



Infinity Bank Announces Third Quarter 2022 Financial Results

Press Release – 11/01/2022

SANTA ANA, Calif, -- (ACCESSWIRE) – Infinity Bank (OTCQB: INFT) (the “Bank”), today announced financial results for the quarter ended, September 30, 2022.

Financial highlights for the third quarter of 2022:

- Total assets increased \$7.2 million from second quarter of 2022
- Total deposits increased \$7.9 million when compared to previous linked quarter
- Net interest margin was up 69 basis points to 4.10% from the second quarter of 2022
- Net income increased 69% when compared to the second quarter of 2022
- Return on average equity improved 414 basis points to 10.53% when compared to the quarter ended June 30, 2022

Loans

Total loans were \$150.7 million for the third quarter ending September 30, 2022, a decrease of \$3.7 million, or -2.4% from the previous linked quarter. The Bank recorded \$18 million in new loan commitments in the third quarter of 2022, of which \$7 million has funded. The fundings were offset by \$11 million in payoffs, most of which were expected based on the contractual terms of the loans. For the nine months ended September 30, 2022, total loans increased \$0.6 million, or 0.4%. The Bank’s loan to deposit ratio decreased to 51.8% as of September 30, 2022, from 54.6% as of the previously linked quarter and increased from 51.3% as of the third quarter of 2021. The fluctuation in the Bank’s loan to deposit ratio continues to be caused by an increase in total deposits and the timing of loan payoffs/paydowns versus draws on loan commitments.

Due to the current trajectory of the national and local economies, management has proactively increased the Bank’s Allowance for Loan and Lease Losses (“ALLL”) to 1.81% of total loans as of September 30, 2022, an increase from 1.61% as compared with the prior quarter and 1.38% for the third quarter of 2021. The ALLL for 2021 was lower than the other periods presented because total loans included \$5.6 million in Paycheck Protection Program (“PPP”) loans which were guaranteed by the U.S. Government and not subject to an allowance.

Yield on total loans increased to 7.21% during the third quarter of 2022, compared 6.45% during the previous linked quarter. The yield on total loans increased 82 basis points from 6.39% compared to the same period last year and 82 basis points to 6.76% from 5.94% for the nine months ended September 30, 2022, and 2021, respectively. This increase in yield from 2021 was expected as the prime rate has risen 300 basis points in 2022. The increase in the yield on loans for the nine months ended September 30, 2022 was limited during the first and second quarters due to floors on many of the Bank’s adjustable rate loans.

Deposits

Total Deposits increased by \$7.9 million, or 2.8% from the previous quarter to \$291.0 million as of September 30, 2022, and \$28.5 million, or 10.9% when compared to December 31, 2021. Noninterest-bearing demand accounts increased \$25.6 million or 16.7% during the third quarter to \$178.9 million as of September 30, 2022 and comprises 61% of total deposits. Noninterest-bearing demand accounts increased \$29.4 million, or 19.7%, for the nine months ended September 30, 2022. Interest-bearing deposits decreased by \$3.3 million or -2.9% when compared to the previous linked quarter and increased \$13.4 million, or 13.6% when compared to December 31, 2021. Time certificates of deposit were comprised of \$14.4 million of brokered time deposits as of June 30, 2022, and December 31, 2021. The brokered deposits were purchased in the third quarter of 2021 with a one-year maturity. The brokered deposits were paid off in the third quarter of 2022. The drivers behind the increase in deposits over 2021 were the growth in the amounts our clients hold with the Banks as well as growth in the number of clients.

Cost of funds for the quarter ended September 30, 2022, had a slight change compared to the linked quarter due to the increase in federal funds rates approved by the Federal Open Market Committee in the recent months. At September 30, 2022, the cost of funds for the Bank was 34 basis points, an increase of 2 basis points when compared to the linked quarter and up 13 basis points from the third quarter ended September 30, 2021. For the nine months ended September 30, 2022, the Bank’s cost of funds was 32 basis points, up 8 basis points from the same period last year.

