



Infinity Bank Announces Second Quarter 2022 Financial Results

Press Release – 08/03/2022

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

Financial highlights for the second quarter of 2022:

- Total assets increased \$6.7 million from first quarter of 2022
- Total deposits increased \$7.4 million when compared to previous linked quarter
- The deposit mix shifted more heavily to interest-bearing accounts (41% from 38%) over first quarter of 2022
- Net interest margin was up 6 basis points to 3.41% from the first quarter of 2022
- Net income increased 42% when compared to the second quarter of 2021
- Return on average equity improved 180 basis points when compared to the quarter ended June 30, 2021

Loans

Total loans were \$154.4 million for the second quarter ending June 30, 2022, an increase of \$7.2 million, or 4.9% from the previous linked quarter. The Bank recorded \$17 million in new loan commitments in the second quarter of 2022, of which \$11 million has funded. The fundings were offset by \$4 million in payoffs, most of which were expected based on the contractual terms of the loans. For the six months ended June 30, 2022, total loans increased \$4.3 million, or 2.9%. The Bank’s loan to deposit ratio increased to 54.6% as of June 30, 2022, from 53.4% as of the previously linked quarter and decreased from 87.1% as of the second 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 economic conditions and the potential for a recession in the near future, management has proactively increased the Bank’s Allowance for Loan and Lease Losses (“ALLL”) to 1.61% of total loans as of June 30, 2022, an increase from 1.54% as compared with the prior quarter and 1.20% for the second quarter of 2021. The ALLL for 2021 was lower than the other periods presented because total loans included \$12.8 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 decreased to 6.45% during the second quarter of 2022, compared 6.61% during the previous linked quarter. The yield for the first quarter of 2022 included net fee income recognized upon the forgiveness of the Bank’s final PPP loans. The yield on total loans increased 75 basis points from 5.70% compared to the same period last year and 82 basis points to 6.53% from 5.71% for the six months ended June 30, 2022, and 2021, respectively. This increase in yield from 2021 was expected as the prime rate has risen 150 basis points in 2022.

Deposits

Total Deposits increased by \$7.4 million, or 2.7% from the previous quarter to \$283.1 million as of June 30, 2022, and \$20.6 million, or 7.8% when compared to December 31, 2021. Noninterest-bearing demand accounts decreased \$9.5 million or -5.8% during the second quarter to \$153.3 million as of June 30, 2022 and comprises 54% of total deposits. Noninterest-bearing demand accounts increased \$3.6 million, or 2.4%, for the six months ended June 30, 2022. Interest-bearing deposits grew by \$11.9 million or 11.5% when compared to the previous linked quarter and \$12 million, or 11.6% when compared to December 31, 2021. Time certificates of deposit are comprised of \$14.4 million of brokered time deposits as of June 30, 2022, and March 31, 2022. The brokered deposits were purchased in the third quarter of 2021 with a one-year maturity. 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 June 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 June 30, 2022, the cost of funds for the Bank was 32 basis points, an increase of 3 basis points when compared to the linked quarter and up 6 basis points from the second quarter ended June 30, 2021. For the six months ended June 30, 2022, the Bank's cost of funds was 31 basis points, up 6 basis points from the same period last year.

Net-interest Income

Net-interest income for the second quarter of 2022 was \$2.5 million, up \$105 thousand, or 4.3% versus \$2.4 million for the first quarter of 2022 and up \$542 thousand, or 27.2% from the \$2 million recorded in the second quarter of 2021. For the six months ended June 30, 2022, net interest income was \$5 million, up \$1 million, or 27.1% when compared to the same period in 2021.

Net interest margin was up 6 basis points to 3.41% when compared to first quarter ended March 31, 2022, and down 58 basis points from 3.99% for the quarter ended June 30, 2021. For the six months ended June 30, 2022, net interest margin was 3.38% versus 3.97% 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 June 30, 2022, the Bank's non-interest income totaled \$99 thousand, an increase of \$22 thousand, or 28.6% from the first quarter of 2022 and grew \$18 thousand, or 22.2% from the second quarter of 2021. For the six months ended June 30, 2022, non-interest income totaled \$176 thousand, an increase of \$44 thousand, or 33.3% when compared to same period last year. Non-interest income was driven equally by service charges and other income during all periods.

