

Triad Business Bank Earnings Release 11/03/2021

Triad Business Bank (OTC Pink – “TBBC”) Announces September Quarter Results Including Asset Growth of \$100 Million and Core Revenue Growth of 30% Compared to the June Quarter

GREENSBORO, NC (November 3, 2021) — “Triad Business Bank began operations in March of 2020 with a vision to be a catalyst for growth to the Triad’s business community. In the September 2021 quarter, the sixth quarter since formation, the Bank made significant progress toward achieving this vision. Total assets climbed nearly \$100 million in the quarter to \$366 million. New and existing Triad-based customers increased their deposits by \$78 million, and shareholders’ equity, raised primarily from investors in the Triad, increased by \$14.1 million due to the closing of the recent capital raise. Core loans increased 22%, or \$24 million, while cash and investment securities rose by \$93 million. The Bank is well positioned to continue future investment back into Triad community businesses,” commented CEO Ramsey K. Hamadi.

Hamadi continued, “The expanded balance sheet resulted in further improvement in the Bank’s operating trends. The pre-provision loss narrowed to \$23,000 in the September quarter from a pre-provision loss of \$148,000 in the June quarter. Core interest income, which is interest income excluding revenue from PPP loans, increased 30%, or \$411,000, from the previous quarter. Notably, revenue from PPP loans declined sharply by \$470,000. However, this decline was partially offset by a \$300,000 increase in gains on securities.”

Highlights of the Bank’s September 2021 quarterly results including comparisons from the quarter ended June 30, 2021:

Linked Quarter Balance Sheet Highlights:

- Total assets increased \$99.2 million, or 37%, to \$365.6 million
- Core loans increased \$23.8 million to \$132.1 million
- Demand deposits increased \$33.0 million to \$90.5 million
- Total deposits increased \$78.2 million to \$287.5 million
- Allowance for loan losses increased to \$1.7 million, or 1.25% of core loans
- No classified, non-performing or past due assets reported
- New loan pipeline remains robust at \$147 million
- Tangible book value increased \$0.17 per share to \$8.83
- Equity increased \$14.1 million to \$58.3 million

Linked Quarter Income Statement Highlights:

- Pre-provision loss narrowed to \$23,000
- Core interest income (non-PPP interest income) increased 30% while interest income declined 3%
- Net interest income declined only \$76,000 despite a \$470,000 decline in interest income from PPP loans
- Noninterest expense increased 4% from the previous quarter due primarily to increased personnel cost

September Quarter Results

The Bank reported a net loss of \$319,000, or \$0.05 per share, in the September quarter compared to \$313,000, or \$0.06 per share, for the June quarter. However, when considering results before the provision for loan losses, the linked-quarter operating loss narrowed to \$23,000 from \$148,000 due to higher revenue. Gains on securities totaled \$371,000 for the September quarter compared to \$71,000 in the June quarter.

The Bank's primary source of income is the spread between the interest it earns on its interest-earning assets, which are primarily loans and investments, and the expense it incurs from its funding sources, which are primarily deposits. Net interest income was \$1.8 million in the September quarter compared to \$1.9 million in the June quarter. The Bank's net interest margin declined from 2.90% in the June quarter to 2.46% in the September quarter due to growth in low yielding cash balances and reduced revenue from PPP loans. PPP revenue declined \$470,000 from the June quarter during which the Bank received rapid forgiveness payments from the Small Business Administration. This decline was partially offset by an increase in core interest income (interest income less PPP revenue), which increased \$271,000, or 30%, in the September quarter compared to the June quarter. In the September quarter, the average balance of core loans increased to \$117.8 million from \$98.3 million in the June quarter. The weighted average yield on these loans increased to 4.10% in the September quarter from 3.87% in the June quarter. The Bank applies a disciplined pricing model that it believes will yield consistent results over time, although the September quarter loan yields benefitted from higher-than-normal prepayment fees from loans that repaid earlier than agreed.

Total assets increased \$99.2 million to \$365.6 million at September 30, 2021 from \$266.5 million at June 30, 2021. Core loans increased by \$23.8 million and securities, cash and other assets increased \$93.3 million, which increases were partially offset by a \$17.6 million net decline in PPP Loans. Growth in assets was funded by a \$78.2 million increase in deposits and a \$14.1 million increase in shareholders' equity.

Loans, Investment Securities and Deposits

The Bank's core loans increased 22% during the third quarter to \$132.1 million compared to \$108.3 million at June 30, 2021. The Bank increased core loans committed by \$38.0 million during the quarter, which included a \$7.2 million increase in unfunded loan commitments. At September 30, 2021, the Bank had \$73.5 million in unfunded loan commitments. The Bank also had \$8.0 million of core loan balances repaid during the September 2021 quarter. The repaid loans resulted in recognition of deferred fees and prepayment fees, which boosted loan yields to 4.10% in the September quarter from 3.87% in the June quarter.

