

TRIAD BUSINESS BANK

Triad Business Bank (OTC Pink – “TBBC”), February 9, 2022, Announces Unaudited Results for 2022, Including Fourth Quarter Results

Overview

CEO Ramsey K. Hamadi commented, “On December 31, 2022, Triad Business Bank (the “Bank”) completed its second full year of operations, and we are proud to report the Bank had two profitable quarters in 2022. We are also proud that our Bank has achieved widespread support in the markets we serve. The Bank had established more than 400 business operating deposit account relationships, principally in the Triad. These businesses transacted more than \$5 billion of activity through the Bank during 2022. Continued loan and deposit growth drove our net revenue to \$12.1 million for the year and yielded core operating earnings, a non-GAAP measurement which excludes the provision for loan losses and taxes, of \$1.0 million. In addition, excluding the benefit from loans made under the Paycheck Protection Program (“PPP”) and gain or loss on securities, core operating earnings improved \$4.1 million over the prior year.”

Fourth Quarter Income Statement Highlights Comparing the Quarters Ended December 31, 2022, and 2021:

- Net income grew \$616,000 from the prior year to \$79,000
- Core operating earnings rose \$452,000 to \$365,000 (non-GAAP measurement)
- Excluding benefits from PPP loans and gain or loss on securities, core operating earnings rose \$932,000 (non-GAAP measurement)
- Net interest income expanded \$1.1 million to \$3.3 million
- Interest income on core loans rose \$1.9 million, or 136%, to \$3.2 million
- Net interest margin increased 0.56% to 2.92%

Full Year 2022 Income Statement Highlights Compared to Full Year 2021

- Earnings improved \$1.2 million to a loss of \$364,000
- Core operating earnings improved \$1.4 million to \$1.0 million (non-GAAP measurement)
- Excluding benefits from PPP loans and gain or loss on securities, core operating earnings improved \$4.1 million (non-GAAP measurement)
- Net interest income expanded \$4.1 million to \$11.5 million
- Interest income on core loans rose \$5.4 million, or 127%, to \$9.7 million
- Net interest margin increased 0.24% to 2.78%

Balance Sheet Highlights Comparing December 31, 2022, and 2021:

- Core loans increased \$104.5 million to \$272.2 million, or 62%
- Total assets increased \$72.1 million to \$445.1 million, or 19%
- Noninterest-bearing deposits increased \$75.9 million to \$176.8 million, or 75%
- Allowance for loan losses increased \$1.3 million to \$3.4 million, or 1.25% of core loans
- No non-performing or past due assets reported
- Regulatory total risk-based capital increased \$1.7 million to \$61.9 million

Fourth Quarter Income Statement Comparison

The Bank reported net income of \$79,000, or \$0.01 per diluted share, for the three months ended December 31, 2022, compared to a loss of \$537,000, or \$(0.08) per diluted share, for the same period a year ago. Core operating earnings, a non-GAAP measurement which excludes the provision for loan losses and taxes, were \$365,000 for the fourth quarter of 2022 compared to a loss of \$88,000 for the fourth quarter of 2021.

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 \$2.1 million, or 83%, to \$4.6 million in the fourth quarter of 2022 compared to \$2.5 million in the fourth quarter of 2021. The growth in interest income was due primarily to growth in income on core loans which increased 136% to \$3.2 million. The weighted average yield on average core loans increased to 4.79% in the fourth quarter of 2022 from 3.55% in the fourth quarter of 2021. Income on investment securities totaled \$966,000 for the fourth quarter of 2022 compared to \$751,000 for the fourth quarter of 2021. Interest expense increased \$973,000 in the fourth quarter of 2022 to \$1.3 million from \$368,000 in the fourth quarter of 2021 primarily as a result of Federal Reserve rate hikes. The weighted average rate on interest-bearing liabilities increased to 2.05% in the fourth quarter of 2022 from 0.67% in the fourth quarter of 2021 due to higher deposit rates offered by the Bank resulting from the increase in market interest rates. The Bank's net interest margin increased to 2.92% in the fourth quarter of 2022 from 2.36% in the fourth quarter of 2021 due to the repricing of variable rate loans in a higher interest rate environment as well as growth of higher yielding core loans.

Noninterest expense increased \$586,000, or 25%, in the fourth quarter of 2022 to \$3.0 million from \$2.4 million in the fourth quarter of 2021. Salaries and benefits expense totaled \$2.1 million for the fourth quarter of 2022, which was an increase of \$513,000, or 33%, over the fourth quarter of 2021. Most of this increase was due to growth in compensation expense resulting from staff additions. The Bank had 56 employees at the end of 2022 compared to 47 at the end of 2021 and 33 at the end of 2020.

