

TRIAD BUSINESS BANK

Triad Business Bank (OTC Pink – “TBBC”), May 4, 2022, Announces Unaudited First Quarter Results

Triad Business Bank (the “Bank”) began operations in March of 2020 with a vision to reinvest local wealth back into the Triad’s business community. The period ended March 31, 2022 was the Bank’s eighth quarter since inception and the Bank’s first quarter of profitable core operations (net income before provision for loan losses and taxes). Core operating income totaled \$61,000 which was a \$149,000 improvement from the previous quarter. Core loans expanded at a record pace of \$50.0 million for the quarter, a 30% increase over the balance at December 31, 2021. The loan increase drove a 23% increase in interest income on core loans (the Bank’s primary source of revenue) over the previous quarter, whereas operating expenses increased only 1%.

“In two years of operations, Triad Business Bank has grown to \$392 million in total assets and has become an important economic catalyst for small and midsize businesses in the Triad. Following on the Bank’s early successes, strong capital position and positive growth trends, the Bank is well positioned for continued expansion,” commented CEO Ramsey K. Hamadi. Hamadi continued, “The Bank’s net interest margin expanded 14 basis points in the first quarter of 2022. We expect the federal funds rate to continue to rise in the near term, and the rates the Bank receives on its interest-earning assets are expected to increase faster than the rates it pays on its interest-bearing liabilities. This will cause the gross earnings spread between these assets and liabilities to increase thereby providing the Bank with a greater opportunity for increased core operating profitability. While the Bank’s core earnings are expected to benefit from higher interest rates, the rapid change in market conditions has caused a decline in the value of the Bank’s investment portfolio. For accounting purposes, this is reflected in shareholders’ equity as accumulated other comprehensive loss and totaled \$8.3 million at March 31, 2022. This is expected to be a temporary loss and should return to \$0 if the underlying investments are held to maturity. There are no current credit concerns in the investment portfolio. Comprehensive income fluctuations are excluded from the Bank’s regulatory capital and therefore will not impact the Bank’s capacity for growth.”

Bank’s First Quarter 2022 Compared to Fourth Quarter 2021:

Balance Sheet Highlights:

- Core loans increased \$50.0 million to \$217.7 million, or 30%
- Total assets increased \$19.2 million to \$392.2 million, or 5%
- Deposits increased \$27.6 million to \$332.9 million, or 9%
- Allowance for loan losses increased \$626,000 to \$2.7 million, or 1.25% of core loans
- No classified, nonperforming or past due assets reported
- New loan pipeline remains robust at approximately \$112 million
- Regulatory total risk-based capital increased \$145,000 to \$60.4 million

Income Statement Highlights:

- Core operating earnings (net income before provision for loan loss and taxes) increased \$149,000 to \$61,000 compared to a loss of \$88,000 in the previous quarter
- Net interest income increased 9% to \$2.3 million

- Interest income on core loans increased \$316,000, or 23%, but was partially offset by a \$224,000 decline in Paycheck Protection Program (“PPP”) loan income
- Noninterest income increased \$15,000, or 13%
- Noninterest expense increased \$35,000, or 1%

First Quarter Results

The Bank reported a net loss of \$569,000, or \$0.09 per share, in the first quarter of 2022 compared to a net loss of \$537,000, or \$0.08 per share, for the fourth quarter of 2021. However, when excluding the provision for loan losses and taxes, the first quarter of 2022 resulted in net core operating income of \$61,000 compared to fourth quarter 2021 core operating loss of \$88,000.

