

TRIAD BUSINESS BANK

Triad Business Bank (OTC Pink – “TBBC”), November 2, 2022, Announces Unaudited Third Quarter Results

Since inception Triad Business Bank (“the Bank”) has had a vision to promote the local economy and support small businesses that are often overlooked by larger financial institutions. It is executing this vision as demonstrated by the fact that in the first nine months of 2022 the Bank processed over \$3.7 billion of business transactions from nearly 400 mostly local small businesses.

The bank was profitable for the quarter with net income of \$228,000, or \$0.03 per diluted share. The previous two quarters the Bank was operationally profitable, which is a measure of net income before tax and provision for loan loss outside of generally accepted accounting principles (GAAP). In the September quarter, the Bank’s operating profit increased \$303,000 to \$449,000 from \$146,000 in the June quarter and \$61,000 in the March quarter.

Third Quarter 2022 Compared to Second Quarter 2022:

Income Statement Highlights:

- Net income increased \$329,000 to \$228,000
- Core operating earnings (net income before provision for loan losses and taxes) increased \$303,000 to \$449,000 compared to \$146,000 in the previous quarter
- Net interest income increased 10% to \$3.1 million
- Interest income on core loans increased \$531,000, or 25%
- Noninterest income increased \$157,000, or 107%
- Noninterest expense increased \$169,000, or 6%

Balance Sheet Highlights:

- Core loans increased \$16.3 million to \$252.9 million, or 7%
- Total assets increased \$11.4 million to \$441.3 million, or 3%
- Deposits increased \$14.7 million to \$399.1 million, or 4%
- Allowance for loan losses increased \$205,000 to \$3.2 million, or 1.25% of core loans
- No classified, non-performing or past due assets reported
- New loan pipeline remains robust at approximately \$123 million
- Regulatory total risk-based capital increased \$657,000 to \$61.4 million

CEO Comments

CEO Ramsey K. Hamadi commented, “With each consecutive quarter the Bank has expanded its loan portfolio which has driven consistent growth in operating revenues. Through the first nine months of 2022, the Bank grew its core loan portfolio \$85.2 million, or 51%. Net interest income plus noninterest income increased to \$3.4 million in the September quarter from \$2.9 million in the June quarter and \$2.5 million in the March quarter. Noninterest expenses have also risen but at a slower rate, climbing to \$2.9 million in the September quarter from \$2.7 million in the June quarter and \$2.4 million in the March quarter.” Hamadi continued, “The Bank remains well positioned in the rising rate environment. With each successive rate hike, the Bank’s net interest margin has continued to rise. In the September quarter,

the Bank's net interest margin increased to 2.88% compared to 2.77% in the June quarter and 2.50% in the March quarter. The rising interest rate environment has also created temporary declines in the fair market value of the Bank's bond portfolio, which is reflected as accumulated other comprehensive income/loss (AOCI loss) of \$19.0 million at September 30, 2022. The bond portfolio has a 5-year duration and as this portfolio matures, this temporary loss should be recovered as bonds return to their face value. AOCI is not a component of regulatory capital; therefore, it has no impact in the Bank's capacity for growth. At September 30, 2022 the Bank's regulatory capital totaled \$61.4 million and its total risk based capital ratio was 16.3%."

Third Quarter Results

The Bank reported net income of \$228,000, or \$0.03 per diluted share, in the third quarter of 2022 compared to a loss of \$101,000, or \$0.02 per share, in the second quarter of 2022. However, when excluding the provision for loan losses and taxes, the third quarter resulted in net core operating income of \$449,000 compared to \$146,000 for the second 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 \$615,000 to \$3.8 million in the third quarter of 2022 compared to \$3.2 million in the second quarter of 2022. The growth in interest income was due primarily to growth in income on core loans which increased 25% to \$2.6 million. Income on investment securities totaled \$926,000 for the third quarter compared to \$874,000 for the second quarter. Interest expense increased \$344,000 in the third quarter to \$709,000 from \$365,000 in the second quarter primarily as a result of Federal Reserve rate hikes. The Bank's net interest margin increased to 2.88% in the third quarter from 2.77% in the second quarter, due to the repricing of variable rate loans in a higher interest rate environment as well as growth of higher yielding core loans. The weighted average yield on core loans increased to 4.20% in the third quarter from 3.72% in the preceding quarter. The weighted average rate on interest-bearing liabilities increased from 0.59% in the second quarter of 2022 to 1.08% during the third quarter due to higher deposit rates offered by the Bank resulting from the increase in market interest rates.

Balance Sheet Comparison

Total assets increased \$11.4 million during the quarter to \$441.3 million. During the third quarter, core loans increased \$16.3 million.

