



Infinity Bank Announces 2021 Year End Financial Results

Santa Ana, CA, January 27, 2022 (Accesswire) – Infinity Bank (OTCQB: INFT) (the “Bank”) announced financial results as of December 31, 2021.

Financial Highlights for the year and fourth quarter of 2021:

- Net interest income for fourth quarter increased 18% over third quarter and 53% for the year over 2020
- Total loans grew by \$14.2 million, on a year-over-year basis
- Total assets increased by \$92 million over 2020
- Total deposits increased by \$89 million over 2020
- Reversed the deferred tax asset valuation allowance of \$1.89 million

Loans

At December 31, 2021 total loans totaled \$150.1 million, a decrease of \$3.5 million, or -2.3% from the end of the third quarter 2021. However, during the fourth quarter of 2021, \$3.3 million Paycheck Protection Program (“PPP”) loans were forgiven bringing the balance of PPP loans down to \$2.3 million, which means that non-PPP loans remained flat for the quarter. Non-PPP loans generally yield significantly more than PPP loans, so this is an important growth point for the Bank in terms of income generation. On a year-over-year basis total loans grew by \$14.2 million, or 10.5% when compared to December 31, 2020. During 2021, the Bank recorded an increase of \$102.8 million in new loan commitments. The Bank’s loan to deposit ratio increased to 57.2% as of December 31, 2021 from 51.3% as of September 30, 2021 and decreased from 78.8% as of December 31, 2020. The decrease in the loan to deposit ratio was due to an increase in total deposits during the year. Given the current economic conditions, the Bank increased its ALLL to 1.4% from 1.3% on non-PPP Loans during 2021. The ALLL was 1.51%, 1.38%, and 1.16% of total loans as of December 31, 2021, September 30, 2021, and December 31, 2020, respectively. PPP Loans are guaranteed by the U.S. Government and, therefore, do not require an allowance for loan and lease losses (“ALLL”) to be allocated to them.

The yield on average loans for the quarter ended December 31, 2021 was 6.93%, an increase of 54 basis points when compared to the previous quarter and 107 basis points when compared to the same quarter in 2020. The yield on average loans increased 62 basis points to 6.21% from the twelve-month period ended December 31, 2020. The increases in the yields are directly related to the mix of loans. As PPP loans decrease as a percentage of total loans, the yield on the overall portfolio will increase as noted above.

Deposits

Total deposits decreased by \$36.9 million, or -12.3% to \$262.5 million when compared to third quarter ended September 30, 2021. On a year-over-year basis total deposits increased by \$90.1 million or 52.3% when compared to December 31, 2020. Noninterest-bearing demand accounts decreased by \$41.1 million or -21.0% during the fourth quarter of 2021 when compared to the previous linked quarter and still comprises 58.9% of total deposits. At the end of the third quarter, one large customer had a significant amount of excess funds that were deposited into their noninterest bearing account. As expected, these funds were withdrawn in the fourth quarter. On a year-over-year basis, noninterest bearing deposits increased by \$53.8 million, or 53.4%. Interest-bearing deposits grew by \$4.2 million, or 4.5% when compared to September 30, 2021, and by \$26.9 million, or 37.6% from December 31, 2020. During the third quarter of 2021, the Bank purchased \$9.4 million of brokered time deposits. These deposits bear interest at 0.08% and mature in the third quarter of 2022. The drivers behind this dramatic increase in deposits were the growth in the amounts our clients hold with the Bank as well as the growth in the number of clients already at the Bank.

The cost of funds for the quarter ended December 31, 2021 was 26 basis points, an increase of 5 basis points when compared to the quarter ended September 30, 2021 and an increase of 1 basis point when compared to the same quarter of the previous year. For the twelve months ended December 31, 2021 cost of funds margin decreased to 24 basis points, a decrease of 14 basis points when compared to the same period ended December 31, 2020. The low cost of funds is a result of the Bank’s continued focus on long-term deposit relationships that are not solely based on pricing as well as the large increase in non-interest-bearing demand during 2021.