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 \$136,000 to \$2.7 million in the first quarter of 2022 compared to \$2.5 million in the fourth quarter of 2021. Income on core loans increased 23% to \$1.7 million but was partially offset by a \$224,000 decline in PPP revenue. PPP revenue totaled \$143,000 for the first quarter, down from \$367,000 in the fourth quarter of 2021. Income on Investment securities totaled \$805,000 for the first quarter compared to \$751,000 for the fourth quarter. Interest expense declined \$65,000 in the first quarter to \$303,000 from \$368,000 in the fourth quarter. The Bank’s net interest margin increased to 2.50% in the first quarter from 2.36% in the fourth quarter, due primarily to the growth in loan balances and the decline in the cost of funds. In the first quarter, the average balance of core loans increased to \$195.0 million from \$152.5 million in the 2021 fourth quarter. The weighted average yield on core loans decreased to 3.50% in the first quarter from 3.55% in the preceding quarter. The cost of interest-bearing liabilities declined from 0.67% in the fourth quarter of 2021 to 0.55% during the first quarter due to lower rates offered by the Bank.

Total assets increased \$19.2 million to \$392.2 million at March 31, 2022. During the first quarter, cash balances declined by \$18.4 million as excess cash and cash from deposit increases were used to fund the \$50.0 million increase in loan balances. Deposit balances increased \$27.6 million in the first quarter. The Bank issued \$36 million of wholesale time deposits to support the Bank’s funding of increased loan balances. Although continued growth in new core deposit accounts occurred during the first quarter, core deposit balances did not maintain the same pace of first quarter loan growth.

Shareholders’ equity declined \$7.6 million to \$49.4 million at March 31, 2022. This decline was primarily driven by changes in the market value of the Bank’s investment portfolio which resulted in a \$7.1 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 first quarter with total risk-based capital increasing by \$145,000 to \$60.4 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 generally accepted accounting principles (“GAAP”) equity but eliminates certain volatile elements such as accumulated other comprehensive income (loss). The Bank’s tier 1 capital declined \$437,000 from \$58.1 million at December 31, 2021 to \$57.7 million at the end of the first quarter due primarily to the provision for loan losses. The Bank’s tier 2 capital increased by \$582,000. Tier 1 and tier 2 capital ratios are measured against total assets and risk-weighted assets. For the Bank to be able to grow, the Bank must maintain capital ratios that meet a “well-capitalized” standard under regulatory guidelines. 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:

Capital and Capital Ratios

	Quarter Ended 3/31/2022	
	Amount	Ratio
Actual		
(dollars in thousands)		
Total Capital (to risk-weighted assets)	\$ 60,388	17.87%
Tier 1 Capital (to risk-weighted assets)	\$ 57,705	17.08%
Tier 1 Capital (to average assets)	\$ 57,705	14.95%

Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions

(dollars in thousands)

Total Capital (to risk-weighted assets)	\$ 34,000	10.00%
Tier 1 Capital (to risk-weighted assets)	\$ 27,000	8.00%
Tier 1 Capital (to average assets)	\$ 19,000	5.00%

Loans

The Bank's core loans increased \$50.0 million, or 30%, during the first quarter to \$217.7 million compared to \$167.7 million at December 31, 2021. While not included in loans outstanding, the Bank also increased its unfunded loan commitments by \$13.6 million to \$100.4 million, bringing total core loans outstanding and unfunded commitments to \$318.1 million. At March 31, 2022, approximately 47% of the Bank's outstanding core loan portfolio was composed of commercial and industrial ("C&I") loans:

Loan Diversification

<u>Loan Category</u>	<u>3/31/2022</u>	<u>Composition</u>
Other Construction & Land Development	\$ 39,348,810	
Non-Owner Occupied Commercial Real Estate	75,687,708	
Total Commercial Real Estate	115,036,518	53%
Owner Occupied Real Estate	35,278,275	
C&I	67,003,656	
Total C&I	102,281,931	47%
Other Revolving Loans	335,939	0%
Total	<u>\$ 217,654,388</u>	

Noninterest Expense

Noninterest expense increased \$35,000, or 1%, and was \$2.4 million in both the first quarter of 2022 and the prior quarter. Salaries and benefits expense totaled \$1.7 million in the first quarter and increased \$85,000, or 5%, over the prior quarter.