Annual Income Statement Comparison

The Bank reported a net loss of \$364,000, or \$(0.06) per diluted share, for the year ended December 31, 2022, compared to a net loss of \$1.6 million, or \$(0.27) per diluted share, for 2021. However, core operating earnings, a non-GAAP measurement which excludes the provision for loan losses and taxes, were \$1.0 million for the twelve-month period ended December 31, 2022 compared to a loss of \$375,000 for the twelve-month period ended December 31, 2021.

Total interest income increased \$5.6 million, or 65%, to \$14.2 million for 2022 compared to \$8.6 million for 2021. The increase in interest income was due primarily to growth in income on core loans which grew 127% to \$9.7 million. The weighted average yield on average core loans increased to 4.11% for 2022 from 3.76% for 2021. Income on investment securities totaled \$3.6 million for 2022 compared to \$2.0 million for 2021. Interest expense increased \$1.5 million in 2022 to \$2.7 million from \$1.2 million in 2021. The weighted average rate on interest-bearing liabilities increased to 1.10% for 2022 from 0.69% for 2021. The Bank's net interest margin increased to 2.78% for 2022 from 2.54% for 2021.

Annual Balance Sheet Comparison

Total assets increased \$72.1 million during the year from \$373.0 million at December 31, 2021 to \$445.1 million at December 31, 2022. During the year, core loans increased \$104.5 million and were funded primarily through growth in noninterest-bearing demand deposits which increased \$75.9 million.

Deposit balances increased \$87.5 million during the year to \$392.9 million at December 31, 2022. Growth in deposits stemmed primarily from the growth in noninterest-bearing demand deposits which totaled \$176.8 million, or 45% of total deposits, at December 31, 2022. Interest-bearing time and money market balances increased \$41.3 million, but the growth in these balances was partially offset by a \$29.6 million decline in interest-bearing checking account balances. As retail interest-bearing accounts proved more volatile in the rising rate environment, the Bank refocused its efforts on acquiring business operating accounts which are less sensitive to changes in interest rates. Time deposits, which consist primarily of brokered deposits, increased \$37.2 million during the year to \$43.0 million at December 31, 2022.

Shareholders' equity declined \$18.5 million during the year to \$38.4 million. This decline was primarily driven by changes in the market value of the Bank's investment portfolio which resulted in an \$18.9 million change in accumulated other comprehensive income/loss ("AOCI"). The AOCI loss at December 31, 2022 was \$20.1 million. The AOCI loss is expected to reverse as the bond portfolio shortens in life and is assumed to mature at par value.

Regulatory Capital

The Bank's regulatory capital, which is the primary factor that allows for growth, increased during the year by \$1.7 million to \$61.9 million at December 31, 2022. Total risk-based capital increased through operating earnings and growth in the allowance for loan loss. 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 \$348,000 to \$58.5 million at December 31, 2022. The Bank's tier 2 capital increased by \$1.3 million. Tier 1 and tier 2 capital ratios are measured against total assets and risk-weighted assets. For the Bank to be able to continue 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 regulatory 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 December 31, 2022:

Capital and Capital Ratios

	Quarter Ended	
	12/31/2022	
	<u>Amount</u>	<u>Ratio</u>
Actual		
(dollars in thousands)		
Total Capital (to risk-weighted assets)	\$ 61,909	15.45%
Tier 1 Capital (to risk-weighted assets)	\$ 58,490	14.60%
Tier 1 Capital (to average assets)	\$ 58,490	12.44%

Minimum To Be Well-Capitalized Under Prompt Corrective Action Provisions

(dollars in thousands)

Total Capital (to risk-weighted assets)	\$ 40,000	10.00%
Tier 1 Capital (to risk-weighted assets)	\$ 32,000	8.00%
Tier 1 Capital (to average assets)	\$ 24,000	5.00%

Loans

The Bank's core loans increased \$104.5 million, or 62%, during 2022 to \$272.2 million. While not included in loans outstanding, the Bank also had unfunded loan commitments of \$102.6 million, bringing total core loans outstanding and unfunded commitments to \$374.8 million at year end. For internal monitoring purposes, the Bank considers owner occupied real estate loans to be part of commercial and industrial ("C&I") loans. At December 31, 2022, approximately 51% of the Bank's outstanding core loan portfolio was composed of C&I loans:

Loan Diversification

<u>Loan Category</u>	<u>Year Ended</u> <u>12/31/2022</u>	<u>Percentage of</u> <u>Core Loan</u> <u>Portfolio</u>
Other Construction & Land Development	\$ 48,101,041	
Non-owner Occupied Commercial Real Estate	85,763,295	
Total Commercial Real Estate	<u>133,864,336</u>	49%
Owner Occupied Real Estate	55,457,749	
C&I	82,545,620	
Total C&I	<u>138,003,369</u>	51%
Other Revolving Loans	<u>333,012</u>	0%
Total	<u>\$ 272,200,717</u>	

Credit Risk

The Bank had no past due loans or nonperforming assets at December 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 per share declined from \$8.63 at December 31, 2021 to \$5.82 at December 31, 2022 primarily as a result of the Bank's AOCI loss. On a non-GAAP basis, excluding the AOCI loss and the impairment on the Bank's deferred tax asset (two reductions in capital the Bank anticipates it will recover over time), adjusted tangible book value per share was \$9.09 at December 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 eleven quarters of operations 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 as a gain or loss, based on current circumstances, and constitutes an unrealized component of equity. At quarter end the Bank had an AOCI loss of \$20.1 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 its current AOCI loss to reflect an adjusted tangible book value.

Outlook

Management expects the Bank to continue its trends of strong loan and deposit growth during 2023. Moreover, we anticipate the Bank will achieve further profitability in 2023.

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.

Non-GAAP Financial Measures

This release contains financial information determined by methods other than in accordance with generally accepted accounting principles in the United States ("GAAP"). The management of Triad Business Bank uses these non-GAAP financial measures in its analysis of the Bank's performance. These measures typically adjust GAAP performance measures to exclude the effects of the provision for loan losses, income tax, deferred tax asset, and AOCI. Management believes presentations of these non-GAAP financial measures provide useful supplemental information that is essential to a proper understanding of the operating results of the Bank. These non-GAAP disclosures should not be viewed as a substitute for

operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

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)
December 31, 2022
December 31, 2021
Assets

Cash & Due from Banks	\$ 30,177,676	\$ 38,743,278
Securities	137,158,352	149,560,211
Federal Funds Sold	-	-

PPP Loans	848,172	11,605,363
Core Loans	272,200,717	167,657,470
Allowance for Loan Loss	(3,418,841)	(2,101,115)

Loans, Net	269,630,048	177,161,718
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Other Assets	8,142,741	7,516,522
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Total Assets	\$ 445,108,817	\$ 372,981,729
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Liabilities

Demand Deposits	\$ 176,820,321	\$ 100,963,064
Interest-bearing NOW	13,209,174	42,820,018
Interest-bearing Savings & MMA	159,857,410	155,805,422
Time Deposits	42,975,369	5,731,398

Total Deposits	392,862,274	305,319,902
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Other Borrowings	10,000,000	8,033,689
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Federal Funds Purchased	-	-
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Other Liabilities	3,807,240	2,651,588
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Total Liabilities	406,669,514	316,005,179
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Shareholders' Equity

Common Stock	65,824,785	65,112,537
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Accumulated Deficit	(7,334,490)	(6,970,816)
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Accumulated Other Comprehensive Loss	(20,050,992)	(1,165,171)
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Total Shareholders' Equity	38,439,303	56,976,550
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Total Liabilities & Shareholders' Equity	\$ 445,108,817	\$ 372,981,729
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Shares Outstanding	6,602,984	6,602,984
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Tangible Book Value per Share	\$ 5.82	\$ 8.63
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Triad Business Bank
Income Statement (Unaudited)
**For the year ended
December 31, 2022**
**For the year ended
December 31, 2021**
Interest Income

Interest & Fees on PPP Loans	\$ 289,109	\$ 2,281,282
Interest & Fees on Core Loans	9,651,275	4,260,401
Interest & Dividend Income on Securities	3,570,880	1,973,655
Interest Income on Balances Due from Banks	584,639	54,018
Other Interest Income	84,859	37,114
Total Interest Income	14,180,762	8,606,470

Interest Expense

Interest on NOW Deposits	250,955	187,939
Interest on Savings & MMA Deposits	1,798,129	888,741
Interest on Time Deposits	495,824	50,683
Interest on Federal Funds Purchased	2,104	422
Interest on Borrowings	99,704	71,844
Other Interest Expense	70,657	34,174
Total Interest Expense	2,717,373	1,233,803

