



Infinity Bancorp Announces 2022 Year End Financial Results

Press Release – 02/06/2023

SANTA ANA, Calif, -- (ACCESSWIRE) – Infinity Bancorp (OTCQB: INFT) (the “Company” or “Bancorp”), the holding company for Infinity Bank (the “Bank”), today announced financial results for the year ended, December 31, 2022.

Formation of Infinity Bancorp and basis of presentation:

On October 21, 2022, management received final approval for the formation of a Bank Holding Company, Infinity Bancorp. Infinity Bank is the sole subsidiary of Infinity Bancorp. The financial data presented in this press release as of and for the three and twelve months ended December 31, 2022 is consolidated. Financial data presented for periods prior to December 31, 2022 was prior to the formation of Infinity Bancorp and therefore represents the activity of Infinity Bank only.

Financial highlights for the fourth quarter of 2022:

- Total assets increased \$13.3 million from December 31, 2021
- Total deposits increased \$13.8 million for the year
- Net income increased 90% for the fourth quarter of 2022 over the previous quarter and 212% when compared to the fourth quarter of 2021
- Return on average assets increased 80 basis points to 1.68% from previous linked quarter

Loans

Total loans were \$156.6 million at December 31, 2022, compared to \$150.7 million for the third quarter ending September 30, 2022, an increase of \$5.8 million, or 3.9%. On a year-over year basis, total loans grew \$6.5 million, 4.3% from fourth quarter ending December 31, 2021. The Bank funded \$29 million in new loans/advances in the fourth quarter of 2022. The fundings were offset by \$23 million in payoffs, most of which were expected based on the contractual terms of the loans. The Bank’s loan to deposit ratio increased to 56.7% as of December 31, 2022, from 51.8% as of the previously linked quarter and decreased from 57.2% from a year ago. The fluctuation in the Bank’s loan to deposit ratio continues to be caused by changes 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”) during 2022. The Bank’s ALLL was 1.70% of total loans as of December 31, 2022, a decrease from 1.81% as compared with the prior quarter and an increase from 1.51% for the fourth quarter of 2021. The ALLL as of December 31, 2022 decreased when compared to the previous linked quarter due to improvement in the amount of classified loans. At December 31, 2022, the Bank had \$1.9 million in classified loans versus \$4.7 million at September 30, 2022. 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 8.48% during the fourth quarter of 2022, compared to 7.21% during the preceding quarter and 6.93% in the fourth quarter a year ago. For the twelve months ended, December 31, 2022 yield on total loans equaled to 7.21% a 100 basis point increase from the same time last year. This increase in yield from 2021 was expected as the prime rate has risen 425 basis points in 2022. The increase in the yield on loans in 2022 was limited during the first and second quarters due to floors on many of the Bank’s adjustable-rate loans.

Deposits

Total Deposits equaled to \$276.3 million at December 31, 2022, a decrease of \$14.7 million, or -5.0% from the third quarter of 2022 and an increase of \$13.8 million, or 5.3% from December 31, 2021. Noninterest-bearing demand accounts decreased \$34.7 million, or -19.4% during the fourth quarter to \$144.3 million as of December 31, 2022, and comprises 52% of total deposits. Noninterest-bearing demand accounts decreased \$5.2 million, or -3.5% when compared to same quarter in 2021. Interest-bearing deposits increased by \$20 million, or 17.8% when compared to the previous linked quarter and increased \$33.4 million, or 33.9% when compared to December 31, 2021.

Cost of funds for the quarter ended December 31, 2022, increased due to multiple federal funds rate increases during the fourth quarter approved by the Federal Open Market Committee. For the quarter ended December 31, 2022, the cost of funds for the Bank was 58 basis points, an increase of 24 basis points when compared to the linked quarter and up 32 basis points from the quarter ended December 31, 2021. For the twelve months ended December 31, 2022, the Bank's cost of funds was 39 basis points, up 15 basis points from December 31, 2021.

Net-interest Income

Net-interest income for the fourth quarter of 2022 was \$4.1 million, an increase of \$796 thousand, or 24.0% from the third quarter of 2022 and an increase of \$1.4 million, or 50.8% over the fourth quarter of 2021. Net-interest income for the twelve months ended December 31, 2022 was \$12.4 million, up \$3.5 million, or 38.7% for the comparable period ending December 31, 2021.

The Bank's net interest margin was up 104 basis points to 5.14% when compared to third quarter ended September 30, 2022, and 157 basis points from 3.57% for the comparable period ended December 31, 2021. For the twelve months ended December 31, 2022, the net interest margin was 4.03% versus 3.71% from the like period in 2021. The Bank's primary source of net-interest income continues to be driven by interest on loans, however interest earned on other short-term investments has also increased as a percentage of total interest income for the year to 14% compared with 1.4% in 2021.