Subordinated Debt

During the fourth quarter of 2021, the Bank entered into non-convertible, subordinated debt agreements in the amount of \$4.0 million at an interest rate of 4.25% with a maturity of November, 2031. The Bank has the option to call these notes in November 2026 at par. The Bank viewed this as an opportunity to support growth, while not diluting our shares. Because the subordinated debt is treated as tier 2 capital in its regulatory capital calculations, it increases the Bank's legal lending limit, which offers flexibility to assist a greater array of customers.

Net-Interest Income

Net-interest income for the fourth quarter was \$2.7 million, up \$424 thousand, or 18.4% from the third quarter of 2021 and up \$859 thousand, or 45.9% over the fourth quarter of 2020. Net-interest income for the twelve months ended December 31, 2021 equaled \$8.9 million compared to \$5.8 million, an increase of \$3.1 million, or 53.2%, for the comparable period ending December 31, 2020. The Bank's primary source of revenue was driven by interest income from loans. The Bank's net interest margin increased by 8 basis points at the end of the quarter ended December 31, 2021 from the previous linked quarter. For the twelve months ended December 31, 2021 net interest margin increased by 25 basis points to 3.71% from 3.46% when compared to the comparable period ended December 31, 2020. The increase in the net interest margin when compared to the prior year was primarily driven by the decrease in PPP loans to 1.5% versus 11% as of December 31, 2020, thereby increasing the percentage of higher yielding loans.

Non-Interest Income

Total non-interest income for the fourth quarter of 2021 totaled \$78 thousand, a decrease of \$14 thousand, or -15.2%, from the previous quarter ended September 30, 2021. Non-interest income for the twelve months ended December 31, 2021 totaled \$302 thousand, an increase of \$88 thousand, or 41.1%, as compared to the comparable period ended December 31, 2020. The increase in non-interest income for the year was driven equally by service charges on deposit accounts and other income.

Non-Interest Expense

In the fourth quarter of 2021 the Bank's total non-interest expense increased by \$285 thousand, or 16.7% versus the prior quarter ended September 30, 2021. Non-interest expense for the twelve months ended December 31, 2021 totaled \$6.8 million versus \$5.7 million, an increase of \$1.1 million, or 19.3%, compared to the comparable period ended December 31, 2020. The increase in non-interest expense was primarily due to incentives which are based on increases in loans and deposits as well as the addition of staff to support the Bank's asset growth of 45% for the year.

Income Tax Expense

Due to the net operating losses incurred during the Bank's first few years of operation, the Bank realized a deferred tax asset primarily related to net operating loss carryforwards. As there had been uncertainty related to the realization of the deferred tax asset, a valuation allowance was recorded against the full value of the deferred tax asset. Since the Bank has been profitable for the past twelve consecutive months and believes that the net operating losses will be fully utilized, the Bank reversed the \$1.89 million valuation allowance during the third quarter of 2021, resulting in a tax credit. The tax credit is offset by the current year tax expense at a rate of approximately 31%.

Net Income

During the fourth quarter, the Bank recorded net income of \$440 thousand, or \$0.13 per share, a decrease of 79.8% from the \$2.2 million, or \$0.66 per share, recorded in the previously linked quarter. For the twelve months ended December 31, 2021, the Bank's net income was \$3.2 million, or \$0.96 per share, versus a net loss of \$318 thousand, or (\$0.10) per share in 2020, an increase of \$3.5 million, or 1,098%. The net income for the third quarter and year to date 2021 includes a tax credit of \$1.89 million (\$0.57).

The income before taxes for the quarter ended December 31, 2021 was \$665 thousand, an increase of \$259 thousand, or 33.8% when compared to the previous quarter. For the quarter ended December 31, 2021, income before taxes increased \$434 thousand, or 76% when compared to the same quarter in 2020. Income before taxes for the year ended December 31, 2021 was \$1.7 million, an increase of \$2.1 million over the \$317 thousand loss before taxes for the same period in 2020.