At September 30, 2021, the Bank had 153 core loans in its portfolio totaling \$132.1 million in outstanding balances and \$205.6 million of gross core loans including unfunded commitments. The average size of new core loans originated during the third quarter was \$1.4 million. At September 30, 2021, 50% of the Bank's outstanding core loan portfolio was Commercial and Industrial ("C&I") in nature:

Loan Diversification

<u>Loan Category</u>	<u>9/30/2021</u>	<u>Composition</u>
Other Construction & Land Development	\$ 18,092,714	
Non-Owner Occupied Commercial Real Estate	\$ 48,019,718	
Total Commercial Real Estate	\$ 66,112,432	50%
Owner Occupied Real Estate	\$ 21,883,371	
C&I	43,773,354	
Total C&I	\$ 65,656,725	50%
Other Revolving Loans	\$ 346,631	0%
Total	\$ 132,115,788	

The average balance of investment securities increased \$35.2 million in the September quarter to \$96.0 million. Interest income on investment securities was \$548,000 in the September quarter, a \$129,000 increase from the June quarter. The yield on the portfolio declined from 2.76% for the June quarter to 2.27% for the September quarter. Total investment securities were \$132.8 million at September 30, 2021, an increase of \$67.7 million from June 30, 2021. The decline in yield on the investment portfolio was due primarily to the purchase of short duration mortgage-backed agency securities that were purchased to maintain strong liquidity levels while minimizing interest rate risk in a potential rising rate environment.

Total deposits increased 37% to \$287.5 million at September 30, 2021 from \$209.3 million at June 30, 2021. Noninterest-bearing demand deposit accounts increased 57% to \$90.5 million in the September quarter. The noninterest-bearing deposit balances are driven by business customers who manage their core operating accounts through the Bank's treasury systems. During 2021, the Bank has added 50 new treasury customers and now has 126 treasury relationships. The balance of core deposits includes interest-bearing checking, savings and money market account balances which increased \$45.2 million to \$189.0 million at September 30, 2021. Time deposits were unchanged and totaled \$8.0 million at September 30, 2021.

PPP Update

In the September quarter, the SBA made \$17.8 million of principal forgiveness payments on the Bank's PPP loan portfolio compared to \$47.2 million in the June quarter. At September 30, 2021, PPP loans totaled \$22.7 million. During the September quarter, the Bank realized \$349,000 of interest and fees on the PPP portfolio, a decrease of \$470,000 from the prior quarter. At September 30, 2021, the Bank had \$715,000 remaining in unrealized PPP fees (\$582,000 net of unrealized costs). Since inception, the Bank has originated 458 PPP loans for over \$139 million. PPP revenue as a percentage of total revenue declined from 35% in the June quarter to 14% in the September quarter. The growth in core earnings of the Bank continues to reduce the Bank's reliance on PPP revenue.

Noninterest Expense

Noninterest expense was \$2.3 million in the September quarter, an increase of \$94,000 from the prior quarter. The increase in expense was due primarily to increased compensation expense related to

personnel additions. During the quarter, the total number of employees increased 10% to 44 at September 30, 2021. The growth in personnel costs is in line with the Bank's increased capital and the opportunity to grow the Bank's total assets beyond the earlier forecasts.

Credit Risk

The Bank had no nonperforming assets and reported no criticized or substandard assets at September 30, 2021. The Bank's emerging loan portfolio has been underwritten with an eye on the impact COVID-19 is having on cash flows of prospective businesses. Many of these businesses are prospering in the current environment and have either stable or expanding revenues.

Deferred Tax Asset, Non-GAAP Measure

The Bank's tangible book value per share on September 30, 2021 was \$8.83. Organization and startup costs during the Bank's organizational period and net operating losses during the first eighteen months of operations created a deferred tax asset of \$1.4 million. This asset is currently fully impaired and will be carried at \$0 until sufficient, verifiable evidence exists to demonstrate that the deferred tax asset will more likely than not be realized. At that time, the valuation allowance will be reversed. At September 30, 2021, the valuation allowance lowered tangible book value per share by \$0.21 from \$9.04 (a non-GAAP measurement) to \$8.83. On a non-GAAP basis, tangible book value per share increased from \$8.92 on June 30, 2021 to \$9.04 at September 30, 2021 when adding back the impairment of the deferred tax asset.