Non-interest Income

For the quarter ended December 31, 2022, the Bank's non-interest income totaled \$80 thousand, an increase of \$15 thousand, or 23.1% from the third quarter of 2022, and \$2 thousand, or 2.6% from same period in 2021. Non-interest income for the twelve months ended December 31, 2022, totaled \$321 thousand, an increase of \$19 thousand, or 6.3% when compared to the comparable period ended December 31, 2021. The increase in non-interest income for the quarter and year was equally driven by service charges on deposits accounts and other income.

Non-interest Expense

During the fourth quarter of 2022 non-interest expense decreased \$91 thousand, or -4.3% to \$2.0 million, versus the third quarter of 2022 and increased \$36 thousand, or 1.8% when compared to same quarter in 2021. For the twelve months ended December 31, 2022, the non-interest expense increased \$825 thousand, or 12.1%, 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 staff to support growth. The average assets per employee was \$10.1 million at December 31, 2022 an increase from \$9.1 million at December 31, 2021. In addition, the efficiency ratio decreased to 43.84% for the quarter ended December 31, 2022 from 58.28% for the previous linked quarter and decreased to 55.2% from 69.7% for the twelve months ended December 31, 2022 and 2021, respectively.

Income Tax Expense

Income tax expense for the fourth quarter of 2022 totaled \$610 thousand, an increase of \$312 thousand, or 104.7% over the third quarter of 2022, and an increase of \$386 thousand, or 172.3% from the fourth quarter of 2021. The increase is directly related to the increase in income before taxes for these periods. For the twelve months ended December 31, 2022, the Bank's income tax expense equaled \$1.3 million, an increase of \$2.7 million, or 190.5%, 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 for the year ended December 31, 2021 of \$1.4 million, net of tax expense at a rate of approximately 31%.

Net Income

For the fourth quarter of 2022 the Bank's net income was \$1.4 million, or \$0.41 per share. This represents an increase in profitability of \$725 thousand, or \$0.19 per share when compared to the previous linked quarter and an increase of \$934 thousand, or \$0.28 per share when compared to fourth quarter of 2021. These increases are primarily due to an increase in the interest rate spreads earned during the year and on a quarter over quarter basis. For the twelve months ended December 31, 2022 net income totaled \$3.0 million, or \$0.90 per share, a decrease from \$3.2 million, or \$0.96 per share in 2021. The decrease on a year-over-year basis is due to the \$1.9 million (\$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 December 31, 2022 was \$2.0 million, an increase of \$961 thousand, or 93.9% when compared to the previous quarter, and \$1.3 million, or 198.8% when compared to the same quarter in 2021. Income before taxes for the twelve months ended December 31, 2022 was \$4.3 million, an increase of \$2.6 million, or 146.4% when compared to the same period in 2021.

The return on average assets increased 80 basis points to 1.68% for the fourth quarter of 2022 as compared to 0.88% for the third quarter of 2022 and increased 112 basis points from 0.56%. The return on average assets was 0.96% for the twelve months ended December 31, 2022, as compared to 1.29% (0.77% is related to the reversal of the deferred tax asset valuation allowance) for the same period last

year.

The return on average equity for the fourth quarter of 2022 was 20.33%, up 980 basis points from 10.53% for the third quarter of 2022 and an increase of 1,420 basis points from 6.13%. The return on average equity was 10.97% for the twelve months ended December 31, 2022, as compared to 11.65% (6.95% is related to the reversal of the deferred tax asset valuation allowance) 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 9.8%, tier 1 risk-based capital ratio of 15.2%, and a total risk-based capital ratio of 18.3%.

The book value of the Bank's common stock was \$8.48 as of December 31, 2022, up from \$7.83 as of September 30, 2022, and down from \$8.62 (\$0.57 related to the reversal of the deferred tax asset valuation allowance) at December 31, 2021. The book value of the Bank's common stock increased as of December 31, 2022, as compared to September 30, 2022, due primarily to a decrease in the unrealized loss on the investment securities portfolio of \$733 thousand, or \$0.22, as well as an increase in overall earnings due to improved interest rate spreads. The investment portfolio consists entirely of government agency or government sponsored enterprise securities and therefore, the risk of incurring an actual loss is unmeasurably low. 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 \$1 million in monthly payments that are reinvested in higher yielding assets. As of December 31, 2022, the portfolio has an average life of 3.3 years.

ABOUT INFINITY BANCORP AND INFINITY BANK

Infinity Bancorp, formed on October 21, 2022, is the bank holding company for Infinity Bank. The Bancorp does not have any operations other than through its sole subsidiary, Infinity Bank. The 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 Bancorp (which includes 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 Bancorp'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 Bancorp's results include, without limitation, the following: the timing and occurrence or non-occurrence of events may be subject to circumstances beyond the Bancorp'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 Bancorp; unanticipated or significant increases in loan losses; changes in accounting principles, policies or guidelines may cause the Bancorp's financial condition to be perceived differently; changes in corporate and/or individual income tax laws may adversely affect the Bancorp's financial condition or results of operations; general economic conditions, either nationally or locally in some or all areas in which the Bancorp conducts business, or conditions in the securities markets or the banking industry may be less favorable than the Bancorp currently anticipates; legislation or regulatory changes may adversely affect the Bancorp's business; technological changes may be more difficult or expensive than the Bancorp 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 Bancorp 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 Bancorp anticipates.