Net Interest Income	11,463,389	7,372,667
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Provision for Loan Losses	1,317,726	1,191,036
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Net Interest Income After Provision for LL	10,145,663	6,181,631
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Total Noninterest Income	743,381	270,773
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Total Gain (Loss) on Securities	(156,156)	570,446
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Noninterest Expense

Salaries & Benefits	7,699,839	5,719,657
Premises & Equipment	504,901	472,028
Total Other Noninterest Expense	2,824,577	2,397,299
Total Noninterest Expense	11,029,317	8,588,984

Income (Loss) Before Income Tax	(296,429)	(1,566,134)
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Income Tax	67,244	-
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Net Income (Loss)	\$ (363,673)	\$ (1,566,134)
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Net Income (Loss) per Share

Basic	\$ (0.06)	\$ (0.27)
Diluted	\$ (0.06)	\$ (0.27)

Weighted Average Shares Outstanding

Basic	6,602,984	5,723,532
Diluted	6,602,984	5,723,532

Pre-provision, Pre-tax Income (Loss)	\$ 1,021,297	\$ (375,098)
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Triad Business Bank						
Key Ratios & Other Information (Unaudited)						
	Year Ended 12/31/2022			Year Ended 12/31/2021		
	Balance	Interest Income/ Expense	Yield/ Rate	Balance	Interest Income/ Expense	Yield/ Rate
Yield on Average Loans						
Average PPP Loans	\$ 4,052,156	\$ 289,109	7.135%	\$ 50,390,159	\$ 2,281,282	4.527%
Average Core Loans	234,635,751	9,651,275	4.113%	113,210,744	4,260,401	3.763%
Yield on Average Investment Securities	\$ 141,308,899	\$ 3,570,880	2.527%	\$ 83,098,173	\$ 1,973,655	2.375%
Cost of Average Interest-bearing Liabilities	\$ 247,277,337	\$ 2,717,373	1.099%	\$ 178,405,291	\$ 1,233,803	0.692%
Net Interest Margin						
Interest Income		\$ 14,180,762			\$ 8,606,470	
Interest Expense		2,717,373			1,233,803	
Average Earnings Assets	\$ 412,658,858			\$ 289,908,011		
Net Interest Income & Net Interest Margin		11,463,389	2.778%		7,372,667	2.543%
Loan to Asset Ratio						
Loan Balance	\$ 273,048,889			\$ 179,262,833		
Total Assets	445,108,817		61.344%	372,981,729		48.062%
Leverage Ratio						
Tier 1 Capital	\$ 58,490,295			\$ 58,141,721		
Average Total Assets	470,154,080			369,837,690		
Average FRB Borrowings	-		12.441%	12,049,791		16.250%
Unfunded Commitments to Extend Credit Standby Letters of Credit	\$ 102,576,003 277,240			\$ 86,746,649 -		

Triad Business Bank					
Balance Sheet (Unaudited)	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Assets					
Cash & Due from Banks	\$ 30,177,676	\$ 47,037,775	\$ 46,737,951	\$ 20,310,759	\$ 38,743,278
Securities	137,158,352	135,237,677	139,131,597	141,254,967	149,560,211
Federal Funds Sold	-	-	-	-	-
PPP Loans	848,172	928,829	2,273,307	7,592,431	11,605,363
Core Loans	272,200,717	252,906,111	236,584,017	217,654,388	167,657,470
Allowance for Loan Loss	(3,418,841)	(3,161,326)	(2,956,667)	(2,727,138)	(2,101,115)
Loans, Net	269,630,048	250,673,614	235,900,657	222,519,681	177,161,718
Other Assets	8,142,741	8,379,460	8,116,313	8,133,919	7,516,522
Total Assets	\$ 445,108,817	\$ 441,328,526	\$ 429,886,518	\$ 392,219,326	\$ 372,981,729
Liabilities					
Demand Deposits	\$ 176,820,321	\$ 134,843,448	\$ 146,584,560	\$ 101,451,870	\$ 100,963,064
Interest-bearing NOW	13,209,174	19,567,049	32,071,869	41,499,830	42,820,018
Interest-bearing Savings & MMA	159,857,410	195,380,253	165,238,615	149,857,953	155,805,422
Time Deposits	42,975,369	49,300,059	40,461,260	40,098,022	5,731,398
Total Deposits	392,862,274	399,090,809	384,356,304	332,907,675	305,319,902
Other Borrowings	10,000,000	-	-	7,232,282	8,033,689
Federal Funds Purchased	-	-	-	-	-
Other Liabilities	3,807,240	3,008,372	2,473,355	2,648,360	2,651,588
Total Liabilities	406,669,514	402,099,181	386,829,659	342,788,317	316,005,179
Shareholders' Equity					
Common Stock	65,824,785	65,622,058	65,421,510	65,244,746	65,112,537
Accumulated Deficit	(7,334,490)	(7,413,290)	(7,640,872)	(7,539,404)	(6,970,816)
Accumulated Other Comprehensive Loss	(20,050,992)	(18,979,423)	(14,723,779)	(8,274,333)	(1,165,171)
Total Shareholders' Equity	38,439,303	39,229,345	43,056,859	49,431,009	56,976,550
Total Liabilities & Shareholders' Equity	\$ 445,108,817	\$ 441,328,526	\$ 429,886,518	\$ 392,219,326	\$ 372,981,729
Shares Outstanding	6,602,984	6,602,984	6,602,984	6,602,984	6,602,984
Tangible Book Value per Share	\$ 5.82	\$ 5.94	\$ 6.52	\$ 7.49	\$ 8.63