Deposit balances increased \$14.7 million in the third quarter. Growth in deposits stemmed primarily from a \$30.1 million increase in money market and savings balances but was partially offset by declines in demand and now account balances. Retail now accounts declined \$12.5 million to \$19.6 million as retail depositors were quick to find alternatively higher yielding opportunities for their cash. Business deposit accounts are proving to be less sensitive to changing interest rates. Time deposits which consist primarily of brokered deposits increased \$8.8 million to \$49.3 million during the quarter.

Shareholders' equity declined \$3.8 million during the quarter to \$39.2 million. This decline was primarily driven by changes in the market value of the Bank's investment portfolio which resulted in a \$4.3 million increase in AOCI loss.

Regulatory Capital

The Bank's regulatory capital, which is the primary factor that allows for bank growth, grew during the second quarter, with total risk-based capital increasing by \$657,000 to \$61.4 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 shareholder equity as calculated under GAAP but eliminates certain volatile elements such as AOCI loss. The Bank's tier 1 capital increased from results of operations by \$428,000 to \$58.2 million at September 30, 2022. The Bank's tier 2 capital increased by \$229,000. 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 September 30, 2022:

Capital and Capital Ratios

	Quarter Ended 9/30/2022	
	Amount	Ratio
Actual		
(dollars in thousands)		
Total Capital (to risk-weighted assets)	\$ 61,370	16.26%
Tier 1 Capital (to risk-weighted assets)	\$ 58,209	15.42%
Tier 1 Capital (to average assets)	\$ 58,209	13.06%

Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions

(dollars in thousands)

Total Capital (to risk-weighted assets)	\$ 38,000	10.00%
Tier 1 Capital (to risk-weighted assets)	\$ 30,000	8.00%
Tier 1 Capital (to average assets)	\$ 22,000	5.00%

Loans

The Bank's core loans increased \$16.3 million, or 7%, during the third quarter to \$252.9 million. While not included in loans outstanding, the Bank also had unfunded loan commitments of \$96.1 million, bringing total core loans outstanding and unfunded commitments to \$349.0 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 September 30, 2022, approximately 52% of the Bank's outstanding core loan portfolio was composed of C&I loans:

Loan Diversification

<u>Loan Category</u>	<u>9/30/2022</u>	<u>Composition</u>
Other Construction & Land Development	\$ 34,592,720	
Non-owner Occupied Commercial Real Estate	84,828,291	
Total Commercial Real Estate	119,421,011	47%
Owner Occupied Real Estate	55,770,472	
C&I	75,366,161	
Total C&I	131,136,633	52%
Other Revolving Loans	2,348,467	1%
Total	<u><u>\$ 252,906,111</u></u>	

Noninterest Expense

Noninterest expense increased \$169,000, or 6%, in the third quarter to \$2.9 million from \$2.7 million in the second quarter of 2022. Salaries and benefits expense totaled \$2.1 million for the third quarter, which was an increase of \$152,000, or 8%. Most of this increase was due to growth in compensation expense which was due to staff additions and lower deferred salary expense on loan production.

Credit Risk

The Bank had no past due loans or nonperforming assets and reported no criticized or substandard assets at September 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 \$6.52 at June 30, 2022 to \$5.94 at September 30, 2022. On a non-GAAP basis, excluding the Bank's AOCI 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 \$9.05 at September 30, 2022 compared to \$8.99 at June 30, 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 \$1.5 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 AOCI loss as an unrealized component of equity. At quarter end the Bank had an AOCI loss of \$19.0 million. Assuming the underlying investment securities are held to maturity and there are no credit losses, the value of the securities will return to the face value at maturity. Therefore, as a non-GAAP measure, the Bank eliminates the AOCI loss to reflect an adjusted tangible book value.

Outlook

Management expects the Bank to continue its trends of strong loan and deposit growth, higher margins and improved profitability during the balance of 2022. 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