Credit Risk

The Bank had no nonperforming assets and reported no criticized or substandard assets at March 31, 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 \$8.63 at December 31, 2021 to \$7.49 at March 31, 2022. On a non-GAAP basis, excluding the accumulated other comprehensive loss recorded in the first quarter and the impairment on the deferred tax asset (two reductions in capital the Bank anticipates it will recover over time), adjusted tangible book value was \$8.98 at March 31, 2022 compared to \$9.07 at December 31, 2021.

The organization and startup costs incurred during the Bank's organizational period and net operating losses the first twenty-four months 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 as an unrealized component of equity. 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 March 31, 2022, the accumulated other comprehensive loss was \$8.3 million.

Outlook

Over the long-term horizon, the Bank expects to be a net beneficiary of a rising interest rate environment. With the mid-March 2022 announcement by the Federal Reserve to increase the federal funds rate, we are beginning to experience the positive impact of rising interest rates. Because of changes in the yield curve, our newly originated loans are starting with higher rates than loans originated several months earlier. The Bank uses a third-party consultant to assist in managing these changes in interest rate risk. While the Bank maintains an awareness of changes in value through various asset and liability management tools, it primarily manages interest rate risk by performing earnings simulations to consider changes in net interest income based upon changes in the interest rate environment. The most recent simulation indicates that over the next twelve months, the Bank is interest rate neutral and well positioned for rising or falling interest rates. Our expectation is that the longer the higher interest rate environment continues, the greater the Bank's net interest income should be.

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

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)	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Assets					
Cash & Due from Banks	\$ 20,310,759	\$ 38,743,278	\$ 73,134,972	\$ 48,089,006	\$ 22,158,909
Securities	141,254,967	149,560,211	132,753,497	65,049,332	59,398,336
Federal Funds Sold	-	-	-	-	-
PPP Loans	7,592,431	11,605,363	22,675,019	40,276,095	83,016,045
Core Loans	217,654,388	167,657,470	132,115,788	108,315,230	95,143,122
Allowance for Loan Loss	(2,727,138)	(2,101,115)	(1,651,905)	(1,354,915)	(1,190,350)
Loans net	222,519,681	177,161,718	153,138,902	147,236,410	176,968,817
Other Assets	8,133,919	7,516,522	6,622,029	6,102,655	6,055,185
Total Assets	\$ 392,219,326	\$ 372,981,729	\$ 365,649,400	\$ 266,477,403	\$ 264,581,247
Liabilities					
Demand Deposits	\$ 101,451,870	\$ 100,963,064	\$ 90,450,329	\$ 57,493,414	\$ 55,978,388
Interest-bearing NOW	41,499,830	42,820,018	23,921,946	21,626,263	21,956,030
Interest-bearing Savings & MMA	149,857,953	155,805,422	165,103,780	122,161,899	101,058,331
Time Deposits	40,098,022	5,731,398	8,040,235	8,027,714	8,818,530
Total Deposits	332,907,675	305,319,902	287,516,290	209,309,289	187,811,279
Other Borrowings	7,232,282	8,033,689	17,318,266	10,756,485	20,685,620
Fed Funds Purchased	-	-	-	-	9,346,000
Other Liabilities	2,648,360	2,651,588	2,493,999	2,204,446	2,523,649
Total Liabilities	342,788,317	316,005,179	307,328,555	222,270,220	220,366,548
Shareholders' Equity					
Common Stock	65,244,746	65,112,537	64,980,329	49,881,777	49,822,062
Accumulated Deficit	(7,539,404)	(6,970,816)	(6,434,054)	(6,114,560)	(5,801,946)
Accumulated Other Comprehensive Income (Loss)	(8,274,333)	(1,165,171)	(225,430)	439,965	194,583
Total Shareholders' Equity	49,431,009	56,976,550	58,320,845	44,207,183	44,214,699
Total Liabilities & Shareholders' Equity	\$ 392,219,326	\$ 372,981,729	\$ 365,649,400	\$ 266,477,403	\$ 264,581,247
Shares Outstanding	6,602,984	6,602,984	6,602,984	5,102,984	5,102,984
Tangible Book Value per Share	\$ 7.49	\$ 8.63	\$ 8.83	\$ 8.66	\$ 8.66