Outlook

"As we celebrate our eighteen-month anniversary, we are pleased to see that the opportunity for our Bank in the Triad is greater than our original forecast for this point in our operations. The Bank's assets are 47% greater, total deposits are 40% greater, and core demand deposit accounts are nearly 200% greater than our projections at the time of organization. The growth over the first eighteen months has allowed the Bank to invest more in personnel than we expected while not compromising efforts to achieve profitability. We are pleased to have built a larger than projected sales and service team of bankers, treasury officers and support staff. At September 30, 2021, the Bank had 44 employees versus our projection of 25. To date, the Bank's core deposits have increased faster than core loans. At quarter end, the Bank had \$715,000 of deferred PPP revenue (\$582,000 net of deferred costs) that has yet to be recognized. This deferred revenue should continue to bolster the Bank's total revenue through the end of 2021. We are pleased with the Bank's results to date, and as we look forward, we believe the Bank will continue to exceed expectations." Hamadi commented.

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, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Assets					
Noninterest-bearing cash	\$ 19,216,300	\$ 1,315,611	\$ 4,899,326	\$ 1,398,613	\$ 736,435
Interest-bearing due from banks	53,918,672	46,773,395	17,259,583	39,763,399	70,015,162
Securities	132,753,497	65,049,332	59,398,336	26,065,622	18,032,330
Federal funds sold	-	-	-	-	-
PPP Loans	22,675,019	40,276,095	83,016,045	78,173,460	100,057,189
Core Loans	132,115,788	108,315,230	95,143,122	73,083,871	49,840,339
Allowance for loan loss	(1,651,905)	(1,354,915)	(1,190,350)	(910,079)	(628,371)
Loans net	153,138,902	147,236,410	176,968,817	150,347,252	149,269,157
Other assets	6,622,029	6,102,655	6,055,184	3,528,292	3,220,127
Total assets	\$ 365,649,400	\$ 266,477,403	\$ 264,581,247	\$ 221,103,178	\$ 241,273,211
Liabilities					
Demand deposits	\$ 90,450,329	\$ 57,493,414	\$ 55,978,388	\$ 27,409,213	\$ 18,681,865
Interest-bearing NOW	23,921,946	21,626,263	21,956,030	19,067,897	4,737,561
Interest-bearing savings & MMA	165,103,780	122,161,899	101,058,331	98,446,048	70,005,273
Time deposits	8,040,235	8,027,714	8,818,530	3,806,611	501,000
Total Deposits	287,516,290	209,309,289	187,811,279	148,729,769	93,925,699
Other borrowings	17,318,266	10,756,485	20,685,620	24,946,988	99,713,260
Fed Funds Purchased	-	-	9,346,000	-	-
Other liabilities	2,493,999	2,204,446	2,523,648	2,569,615	2,238,944
Total Liabilities	307,328,555	222,270,220	220,366,548	176,246,372	195,877,903
Shareholders' Equity					
Common Stock	64,980,329	49,881,777	49,822,062	49,730,750	49,639,875
Accumulated Deficit	(6,434,054)	(6,114,560)	(5,801,946)	(5,404,682)	(4,676,843)
AOCI	(225,430)	439,965	194,583	530,738	432,276
Total Shareholders' Equity	58,320,845	44,207,183	44,214,699	44,856,806	45,395,308
Total Liabilities & Shareholders' Equity	\$ 365,649,400	\$ 266,477,403	\$ 264,581,247	\$ 221,103,178	\$ 241,273,211
Shares outstanding	6,602,984	5,102,984	5,102,984	5,102,984	5,102,984
Tangible book value per share	\$ 8.83	\$ 8.66	\$ 8.66	\$ 8.79	\$ 8.90