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)	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Assets					
Cash & Due from Banks	\$ 47,037,775	\$ 46,737,951	\$ 20,310,759	\$ 38,743,278	\$ 73,134,972
Securities	135,237,677	139,131,597	141,254,967	149,560,211	132,753,497
Federal Funds Sold	-	-	-	-	-
PPP Loans	928,829	2,273,307	7,592,431	11,605,363	22,675,019
Core Loans	252,906,111	236,584,017	217,654,388	167,657,470	132,115,788
Allowance for Loan Loss	(3,161,326)	(2,956,667)	(2,727,138)	(2,101,115)	(1,651,905)
Loans, Net	250,673,614	235,900,657	222,519,681	177,161,718	153,138,902
Other Assets	8,379,460	8,116,313	8,133,919	7,516,522	6,622,029
Total Assets	\$ 441,328,526	\$ 429,886,518	\$ 392,219,326	\$ 372,981,729	\$ 365,649,400
Liabilities					
Demand Deposits	\$ 134,843,448	\$ 146,584,560	\$ 101,451,870	\$ 100,963,064	\$ 90,450,329
Interest-bearing NOW	19,567,049	32,071,869	41,499,830	42,820,018	23,921,946
Interest-bearing Savings & MMA	195,380,253	165,238,615	149,857,953	155,805,422	165,103,780
Time Deposits	49,300,059	40,461,260	40,098,022	5,731,398	8,040,235
Total Deposits	399,090,809	384,356,304	332,907,675	305,319,902	287,516,290
Other Borrowings	-	-	7,232,282	8,033,689	17,318,266
Federal Funds Purchased	-	-	-	-	-
Other Liabilities	3,008,372	2,473,355	2,648,360	2,651,588	2,493,999
Total Liabilities	402,099,181	386,829,659	342,788,317	316,005,179	307,328,555
Shareholders' Equity					
Common Stock	65,622,058	65,421,510	65,244,746	65,112,537	64,980,329
Accumulated Deficit	(7,413,290)	(7,640,872)	(7,539,404)	(6,970,816)	(6,434,054)
Accumulated Other Comprehensive Loss	(18,979,423)	(14,723,779)	(8,274,333)	(1,165,171)	(225,430)
Total Shareholders' Equity	39,229,345	43,056,859	49,431,009	56,976,550	58,320,845
Total Liabilities & Shareholders' Equity	\$ 441,328,526	\$ 429,886,518	\$ 392,219,326	\$ 372,981,729	\$ 365,649,400
Shares Outstanding	6,602,984	6,602,984	6,602,984	6,602,984	6,602,984
Tangible Book Value per Share	\$ 5.94	\$ 6.52	\$ 7.49	\$ 8.63	\$ 8.83

Triad Business Bank						
Income Statement (Unaudited)	For three months ended September 30, 2022	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	
Interest Income						
Interest & Fees on PPP Loans	\$ 32,081	\$ 111,590	\$ 143,170	\$ 367,328	\$ 348,946	
Interest & Fees on Core Loans	2,639,317	2,107,818	1,682,226	1,366,047	1,218,791	
Interest & Dividend Income on Securities	926,042	873,881	804,501	751,493	548,462	
Interest Income on Balances Due from Banks	155,882	61,152	10,672	19,281	18,364	
Other Interest Income	22,127	5,877	10,717	11,068	11,094	
Total Interest Income	3,775,449	3,160,318	2,651,286	2,515,217	2,145,657	
Interest Expense						
Interest on NOW Deposits	62,688	48,086	57,028	49,219	42,289	
Interest on Savings & MMA Deposits	430,711	223,635	203,850	285,101	222,766	
Interest on Time Deposits	162,894	76,666	20,459	10,930	13,692	
Interest on Federal Funds Purchased	470	717	918	-	-	
Interest on Borrowings	33,733	12,928	11,739	12,565	16,434	
Other Interest Expense	18,316	2,750	8,940	10,036	10,082	
Total Interest Expense	708,812	364,782	302,934	367,851	305,263	
Net Interest Income	3,066,637	2,795,536	2,348,352	2,147,366	1,840,394	
Provision for Loan Losses	204,659	229,529	626,024	449,210	296,990	
Net Interest Income After Provision for LL	2,861,978	2,566,007	1,722,328	1,698,156	1,543,404	
Total Noninterest Income	303,701	146,953	129,855	114,725	32,104	
Total Gain (Loss) on Securities	(2,856)	(46,893)	(11,907)	20,684	370,750	
Noninterest Expense						
Salaries & Benefits	2,052,870	1,901,183	1,658,862	1,573,671	1,517,840	
Premises & Equipment	144,455	126,979	122,069	119,100	120,048	
Total Other Noninterest Expense	720,716	721,227	624,372	677,557	627,865	
Total Noninterest Expense	2,918,041	2,749,389	2,405,303	2,370,328	2,265,753	
Income (Loss) Before Income Tax	244,782	(83,322)	(565,027)	(536,763)	(319,495)	
Income Tax	17,199	18,146	3,561	-	-	
Net Income (Loss)	\$ 227,583	\$ (101,468)	\$ (568,588)	\$ (536,763)	\$ (319,495)	
Net Income (Loss) per Share						
Basic	\$ 0.03	\$ (0.02)	\$ (0.09)	\$ (0.08)	\$ (0.05)	
Diluted	\$ 0.03	\$ (0.02)	\$ (0.09)	\$ (0.08)	\$ (0.05)	
Weighted Average Shares Outstanding						
Basic	6,602,984	6,602,984	6,602,984	6,602,984	6,064,941	
Diluted	6,842,779	6,602,984	6,602,984	6,602,984	6,064,941	
Pre-provision, Pre-tax Income (Loss)	\$ 449,441	\$ 146,207	\$ 60,997	\$ (87,553)	\$ (22,505)	

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

	Actual 9/30/2022	Non-GAAP 9/30/2022
Total Shareholders' Equity	\$ 39,229,345	\$ 39,229,345
Eliminate Deferred Tax Asset Valuation Allowance	-	1,549,408
Eliminate Accumulated Other Comprehensive Loss	-	18,979,423
Adjusted Shareholders' Equity	<u>\$ 39,229,345</u>	<u>\$ 59,758,176</u>

Shares Outstanding	6,602,984	6,602,984
Tangible Book Value per Share	\$ 5.94	\$ 9.05

Effect of Non-GAAP Measures on Tangible Book Value \$ 3.11

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 September 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 loss. 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 loss has been eliminated in this Non-GAAP measure.