The return on average assets totaled 0.56% for the fourth quarter of 2021 as compared to 3.24% (2.81% is related to the reversal of the valuation allowance on the deferred tax asset) for the quarter ended September 30, 2021. This is an increase of 13 basis points excluding the deferred tax asset effect from 0.43% for the quarter ended December 31, 2020. The return on average assets was 1.29% (0.77% is related to the reversal of the deferred tax asset valuation allowance) for the year ended December 31, 2021 as compared with (0.18%) for the same period last year.

The return on average equity totaled 6.13% for the quarter ended December 31, 2021 as compared to 30.85% (26.81% is related to the reversal of the deferred tax asset valuation allowance) for the quarter ended September 30, 2021 and 3.56% for the quarter ended December 31, 2020. The return on average equity was 11.65% (6.95% is related to the reversal of the deferred tax asset valuation allowance) for the year ended December 31, 2021 as compared to (1.24%) for the same period in 2020.

Capital

At December 31, 2021, the Bank remained well-capitalized under the regulatory capital ratio guidelines with a tier 1 leverage ratio of 9.0%, a tier 1 risk-based capital ratio of 14.3%, and a total risk-based capital ratio of 17.4%.

The book value of the Bank's common stock was \$8.62, \$8.57, and \$7.80 as of December 31, 2021, September 30, 2021, and December 31, 2020, respectively.

ABOUT INFINITY BANK

Infinity Bank is a community bank that commenced operations in February 2018. The Bank is focused on serving the banking needs of commercial businesses, professional service entities, their owners, employees and families. The Bank offers a broad selection of depository products and services as well as business loan and commercial real estate financing products uniquely designed for each client. For more information about Infinity Bank and its services, please visit the website at www.goinfinitybank.com.

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This news release contains a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may be identified by use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "likely," "may," "outlook," "plan," "potential," "predict," "project," "should," "will," "would" and similar terms and phrases, including references to assumptions. Forward-looking statements are based upon various assumptions and analyses made by the Bank considering management's experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate under the circumstances. These statements are not guaranteeing of future performance and are subject to risks, uncertainties and other factors (many of which are beyond the Bank's control) that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Accordingly, you should not place undue reliance on such statements. Factors that could affect the Bank's results include, without limitation, the following: the timing and occurrence or non-occurrence of events may be subject to circumstances beyond the Bank's control; there may be increases in competitive pressure among financial institutions or from non-financial institutions; changes in the interest rate environment may reduce interest margins; changes in deposit flows, loan demand or real estate values may adversely affect the business of the Bank; unanticipated or significant increases in loan losses; changes in accounting principles, policies or guidelines may cause the Bank's financial condition to be perceived differently; changes in corporate and/or individual income tax laws may adversely affect the Bank's financial condition or results of operations; general economic conditions, either nationally or locally in some or all areas in which the Bank conducts business, or conditions in the securities markets or the banking industry may be less favorable than the Bank currently anticipates; legislation or regulatory changes may adversely affect the Bank's business; technological changes may be more difficult or expensive than the Bank anticipates; there may be failures or breaches of information technology security systems; success or consummation of new business initiatives may be more difficult or expensive than the Bank anticipates; or litigation or other matters before regulatory agencies, whether currently existing or commencing in the future, may delay the occurrence or non-occurrence of events longer than the Bank anticipates.

INFINITY BANK
UNAUDITED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands)

	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
ASSETS:			
Cash and due from banks	\$ 77,292	\$ 107,900	\$ 44,647
Securities available for sale	66,764	65,090	23,014
Total Loans	150,113	153,593	135,866
Allowance for loan and lease losses	<u>(2,273)</u>	<u>(2,124)</u>	<u>(1,582)</u>
Net Loans	147,840	151,469	134,284
Premises and equipment, net	1,236	1,324	1,561
Other assets	<u>3,694</u>	<u>3,528</u>	<u>1,376</u>
TOTAL ASSETS	<u>\$ 296,826</u>	<u>\$ 329,311</u>	<u>\$ 204,882</u>
LIABILITIES			
Deposits:			
Non-interest bearing	\$ 154,492	\$ 195,580	\$ 100,710
Interest bearing	98,635	94,437	71,706
Time certificates of deposit	<u>9,391</u>	<u>9,391</u>	<u>-</u>
Total deposits	262,518	299,408	172,416
Other liabilities	1,792	1,443	1,638
FHLB borrowings	-	-	5,000
Subordinated debt	<u>3,909</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>268,219</u>	<u>300,851</u>	<u>179,054</u>
Stockholders' Equity:			
Common stock	33,210	33,144	32,944
Accumulated deficit	(7,184)	(7,184)	(6,866)
Net income (loss)	3,173	2,733	(318)
Accumulated other comprehensive gain	<u>(592)</u>	<u>(233)</u>	<u>68</u>
TOTAL STOCKHOLDERS' EQUITY	28,607	28,460	25,828
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 296,826</u>	<u>\$ 329,311</u>	<u>\$ 204,882</u>