Triad Business Bank					
Income Statement (Unaudited)	For three months ended December 31, 2022	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
Interest Income					
Interest & Fees on PPP Loans	\$ 2,267	\$ 32,081	\$ 111,590	\$ 143,170	\$ 367,328
Interest & Fees on Core Loans	3,221,915	2,639,317	2,107,818	1,682,226	1,366,047
Interest & Dividend Income on Securities	966,457	926,042	873,881	804,501	751,493
Interest Income on Balances Due from Banks	356,933	156,882	61,152	10,672	19,281
Other Interest Income	46,138	22,127	5,877	10,717	11,068
Total Interest Income	4,593,710	3,775,449	3,160,318	2,651,286	2,515,217
Interest Expense					
Interest on NOW Deposits	83,153	62,688	48,086	57,028	49,219
Interest on Savings & MMA Deposits	939,932	430,711	223,635	203,850	285,101
Interest on Time Deposits	235,806	162,894	76,666	20,459	10,930
Interest on Federal Funds Purchased	-	470	717	918	-
Interest on Borrowings	41,303	33,733	12,928	11,739	12,565
Other Interest Expense	40,651	18,316	2,750	8,940	10,036
Total Interest Expense	1,340,845	708,812	364,782	302,934	367,851
Net Interest Income	3,252,865	3,066,637	2,795,536	2,348,352	2,147,366
Provision for Loan Losses	257,515	204,659	229,529	626,024	449,210
Net Interest Income After Provision for LL	2,995,350	2,861,978	2,566,007	1,722,328	1,698,156
Total Noninterest Income	162,873	303,701	146,953	129,855	114,725
Total Gain (Loss) on Securities	(94,500)	(2,856)	(46,893)	(11,907)	20,684
Noninterest Expense					
Salaries & Benefits	2,086,924	2,052,870	1,901,183	1,658,862	1,573,671
Premises & Equipment	111,398	144,455	126,979	122,069	119,100
Total Other Noninterest Expense	758,263	720,716	721,227	624,372	677,557
Total Noninterest Expense	2,956,585	2,918,041	2,749,389	2,405,303	2,370,328
Income (Loss) Before Income Tax	107,138	244,782	(83,322)	(565,027)	(536,763)
Income Tax	28,338	17,199	18,146	3,561	-
Net Income (Loss)	\$ 78,800	\$ 227,583	\$ (101,468)	\$ (568,588)	\$ (536,763)
Net Income (Loss) per Share					
Basic	\$ 0.01	\$ 0.03	\$ (0.02)	\$ (0.09)	\$ (0.08)
Diluted	\$ 0.01	\$ 0.03	\$ (0.02)	\$ (0.09)	\$ (0.08)
Weighted Average Shares Outstanding					
Basic	6,602,984	6,602,984	6,602,984	6,602,984	6,602,984
Diluted	6,842,684	6,842,779	6,602,984	6,602,984	6,602,984
Pre-provision, Pre-tax Income (Loss)	\$ 364,653	\$ 449,441	\$ 146,207	\$ 60,997	\$ (87,553)

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

	Actual <u>12/31/2022</u>	Non-GAAP <u>12/31/2022</u>
Total Shareholders' Equity	\$ 38,439,303	\$ 38,439,303
Eliminate Deferred Tax Asset Valuation Allowance	-	1,522,022
Eliminate Accumulated Other Comprehensive Loss	-	20,050,992
Adjusted Shareholders' Equity	<u>\$ 38,439,303</u>	<u>\$ 60,012,317</u>
Shares Outstanding	6,602,984	6,602,984
Tangible Book Value per Share	\$ 5.82	\$ 9.09