Triad Business Bank					
Income Statement (Unaudited)	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	For three months ended March 31, 2021
Interest Income					
Interest & Fees on PPP Loans	\$ 143,170	\$ 367,328	\$ 348,946	\$ 819,102	\$ 745,907
Interest & Fees on Core Loans	1,682,226	1,366,047	1,218,791	948,447	727,116
Interest & Dividend Income on Securities	804,501	751,493	548,462	419,317	264,383
Interest Income on Balances Due from Banks	10,672	19,281	18,364	8,017	8,354
Other Interest Income	10,717	11,068	11,094	10,404	4,548
Total Interest Income	2,651,286	2,515,217	2,145,657	2,205,287	1,740,308
Interest Expense					
Interest on NOW Deposits	57,028	49,219	42,289	43,225	53,207
Interest on Savings & MMA Deposits	203,850	285,101	222,766	197,613	183,260
Interest on Time Deposits	20,459	10,930	13,692	13,692	12,369
Interest on Fed Funds Purchased	918	-	-	422	-
Interest on Borrowings	11,739	12,565	16,434	24,320	18,525
Other Interest Expense	8,940	10,036	10,082	9,917	4,139
Total Interest Expense	302,934	367,851	305,263	289,189	271,500
Net Interest Income	2,348,352	2,147,366	1,840,394	1,916,098	1,468,808
Provision for Loan Losses	626,024	449,210	296,990	164,565	280,271
Net Interest Income After Provision for LL	1,722,328	1,698,156	1,543,404	1,751,533	1,188,537
Total Noninterest Income	129,855	114,725	32,104	36,882	87,062
Total Gain (Loss) on Securities	(11,907)	20,684	370,750	70,525	108,488
Noninterest Expense					
Salaries & Benefits	1,658,862	1,573,671	1,517,840	1,475,650	1,152,497
Premises & Equipment	122,069	119,100	120,048	118,819	114,060
Total Other Noninterest Expense	624,372	677,557	627,865	577,084	514,794
Total Noninterest Expense	2,405,303	2,370,328	2,265,753	2,171,553	1,781,351
Loss before Income Tax	(565,027)	(536,763)	(319,495)	(312,613)	(397,264)
Income Tax	3,561	-	-	-	-
Net Loss	\$ (568,588)	\$ (536,763)	\$ (319,495)	\$ (312,613)	\$ (397,264)
Net Loss per Share					
Basic & Diluted	\$ (0.09)	\$ (0.08)	\$ (0.05)	\$ (0.06)	\$ (0.08)
Weighted Average Shares Outstanding					
Basic & Diluted	6,602,984	6,602,984	6,064,941	5,102,984	5,102,984
Pre-Provision, Pre-Tax Income (Loss)	\$ 60,997	\$ (87,553)	\$ (22,505)	\$ (148,048)	\$ (116,993)

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

	Actual 3/31/2022	Non-GAAP 3/31/2022
Total Shareholders' Equity	\$ 49,431,009	\$ 49,431,009
Eliminate Deferred Tax Asset Valuation Allowance	-	1,592,167
Eliminate Accumulated Other Comprehensive Loss	-	8,274,333
Adjusted Shareholders' Equity	<u>\$ 49,431,009</u>	<u>\$ 59,297,509</u>

Shares Outstanding	6,602,984	6,602,984
Tangible Book Value per Share	\$ 7.49	\$ 8.98