Net-interest Income

Net-interest income for the third quarter of 2022 was \$3.3 million, up \$793 thousand, or 31.3% versus \$2.5 million for the second quarter of 2022 and up \$1.0 million, or 44.0% from the \$2.3 million recorded in the third quarter of 2021. For the nine months ended September 30, 2022, net interest income was \$8.3 million, up \$2.1 million, or 33.4% when compared to the same period in 2021.

The Bank's net interest margin was up 69 basis points to 4.10% when compared to second quarter ended June 30, 2022, and 61 basis points from 3.49% for the quarter ended September 30, 2021. For the nine months ended September 30, 2022, the net interest margin was 3.64% versus 3.78% from like period in 2021. While the Bank's primary source of net-interest income continues to be driven by interest on loans, in 2022, the interest earned on investment securities and other short-term investments has increased as a percentage of total interest income. These assets earn interest at a lower rate, in addition, the cost of funds has increased, the combination of these factors results in a lower net interest margin for 2022 as compared to 2021.

Non-interest Income

For the quarter ended September 30, 2022, the Bank's non-interest income totaled \$65 thousand, a decrease of \$34 thousand, or -34.3% from the second quarter of 2022 and 27 thousand, or -29.3% from the third quarter of 2021. For the nine months ended September 30, 2022, non-interest income totaled \$241 thousand, an increase of \$17 thousand, or 7.6% when compared to same period last year. The decrease in non-interest income in the current quarter was driven primarily by a decrease in overdraft fees on deposit accounts as a result better funds management by our customers.

Non-interest Expense

Non-interest expense increased \$326 thousand, or 18.1% to \$2.1 million for the quarter ended September 30, 2022, versus the second quarter of 2022. Non-interest expense increased \$413 thousand, or 24.2%, when compared to the same quarter in 2021. For the nine months ended September 30, 2022, the non-interest expense increased \$789 thousand or 16.4% from the like period in 2021. The increase was primarily driven by an increase in salaries and employee benefits, as the result of the addition of key employees to support growth in addition to incentives for the staff. Nevertheless, average assets per employee increased to from \$10.7 million as of September 30, 2021 to \$11.3 million as of September 30, 2022. In addition, the efficiency ratio decreased to 58.28% for the quarter ended September 30, 2022 from 63.05% for the previous linked quarter and decreased to 60.92% from 70.98% for the nine months ended September 30, 2022 and 2021, respectively. Overall, non-interest expense as a percentage of total assets was flat at 2.5% for the quarters ended September 30, 2021 and 2022, respectively and decreased from 2.9% to 2.4% for the nine months ended September 30, 2021 and 2022, respectively.

Income Tax Expense

Income tax expense for the third quarter of 2022 totaled \$298 thousand, an increase of \$111 thousand, or 59.4% over the second quarter of 2022, and an increase of \$2.1 million, or 116.8% from the third quarter of 2021. For the nine months ended September 30, 2022, the Bank's income tax expense equaled \$684 thousand, an increase of \$2.3 million, or 141.4%, from the same period last year. During the third quarter of 2021, the Bank reversed the valuation allowance of \$1.9 million on its deferred tax asset, resulting in a tax credit of \$1.8 million, net of tax expense at rate of approximately 31%.

Net Income

Net income was \$725 thousand, or \$0.22 per share, for the quarter ended September 30, 2022. This represents an increase in profitability of \$295 thousand, or \$0.09 per share when compared to the second quarter of 2022. This increase is primarily due to an increase in the interest rate spreads earned between the second and third quarters. On a year-over-year basis, net income was \$1.5 million lower, or \$0.44 per share from same period last year. For the nine months ended September 30, 2022, net income totaled \$1.6 million, or \$0.49 per share, a decrease of \$1.1 million (\$0.33 per share), or -40.6% when compared to the nine months ended September 30, 2021. The decrease as compared to both the quarter and nine months ended September 30, 2021 is due to the \$1.9M (\$0.57) reversal of the valuation allowance on the deferred tax asset in the third quarter of 2021.