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

	As of December 31, 2022	As of September 30, 2022	As of December 31, 2021
	(Consolidated)	(Bank Only)	(Bank Only)
ASSETS:			
Cash and due from banks	\$ 98,234	\$ 113,050	\$ 77,292
Securities available for sale	51,979	54,735	66,764
Total Loans	156,567	150,718	150,113
Allowance for loan and lease losses	(2,661)	(2,731)	(2,273)
Net Loans	153,906	147,987	147,840
Premises and equipment, net	856	944	1,236
Other assets	5,198	5,593	3,694
TOTAL ASSETS	\$ 310,173	\$ 322,309	\$ 296,826
LIABILITIES			
Deposits:			
Non-interest bearing	\$ 144,281	\$ 178,938	\$ 149,491
Interest bearing	132,034	112,051	98,636
Brokered certificates of deposit	-	-	14,391
Total deposits	276,315	290,989	262,518
Other liabilities	1,713	1,364	1,792
Subordinated debt	3,927	3,923	3,909
TOTAL LIABILITIES	281,955	296,276	268,219
Stockholders' Equity:			
Common stock	33,502	33,424	33,210
Accumulated deficit	(4,011)	(4,011)	(7,184)
Net income	3,001	1,627	3,173
Accumulated other comprehensive gain (loss)	(4,274)	(5,007)	(592)
TOTAL STOCKHOLDERS' EQUITY	28,218	26,033	28,607
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 310,173	\$ 322,309	\$ 296,826

INFINITY BANCORP
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, 2022	September 30, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Consolidated)	(Bank Only)	(Bank Only)	(Consolidated)	(Bank Only)
Interest Income:					
Loans	\$ 3,348	\$ 2,749	\$ 2,743	\$ 10,917	\$ 9,161
Investment securities	177	184	127	700	173
Other short-term investments	1,030	645	41	1,889	131
Total interest income	4,555	3,578	2,911	13,506	9,465
Interest expense:					
Deposits	389	208	143	919	488
Borrowed funds	47	47	37	188	38
Total interest expense	436	255	180	1,107	526
Net interest income	4,119	3,323	2,731	12,399	8,939
Provision for loan and lease losses	183	242	149	793	691
Net interest income after provision for loan and lease losses	3,936	3,081	2,582	11,606	8,248
Non-interest income:					
Service charges	38	37	44	167	154
Other income	42	28	34	154	148
Total non-interest income	80	65	78	321	302
Non-interest expense:					
Salaries and employee benefits	1,442	1,546	1,389	5,386	4,671
Occupancy	89	92	90	354	360
Furniture, fixture & equipment	36	40	40	151	158
Data processing	87	89	105	364	411
Professional & legal	139	116	158	480	472
Marketing	16	22	45	69	93
Other expense	223	218	169	828	642
Total non-interest expense	2,032	2,123	1,996	7,632	6,807
Income before taxes	1,984	1,023	664	4,295	1,743
Income tax expense (benefit)	610	298	224	1,294	(1,430)
Net Income	\$ 1,374	\$ 725	\$ 440	\$ 3,001	\$ 3,173
Earnings per share ("EPS"): Basic	\$ 0.41	\$ 0.22	\$ 0.13	\$ 0.90	\$ 0.96
Common shares outstanding	3,325,716	3,325,716	3,319,287	3,325,716	3,319,287

INFINITY BANCORP
UNAUDITED FINANCIAL HIGHLIGHTS

	At and For the Three Months Ended			At and For the Twelve Months Ended	
	December 31, 2022	September 30, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Consolidated)	(Bank Only)	(Bank Only)	(Consolidated)	(Bank Only)
Performance Ratios:					
Net interest margin	5.14%	4.10%	3.57%	4.03%	3.71%
Cost of funds	0.58%	0.34%	0.26%	0.39%	0.24%
Loan to deposit ratio	56.66%	51.80%	57.18%	56.66%	57.18%
Yield on total loans	8.48%	7.21%	6.93%	7.21%	6.21%
Return on average assets	1.68%	0.88%	0.56%	0.96%	1.29%
Return on average equity	20.33%	10.53%	6.13%	10.97%	11.65%
Efficiency ratio	43.84%	58.28%	66.78%	55.20%	69.69%
Book value of common stock	\$ 8.48	\$ 7.83	\$ 8.62		
Asset Quality Summary:					
Allowance for loan loss/Total loans	1.70%	1.81%	1.51%		
Capital Ratios (Bank Only):					
Tier 1 risk-based capital ratio	15.24%	14.54%	14.26%		
Total risk-based capital ratio	18.33%	17.64%	17.43%		
Tier 1 leverage ratio	9.81%	9.28%	9.01%		