Triad Business Bank

Income Statement (unaudited)	For three months ended September 30, 2021	For three months ended June 30, 2021	For three months ended March 31, 2021	For three months ended December 31, 2020	For three months ended September 30, 2020
Interest Income					
Interest & Fees on PPP Loans	\$ 348,946	\$ 819,102	\$ 745,907	\$ 881,063	\$ 514,893
Interest & Fees on Core Loans	1,218,791	948,447	727,116	577,864	341,619
Interest & Dividend Income on Securities	548,462	419,317	254,383	155,893	132,261
Interest Income on balances Due from Banks	18,364	8,017	8,354	9,428	6,623
Other Interest Income	11,094	10,404	4,548	440	364
Total Interest Income	2,145,657	2,205,287	1,740,308	1,624,688	995,760
Interest Expense					
Interest on NOW Deposits	42,289	43,225	53,207	20,350	11,221
Interest on Savings & MMA Deposits	222,766	197,613	183,260	272,626	147,500
Interest on Time Deposits	13,692	13,692	12,369	5,373	1,011
Interest on Fed Funds Purchased	-	422	-	-	-
Interest on Borrowings	16,434	24,320	18,525	41,947	54,271
Other Interest Expense	10,082	9,917	4,139	-	-
Total Interest Expense	305,263	289,189	271,500	340,296	214,003
Net Interest Income	1,840,394	1,916,098	1,468,808	1,284,392	781,757
Provision for Loan Losses	296,990	164,565	280,271	281,708	454,563
Net Interest Income After Provision for LL	1,543,404	1,751,533	1,188,537	1,002,684	327,194
Total Noninterest Income	32,104	36,882	87,062	19,290	40,230
Total Gain(Loss) on Securities	370,750	70,525	108,488	-	-
Noninterest Expense					
Salaries & Benefits	1,517,840	1,475,650	1,152,497	1,087,939	924,103
Premises & Equipment	120,048	118,819	114,060	139,222	114,659
Total Other Noninterest Expense	627,865	577,084	514,794	522,652	540,864
Total Noninterest Expense	2,265,753	2,171,553	1,781,351	1,749,813	1,579,626
Loss before Income Tax	(319,495)	(312,613)	(397,264)	(727,839)	(1,212,202)
Income Tax	-	-	-	-	-
Net Loss	\$ (319,495)	\$ (312,613)	\$ (397,264)	\$ (727,839)	\$ (1,212,202)
Net Loss per Share					
Basic & Diluted	\$ (0.05)	\$ (0.06)	\$ (0.08)	\$ (0.14)	\$ (0.24)
Weighted Average Shares Outstanding					
Basic & Diluted	6,064,941	5,102,984	5,102,984	5,102,984	5,102,984
Pre-Provision, Pre-Tax Loss	\$ (22,505)	\$ (148,048)	\$ (116,993)	\$ (446,131)	\$ (757,639)

Non-GAAP Measures**Tangible Book Value**

	<u>Actual 9/30/2021</u>	<u>Non-GAAP 9/30/2021</u>
Total Shareholders' Equity	\$ 58,320,845	\$ 59,709,624
Shares Outstanding	6,602,984	6,602,984
Tangible Book Value Per Share	\$ 8.83	\$ 9.04
Deferred Tax Asset	\$ 1,388,779	\$ 1,388,779
Valuation Allowance	\$ (1,388,779)	\$ -
Recorded Deferred Tax Asset	\$ -	\$ 1,388,779
Effect of Non-GAAP Measure on Tangible Book Value	\$ 0.21	

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 demonstrating that the Deferred Tax Asset will more likely than not be realized, the valuation allowance will be eliminated. The Non-GAAP measure is shown to disclose the effect on tangible book value per share at 9/30/2021 had there been no valuation allowance at that date.

Pre-Provision Income

	<u>Qtr Ended 9/30/2021</u>	<u>Qtr Ended 6/30/2021</u>	<u>Qtr Ended 3/31/2021</u>
Loss Before Income Tax	\$ (319,495)	\$ (312,613)	\$ (397,264)
Provision For Loan Losses	\$ 296,990	\$ 164,565	\$ 280,271
Pre-Provision Income Before Income Tax (Non-GAAP)	\$ (22,505)	\$ (148,048)	\$ (116,993)

Triad Business Bank

Key Ratios & Other Information

	Quarter Ended 9/30/2021			Quarter Ended 6/30/2021			Quarter Ended 3/31/2021		
	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	\$ 30,976,950	\$ 348,946	4.469%	\$ 71,843,132	\$ 819,102	4.570%	\$ 82,415,770	\$ 745,907	3.670%
Average Core Loans	117,826,020	1,218,791	4.104%	98,314,011	948,447	3.870%	84,170,458	727,116	3.500%
Yield on Average Investment Securities	\$ 96,025,414	\$ 548,462	2.266%	\$ 60,854,121	\$ 419,317	2.760%	\$ 34,984,755	\$ 254,383	2.950%
Cost of Average Interest-bearing Liabilities	\$ 179,677,948	\$ 305,263	0.674%	\$ 166,381,245	\$ 289,189	0.700%	\$ 150,852,228	\$ 271,500	0.730%
Net Interest Margin									
Interest Income		\$ 2,145,657			\$ 2,205,287			\$ 1,740,308	
Interest Expense		305,263			289,189			271,500	
Average Earnings Assets	\$ 296,562,554			\$ 265,280,242			\$ 237,416,584		
Net Interest Income & Net Interest Margin		1,840,394	2.462%		1,916,098	2.897%		1,468,808	2.509%
Loan to Asset Ratio									
Loan Balance	\$ 154,790,807			\$ 148,591,325			\$ 178,159,167		
Total Assets	365,649,400		42.333%	266,477,403		55.761%	264,581,247		67.336%
Leverage Ratio									
Tier 1 Capital	\$ 58,546,275			\$ 43,767,218			\$ 44,020,116		
Avg Total Assets	301,575,704			270,740,371			242,160,119		
Avg FRB Borrowings	18,628,302		20.692%	27,872,010		18.021%	22,689,965		20.057%
Unfunded Commitments	73,508,450			66,350,046			50,899,646		