The income before taxes for the quarter ended September 30, 2022 was \$1.0 million, an increase of \$406 thousand, or 65.8% when compared to the previous quarter and \$617 thousand, or 152.0% when compared to the same quarter in 2021. Income before taxes for the nine months ended September 30, 2022 was \$2.3 million, an increase of \$1.2 million, or 114.2% when compared to the same period in 2021.

The return of average assets increased 32 basis points to 0.88% for the quarter ended September 30, 2022 as compared to 0.56% for the second quarter of 2022, and decreased 236 basis points from 3.24% (2.81% was related to the reversal of the deferred tax asset valuation allowance) for the third quarter of 2021. The return on average assets was 0.70% for the nine months ended September 30, 2022, as compared to 1.63% (1.13% was related to the reversal of the deferred tax asset valuation allowance) for the same period last year.

The return on average equity for the third quarter of 2022 was 10.53%, up 414 basis points from 6.39% for the second quarter of 2022 and a decrease of 2032 basis points from 30.85% (26.81% was related to the reversal of the deferred tax asset valuation allowance) for the quarter ended September 30, 2021. The return on average equity was 7.90% for the nine months ended September 30, 2022, as compared to 13.62% (9.44% was related to the deferred tax asset valuation allowance) for the same period in 2021.

Corporate Governance

On September 29, 2022, the Board of Directors and Shareholders approved the formation of a Bank Holding Company, Infinity Bancorp. The Secretary of State of California approved the transaction with an effective date of October 21, 2022. A holding company structure provides for more flexibility for raising capital, increasing liquidity and acquisition opportunities that may arise in the future. Infinity Bank is the sole subsidiary of Infinity Bancorp.

Capital Management

The Bank continues to be well-capitalized and exceeds minimum regulatory requirement ratios with a tier 1 leverage ratio of 9.3%, tier 1 risk-based capital ratio of 14.5%, and a total risk-based capital ratio of 17.6%.

The book value of the Bank's common stock was \$7.83 as of September 30, 2022, down from \$8.03 as of June 30, 2022, and \$8.57 (\$0.57 related to the reversal of the deferred tax asset valuation allowance) as of September 30, 2021. The book value of the Bank's common stock decreased as of September 30, 2022, as compared to June 30, 2022, due primarily to an increase in the unrealized loss on the investment securities portfolio of \$1.4 million, or 39.5%. The investment portfolio consists entirely of government agency or government sponsored enterprise securities and therefore, the risk of incurring an actual loss is limited. Although the Bank holds its investment securities ("securities") as available for sale, we do not have the intent to sell any securities at this time. These securities are pledged to the Federal Home Loan Bank and provide the Bank with liquidity by allowing us to borrow approximately 95% of the fair market value of the portfolio. Also, the securities are amortizing which provides the bank with additional liquidity of approximately \$1M in monthly payments that are reinvested in higher yielding assets. As of September 30, 2022, the portfolio has an average life of 3.5 years.

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.