Non-interest Expense

Non-interest expense increased \$118 thousand, or 7.0% to \$1.8 million for the quarter ended June 30, 2022, versus the first quarter of 2022. Non-interest expense increased \$362 thousand, or 25.2%, when compared to the same quarter in 2021. For the six months ended June 30, 2022, the non-interest expense increased \$377 thousand or 12.2% 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 \$8.1 million as of June 30, 2021 to \$10.9 million as of June 30, 2022. Overall, non-interest expense has decreased as a percentage of total assets, from 2.8% to 2.4% for the quarters ended June 30, 2021 and 2022, respectively and from 3.1% to 2.3% for the six months ended June 30, 2021 and 2022, respectively.

Income Tax Expense

Income tax expense for the second quarter of 2022 totaled \$187 thousand, a decrease of \$11 thousand, or 5.6% less than the first quarter of 2022, and an increase of \$67 thousand, or 55.8% from the second quarter of 2021. For the six months ended June 30, 2022, the Bank's income tax expense equaled \$385 thousand, an increase of \$265 thousand, or 220.8%, from the same period last year. The Bank recorded limited tax expense in 2021 until the third quarter when the valuation allowance on the deferred tax asset was reversed.

Net Income

Net income was \$430 thousand, or \$0.13 per share, for the quarter ended June 30, 2022. This represents a slight decrease in profitability of \$42 thousand, or -\$0.01 per share when compared to the first quarter of 2022. This decrease is primarily due to an increase in the provision for the ALLL of \$43 thousand, net of tax, recorded in the second quarter. On a year-over-year basis, net income was \$128 thousand higher, or \$0.04 per share from same period last year. For the six months ended June 30, 2022, net income totaled \$902 thousand, or \$0.27 per share, an increase of \$349 thousand (\$0.10 per share), or 63.1% when compared to the six months ended June 30, 2021.

The return of average assets for the second quarter of 2022 was 0.56%, compared to 0.64% for the first quarter of 2022, and 0.60% for the second quarter of 2021. The return on average assets was 0.60% for the six months ended June 30, 2022, as compared to 0.55% for the same period last year.

The return on average equity for the second quarter of 2022 was 6.39%, down 38 basis points from 6.77% for the first quarter of 2022 and an improvement of 180 basis points from 4.59% for the quarter ended June 30, 2021. The return on average equity was 6.58% for the six months ended June 30, 2022, as compared to 4.26% for the same period in 2021.

Capital Management

The Bank continues to be well-capitalized and exceeds minimum regulatory requirement ratios with a tier 1 leverage ratio of 9.6%, tier 1 risk-based capital ratio of 14.2%, and a total risk-based capital ratio of 17.2%.

The book value of the Bank's common stock was \$8.03 as of June 30, 2022, down from \$8.20 as of March 31, 2022, and up from \$7.98 as of June 30, 2021. The book value of the Bank's common stock decreased as of June 30, 2022, as compared to March 31, 2022, due primarily to an increase in the unrealized loss on the investment securities portfolio of \$1.1 million, or 42.5%.