Effect of Non-GAAP Measures on Tangible Book Value \$ 3.27

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 December 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 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

	Qtr Ended <u>12/31/2022</u>	Qtr Ended <u>9/30/2022</u>	Qtr Ended <u>6/30/2022</u>
Income (Loss) Before Income Tax	\$ 107,138	\$ 244,782	\$ (83,322)
Provision for Loan Losses	257,515	204,659	229,529
Pre-provision Income Before Income Tax (Non-GAAP)	<u>\$ 364,653</u>	<u>\$ 449,441</u>	<u>\$ 146,207</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 12/31/2022			Quarter Ended 9/30/2022			Quarter Ended 6/30/2022		
	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	\$ 877,145	\$ 2,267	1.025%	\$ 1,535,894	\$ 32,081	8.287%	\$ 3,314,501	\$ 111,590	13.504%
Average Core Loans	266,727,991	3,221,915	4.792%	249,410,110	2,639,317	4.198%	227,417,815	2,107,818	3.718%
Yield on Average Investment Securities	\$ 135,664,230	\$ 966,457	2.826%	\$ 140,999,639	\$ 926,042	2.606%	\$ 142,754,858	\$ 873,881	2.455%
Cost of Average Interest-bearing Liabilities	\$ 259,707,088	\$ 1,340,845	2.048%	\$ 261,272,291	\$ 708,812	1.076%	\$ 246,148,158	\$ 364,782	0.594%
Net Interest Margin									
Interest Income		\$ 4,593,710			\$ 3,775,449			\$ 3,160,318	
Interest Expense		1,340,845			708,812			364,782	
Average Earnings Assets	\$ 442,777,435			\$ 423,153,761			\$ 404,352,657		
Net Interest Income & Net Interest Margin		3,252,865	2.915%		3,066,637	2.875%		2,795,536	2.773%
Loan to Asset Ratio									
Loan Balance	\$ 273,048,889			\$ 253,834,940			\$ 238,857,324		
Total Assets	445,108,817		61.344%	441,328,526		57.516%	429,886,518		55.563%
Leverage Ratio									
Tier 1 Capital	\$ 58,490,295			\$ 58,208,768			\$ 57,780,638		
Average Total Assets	470,154,080			445,828,670			425,001,436		
Average FRB Borrowings	-		12.441%	-		13.056%	2,332,853		13.670%
Unfunded Commitments to Extend Credit	\$ 102,576,003			\$ 96,122,332			\$ 89,833,906		
Standby Letters of Credit	277,240			277,240			27,240		

Triad Business Bank										
Capital and Capital Ratios (Unaudited)										
	Quarter Ended 12/31/2022		Quarter Ended 9/30/2022		Quarter Ended 6/30/2022		Quarter Ended 3/31/2022		Quarter Ended 12/31/2021	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Actual										
(dollars in thousands)										
Total Capital (to risk-weighted assets)	\$ 61,909	15.45%	\$ 61,370	16.26%	\$ 60,713	16.87%	\$ 60,388	17.87%	\$ 60,243	21.40%
Tier 1 Capital (to risk-weighted assets)	\$ 58,490	14.60%	\$ 58,209	15.42%	\$ 57,781	16.05%	\$ 57,705	17.08%	\$ 58,142	20.65%
Tier 1 Capital (to average assets)	\$ 58,490	12.44%	\$ 58,209	13.06%	\$ 57,781	13.67%	\$ 57,705	14.95%	\$ 58,142	16.25%
Minimum To Be Well-Capitalized Under Prompt Corrective Action Provisions										
(dollars in thousands)										
Total Capital (to risk-weighted assets)	\$ 40,000	10.00%	\$ 38,000	10.00%	\$ 36,000	10.00%	\$ 34,000	10.00%	\$ 28,000	10.00%
Tier 1 Capital (to risk-weighted assets)	\$ 32,000	8.00%	\$ 30,000	8.00%	\$ 29,000	8.00%	\$ 27,000	8.00%	\$ 23,000	8.00%
Tier 1 Capital (to average assets)	\$ 24,000	5.00%	\$ 22,000	5.00%	\$ 21,000	5.00%	\$ 19,000	5.00%	\$ 18,000	5.00%