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

	As of September 30, 2022	As of June 30, 2022	As of December 31, 2021
ASSETS:			
Cash and due from banks	\$ 113,050	\$ 96,295	\$ 77,292
Securities available for sale	54,735	60,694	66,764
Total Loans	150,718	154,444	150,113
Allowance for loan and lease losses	(2,731)	(2,489)	(2,273)
Net Loans	147,987	151,955	147,840
Premises and equipment, net	944	1,039	1,236
Other assets	5,593	5,161	3,694
TOTAL ASSETS	\$ 322,309	\$ 315,144	\$ 296,826
LIABILITIES			
Deposits:			
Non-interest bearing	\$ 178,938	\$ 153,342	\$ 149,491
Interest bearing	112,051	115,357	98,636
Brokered certificates of deposit	-	14,394	14,391
Total deposits	290,989	283,093	262,518
Other liabilities	1,364	1,487	1,792
Subordinated debt	3,923	3,918	3,909
TOTAL LIABILITIES	296,276	288,498	268,219
Stockholders' Equity:			
Common stock	33,424	33,345	33,210
Accumulated deficit	(4,011)	(4,011)	(7,184)
Net income	1,627	902	3,173
Accumulated other comprehensive gain (loss)	(5,007)	(3,590)	(592)
TOTAL STOCKHOLDERS' EQUITY	26,033	26,646	28,607
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 322,309	\$ 315,144	\$ 296,826

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

	For the Three Months Ended			For the Nine Months Ended	
	September 30, 2022	June 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Interest Income:					
Loans	\$ 2,749	\$ 2,398	\$ 2,362	\$ 7,569	\$ 6,419
Investment securities	184	164	24	523	46
Other short-term investments	645	189	47	859	89
Total interest income	3,578	2,751	2,433	8,951	6,554
Interest expense:					
Deposits	208	174	126	530	345
Borrowed funds	47	47	-	141	1
Total interest expense	255	221	126	671	346
Net interest income	3,323	2,530	2,307	8,280	6,208
Provision for loan and lease losses	242	215	283	610	542
Net interest income after provision for loan and lease losses	3,081	2,315	2,024	7,670	5,666
Non-interest income:					
Service charges	37	53	46	129	110
Other income	28	46	46	112	114
Total non-interest income	65	99	92	241	224
Non-interest expense:					
Salaries and employee benefits	1,546	1,275	1,159	3,944	3,282
Occupancy	92	84	93	265	270
Furniture, fixture & equipment	40	40	32	115	118
Data processing	89	89	110	277	306
Professional & legal	116	111	121	341	314
Marketing	22	15	19	53	48
Other expense	218	183	176	605	473
Total non-interest expense	2,123	1,797	1,710	5,600	4,811
Income before taxes	1,023	617	406	2,311	1,079
Income tax expense (benefit)	298	187	(1,774)	684	(1,654)
Net Income	\$ 725	\$ 430	\$ 2,180	\$ 1,627	\$ 2,733
Earnings per share ("EPS"): Basic	\$ 0.22	\$ 0.13	\$ 0.66	\$ 0.49	\$ 0.82
Common shares outstanding	3,325,716	3,319,287	3,319,287	3,325,716	3,319,287

INFINITY BANK
UNAUDITED FINANCIAL HIGHLIGHTS

	At and For the Three Months Ended			At and For the Nine Months Ended	
	September 30, 2022	June 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Performance Ratios:					
Net interest margin	4.10%	3.41%	3.49%	3.64%	3.78%
Cost of funds	0.34%	0.32%	0.21%	0.32%	0.24%
Loan to deposit ratio	51.80%	54.56%	51.30%	51.80%	51.30%
Yield on total loans	7.21%	6.45%	6.39%	6.76%	5.94%
Return on average assets	0.88%	0.56%	3.24%	0.70%	1.63%
Return on average equity	10.53%	6.39%	30.85%	7.90%	13.62%
Efficiency ratio	58.28%	63.05%	67.72%	60.92%	70.98%
Book value of common stock	\$ 7.83	\$ 8.03	\$ 8.57		
Asset Quality Summary:					
Allowance for loan loss/Total loans	1.81%	1.61%	1.38%	1.81%	1.38%
Capital Ratios:					
Tier 1 risk-based capital ratio	14.54%	14.19%	12.42%	14.54%	12.42%
Total risk-based capital ratio	17.64%	17.24%	13.53%	17.64%	13.53%
Tier 1 leverage ratio	9.28%	9.63%	8.96%	9.28%	8.96%