INFINITY BANK
UNAUDITED STATEMENTS OF OPERATIONS
(Dollars in thousands except share and per share amounts)

	For the Three Months Ended			For the Twelve Months Ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Interest Income:					
Loans	\$ 2,743	\$ 2,362	\$ 1,953	\$ 9,161	\$ 6,107
Investment securities	127	24	21	173	163
Other short-term investments	41	47	19	131	121
Total interest income	<u>2,911</u>	<u>2,433</u>	<u>1,993</u>	<u>\$9,465</u>	<u>6,391</u>
Interest expense:					
Deposits	143	126	117	489	553
Borrowed funds	37	-	4	37	4
Total interest expense	180	126	121	526	557
Net interest income	2,731	2,307	1,872	8,939	5,834
Provision for loan and lease losses	149	283	195	691	659
Net interest income after provision for loan and lease losses	<u>2,582</u>	<u>2,024</u>	<u>1,677</u>	<u>8,248</u>	<u>5,175</u>
Non-interest income:					
Service charges and other fees	44	46	29	154	98
Other income	34	46	27	148	107
Gain (loss) on securities	-	-	-	-	9
Total non-interest income	78	92	56	302	214
Non-interest expense:					
Salaries and employee benefits	1,389	1,159	999	4,671	3,872
Occupancy	90	93	87	360	356
Furniture, fixture & equipment	40	32	47	158	182
Data processing	105	110	95	411	330
Professional & legal	158	122	126	472	387
Marketing	45	19	16	93	55
Other expense	168	175	132	642	524
Total non-interest expense	<u>1,995</u>	<u>1,710</u>	<u>1,502</u>	<u>6,807</u>	<u>5,706</u>
Income (loss) before taxes	665	406	231	1,743	(317)
Income tax expense	225	(1,774)	1	(1,430)	1
Net Income (Loss)	<u>\$ 440</u>	<u>\$ 2,180</u>	<u>\$ 230</u>	<u>\$ 3,173</u>	<u>\$ (318)</u>
Basic Earnings (loss) per share	\$ 0.13	\$ 0.66	\$ 0.07	\$ 0.96	\$ (0.10)
Common shares outstanding	3,319,287	3,319,287	3,312,858	3,319,287	3,312,858

INFINITY BANK
UNAUDITED FINANCIAL HIGHLIGHTS

	<u>As Of and For the Three Months Ended</u>			<u>As Of and For the Twelve Months Ended</u>	
	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Performance Ratios (Based upon Reported Net Income):					
Net interest margin	3.57%	3.49%	3.53%	3.71%	3.46%
Cost of funds	0.26%	0.21%	0.25%	0.24%	0.38%
Loan to deposit ratio	57.18%	51.30%	78.80%	57.18%	78.80%
Yield on total loans	6.93%	6.39%	5.86%	6.21%	5.59%
Return on average assets	0.56%	3.24%	0.43%	1.29%	(0.18%)
Return on average equity	6.13%	30.85%	3.56%	11.65%	(1.24%)
Book value of common stock	\$ 8.62	\$ 8.57	\$ 7.80		
Asset Quality Summary:					
Allowance for loan loss/Total loans	1.51%	1.38%	1.16%		
Capital Ratios:					
Tier 1 risk-based capital ratio	14.26%	14.26%	15.49%		
Total risk-based capital ratio	17.43%	15.36%	16.44%		
Tier 1 leverage ratio	9.01%	10.39%	12.01%		