Effect of Non-GAAP Measures on Tangible Book Value \$ 1.49

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 March 31, 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 3/31/2022	Qtr Ended 12/31/2021	Qtr Ended 9/30/2021
Loss Before Income Tax	\$ (565,027)	\$ (536,763)	\$ (319,495)
Provision for Loan Losses	626,024	449,210	296,990
Pre-Provision Income (Loss) Before Income Tax (Non-GAAP)	<u>\$ 60,997</u>	<u>\$ (87,553)</u>	<u>\$ (22,505)</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 3/31/2022			Quarter Ended 12/31/2021			Quarter Ended 9/30/2021		
	Balance	Interest Income/ Expense	Yield/ Rate	Balance	Interest Income/ Expense	Yield/ Rate	Balance	Interest Income/ Expense	Yield/ Rate
Yield On Average Loans									
Average PPP Loans	\$ 10,481,083	\$ 143,170	5.540%	\$ 16,324,782	\$ 367,328	8.927%	\$ 30,976,950	\$ 348,946	4.469%
Average Core Loans	194,987,088	1,682,226	3.499%	152,532,487	1,366,047	3.553%	117,826,020	1,218,791	4.104%
Yield on Average Investment Securities	\$ 145,816,868	\$ 804,501	2.238%	\$ 140,528,403	\$ 751,493	2.122%	\$ 96,025,414	\$ 548,462	2.266%
Cost of Average Interest-bearing Liabilities	\$ 221,981,810	\$ 302,934	0.553%	\$ 216,709,743	\$ 367,851	0.673%	\$ 179,677,948	\$ 305,263	0.674%
Net Interest Margin									
Interest Income		\$ 2,651,286			\$ 2,515,217			\$ 2,145,657	
Interest Expense		302,934			367,851			305,263	
Average Earnings Assets	\$ 380,351,577			\$ 360,372,664			\$ 296,562,554		
Net Interest Income & Net Interest Margin		2,348,352	2.504%		2,147,366	2.364%		1,840,394	2.462%
Loan to Asset Ratio									
Loan Balance	\$ 225,246,819			\$ 179,262,833			\$ 154,790,807		
Total Assets	392,219,326		57.429%	372,981,729		48.062%	365,649,400		42.333%
Leverage Ratio									
Tier 1 Capital	\$ 57,705,342			\$ 58,141,721			\$ 58,546,275		
Average Total Assets	393,553,369			369,837,690			301,575,704		
Average FRB Borrowings	7,659,018		14.954%	12,049,791		16.250%	18,628,302		20.692%
Unfunded Commitments	\$ 100,350,230			\$ 86,746,649			\$ 73,508,450		

Triad Business Bank										
Capital and Capital Ratios (Unaudited)										
	Quarter Ended 3/31/2022		Quarter Ended 12/31/2021		Quarter Ended 9/30/2021		Quarter Ended 6/30/2021		Quarter Ended 3/31/2021	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Actual										
(dollars in thousands)										
Total Capital (to risk-weighted assets)	\$ 60,388	17.87%	\$ 60,243	21.40%	\$ 60,198	24.99%	\$ 45,122	24.68%	\$ 45,210	27.80%
Tier 1 Capital (to risk-weighted assets)	\$ 57,705	17.08%	\$ 58,142	20.65%	\$ 58,546	24.30%	\$ 43,767	23.94%	\$ 44,020	27.06%
Tier 1 Capital (to average assets)	\$ 57,705	14.95%	\$ 58,142	16.25%	\$ 58,546	20.69%	\$ 43,767	18.02%	\$ 44,020	20.06%
Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions										
(dollars in thousands)										
Total Capital (to risk-weighted assets)	\$ 34,000	10.00%	\$ 28,000	10.00%	\$ 24,000	10.00%	\$ 18,000	10.00%	\$ 16,000	10.00%
Tier 1 Capital (to risk-weighted assets)	\$ 27,000	8.00%	\$ 23,000	8.00%	\$ 19,000	8.00%	\$ 15,000	8.00%	\$ 13,000	8.00%
Tier 1 Capital (to average assets)	\$ 19,000	5.00%	\$ 18,000	5.00%	\$ 14,000	5.00%	\$ 12,000	5.00%	\$ 11,000	5.00%