quarter Ended 6/30/2022</b>		<b>Quarter Ended 3/31/2022</b>		<b>Quarter Ended 12/31/2021</b>		<b>Quarter Ended 9/30/2021</b>		<b>Quarter Ended 6/30/2021</b>	
	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>
<b>Actual</b>										
(dollars in thousands)										
Total Capital (to risk-weighted assets)	\$ 60,713	16.87%	\$ 60,388	17.87%	\$ 60,243	21.40%	\$ 60,198	24.99%	\$ 45,122	24.68%
Tier 1 Capital (to risk-weighted assets)	\$ 57,781	16.05%	\$ 57,705	17.08%	\$ 58,142	20.65%	\$ 58,546	24.30%	\$ 43,767	23.94%
Tier 1 Capital (to average assets)	\$ 57,781	13.67%	\$ 57,705	14.95%	\$ 58,142	16.25%	\$ 58,546	20.69%	\$ 43,767	18.02%
<b>Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions</b>										
(dollars in thousands)										
Total Capital (to risk-weighted assets)	\$ 36,000	10.00%	\$ 34,000	10.00%	\$ 28,000	10.00%	\$ 24,000	10.00%	\$ 18,000	10.00%
Tier 1 Capital (to risk-weighted assets)	\$ 29,000	8.00%	\$ 27,000	8.00%	\$ 23,000	8.00%	\$ 19,000	8.00%	\$ 15,000	8.00%
Tier 1 Capital (to average assets)	\$ 21,000	5.00%	\$ 19,000	5.00%	\$ 18,000	5.00%	\$ 14,000	5.00%	\$ 12,000	5.00%