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
— B A N K —

6 Hutton Centre Drive, Suite 100
Santa Ana, CA 92614

Bala Balkrishna
CEO
Phone: (657) 223-1000
Bala@goinfinitybank.com

Victor Guerrero
President, COO
Phone: (657) 223-1000
Victor@goinfinitybank.com

Allison Duncan
CFO
Phone: (657) 304-2378
Allisond@goinfinitybank.com

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

	As of June 30, 2022	As of March 31, 2022	As of December 31, 2021
ASSETS:			
Cash and due from banks	\$ 96,295	\$ 92,311	\$ 77,292
Securities available for sale	60,694	64,454	66,764
Total Loans	154,443	147,250	150,113
Allowance for loan and lease losses	(2,488)	(2,274)	(2,273)
Net Loans	151,955	144,976	147,840
Premises and equipment, net	1,039	1,136	1,236
Other assets	5,161	5,559	3,694
TOTAL ASSETS	\$ 315,144	\$ 308,436	\$ 296,826
LIABILITIES			
Deposits:			
Non-interest bearing	\$ 153,342	\$ 162,866	\$ 149,739
Interest bearing	115,357	103,436	103,388
Time certificates of deposit	14,394	9,391	9,391
Total deposits	283,093	275,693	262,518
Other liabilities	1,487	1,613	1,792
Subordinated debt	3,918	3,913	3,909
TOTAL LIABILITIES	288,498	281,219	268,219
Stockholders' Equity:			
Common stock	33,345	33,275	33,210
Accumulated deficit	(4,011)	(4,011)	(7,184)
Net income	902	472	3,173
Accumulated other comprehensive gain (loss)	(3,590)	(2,519)	(592)
TOTAL STOCKHOLDERS' EQUITY	26,646	27,217	28,607
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 315,144	\$ 308,436	\$ 296,826

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

	For the Three Months Ended			For the Six Months Ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Interest Income:					
Loans	\$ 2,399	\$ 2,421	\$ 2,071	\$ 4,820	\$ 4,057
Investment securities	164	152	10	316	22
Other short-term investments	189	48	23	237	42
Total interest income	2,752	2,621	2,104	5,373	4,121
Interest expense:					
Deposits	174	148	115	322	219
Borrowed funds	47	47	-	94	1
Total interest expense	221	195	115	416	220
Net interest income	2,531	2,426	1,989	4,957	3,901
Provision for loan and lease losses	215	153	212	368	259
Net interest income after provision for loan and lease losses	2,316	2,273	1,777	4,589	3,642
Non-interest income:					
Service charges	53	39	36	92	64
Other income	46	38	45	84	68
Total non-interest income	99	77	81	176	132
Non-interest expense:					
Salaries and employee benefits	1,275	1,123	941	2,398	2,123
Occupancy	84	89	89	173	177
Furniture, fixture & equipment	40	35	33	75	86
Data processing	89	98	101	187	196
Professional & legal	113	112	109	225	193
Marketing	15	15	16	30	29
Other expense	182	208	147	390	297
Total non-interest expense	1,798	1,680	1,436	3,478	3,101
Income before taxes	617	670	422	1,287	673
Income tax expense	187	198	120	385	120
Net Income	\$ 430	\$ 472	\$ 302	\$ 902	\$ 553
Earnings per share ("EPS"): Basic	\$ 0.13	\$ 0.14	\$ 0.09	\$ 0.27	\$ 0.17
Common shares outstanding	3,319,287	3,319,287	3,312,858	3,319,287	3,312,858

INFINITY BANK
UNAUDITED FINANCIAL HIGHLIGHTS

	At and For the Three Months Ended			At and For the Six Months Ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Performance Ratios:					
Net interest margin	3.41%	3.35%	3.99%	3.38%	3.97%
Cost of funds	0.32%	0.29%	0.26%	0.31%	0.25%
Loan to deposit ratio	54.56%	53.41%	87.07%	54.56%	87.07%
Yield on total loans	6.45%	6.61%	5.70%	6.53%	5.71%
Return on average assets	0.56%	0.64%	0.60%	0.60%	0.55%
Return on average equity	6.39%	6.77%	4.59%	6.58%	4.26%
Book value of common stock	\$ 8.03	\$ 8.20	\$ 7.98		
Asset Quality Summary:					
Allowance for loan loss/Total loans	1.61%	1.54%	1.20%	1.61%	1.20%
Capital Ratios:					
Tier 1 risk-based capital ratio	14.19%	14.21%	15.29%	14.19%	15.29%
Total risk-based capital ratio	17.24%	17.23%	16.36%	17.24%	16.36%
Tier 1 leverage ratio	9.63%	9.70%	13.00%	9.63%	13.00%