Pre-provision Income (Loss)

	Qtr Ended 9/30/2022	Qtr Ended 6/30/2022	Qtr Ended 3/31/2022
Income (Loss) Before Income Tax	\$ 244,782	\$ (83,322)	\$ (565,027)
Provision for Loan Losses	204,659	229,529	626,024
Pre-provision Income Before Income Tax (Non-GAAP)	<u>\$ 449,441</u>	<u>\$ 146,207</u>	<u>\$ 60,997</u>

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

Triad Business Bank									
Key Ratios & Other Information (Unaudited)									
	Quarter Ended 9/30/2022			Quarter Ended 6/30/2022			Quarter Ended 3/31/2022		
	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	\$ 1,535,894	\$ 32,081	8.287%	\$ 3,314,501	\$ 111,590	13.504%	\$ 10,481,083	\$ 143,170	5.540%
Average Core Loans	249,410,110	2,639,317	4.198%	227,417,815	2,107,818	3.718%	194,987,088	1,682,226	3.499%
Yield on Average Investment Securities	\$ 140,999,639	\$ 926,042	2.606%	\$ 142,754,858	\$ 873,881	2.455%	\$ 145,816,868	\$ 804,501	2.238%
Cost of Average Interest-bearing Liabilities	\$ 261,272,291	\$ 708,812	1.076%	\$ 246,148,158	\$ 364,782	0.594%	\$ 221,981,810	\$ 302,934	0.553%
Net Interest Margin									
Interest Income		\$ 3,775,449			\$ 3,160,318			\$ 2,651,286	
Interest Expense		708,812			364,782			302,934	
Average Earnings Assets	\$ 423,153,761			\$ 404,352,657			\$ 380,351,577		
Net Interest Income & Net Interest Margin		3,066,637	2.875%		2,795,536	2.773%		2,348,352	2.504%
Loan to Asset Ratio									
Loan Balance	\$ 253,834,940			\$ 238,857,324			\$ 225,246,819		
Total Assets	441,328,526		57.516%	429,886,518		55.563%	392,219,326		57.429%
Leverage Ratio									
Tier 1 Capital	\$ 58,208,768			\$ 57,780,638			\$ 57,705,342		
Average Total Assets	445,828,670			425,001,436			393,553,369		
Average FRB Borrowings	-		13.056%	2,332,853		13.670%	7,659,018		14.954%
Unfunded Commitments to Extend Credit	\$ 96,122,332			\$ 89,833,906			\$ 100,350,230		
Standby Letters of Credit	277,240			27,240			-		

Triad Business Bank										
Capital and Capital Ratios (Unaudited)										
	Quarter Ended 9/30/2022		Quarter Ended 6/30/2022		Quarter Ended 3/31/2022		Quarter Ended 12/31/2021		Quarter Ended 9/30/2021	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Actual (dollars in thousands)										
Total Capital (to risk-weighted assets)	\$ 61,370	16.26%	\$ 60,713	16.87%	\$ 60,388	17.87%	\$ 60,243	21.40%	\$ 60,198	24.99%
Tier 1 Capital (to risk-weighted assets)	\$ 58,209	15.42%	\$ 57,781	16.05%	\$ 57,705	17.08%	\$ 58,142	20.65%	\$ 58,546	24.30%
Tier 1 Capital (to average assets)	\$ 58,209	13.06%	\$ 57,781	13.67%	\$ 57,705	14.95%	\$ 58,142	16.25%	\$ 58,546	20.69%
Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions (dollars in thousands)										
Total Capital (to risk-weighted assets)	\$ 38,000	10.00%	\$ 36,000	10.00%	\$ 34,000	10.00%	\$ 28,000	10.00%	\$ 24,000	10.00%
Tier 1 Capital (to risk-weighted assets)	\$ 30,000	8.00%	\$ 29,000	8.00%	\$ 27,000	8.00%	\$ 23,000	8.00%	\$ 19,000	8.00%
Tier 1 Capital (to average assets)	\$ 22,000	5.00%	\$ 21,000	5.00%	\$ 19,000	5.00%	\$ 18,000	5.00%	\$ 14,000	5.00%