



Infinity Bancorp Announces First Quarter 2023 Financial Results

Press Release – 05/10/2023

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 quarter ended, March 31, 2023.

Financial highlights for the first quarter of 2023:

- Annualized return on average assets of 1.88%
- Annualized return on average equity of 19.16%
- Total assets and deposits were relatively unchanged at \$307 million and \$270 million, respectively
- Total liquidity remains very high at approximately \$150 million (nearly 50% of the Bank’s assets are held in cash and short-term investment securities)
- Net interest margin increased 58 basis points from prior period ended December 31, 2022
- Net income increased 189.3% when compared to the first quarter of 2022
- Total Risk-based capital ratio increased to 20.2%

Commentary on Recent Market Turbulence

During the past several weeks, larger, regional banks have come under pressure as it relates to their stock price and deposit outflows. These challenges have arisen as a result of market perceptions that these banks contain undue risk in their balance sheets due to various measures of risk as examined by the marketplace. The impact of this market perception has been that depositors of these regional banks have withdrawn significant portions of their deposits, putting a strain on the banks’ liquidity in a profound and, for a small number of regional banks, catastrophic way. However, and in contrast, Infinity Bank has not seen outflows of deposits or depositors. In fact, Infinity Bank has seen growth in the number of depositors in larger numbers than typical during the past several weeks. We believe that this stability and increase is a direct result of the conservative manner in which Infinity Bank operates (as evidenced by its significant liquidity and capital ratios – some of the highest in the nation) coupled with the deep relationships the Bank has established with its existing customers. The depth of these relationships has served as a bedrock of trust on which Infinity Bank has, and will always, stand.

Loans

Total loans were \$154.8 million at March 31, 2023, compared to \$156.6 million for the fourth quarter ending December 31, 2022, a decrease of \$1.8 million, or -1.1%. On a year-over year basis, total loans grew \$7.6 million, or 5.1% from the first quarter ending March 31, 2022. The Bank funded \$21.3 million in new loans/advances in the first quarter of 2023. The fundings were offset by \$23.3 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 57.2% as of March 31, 2023, from 56.7% as of December 31, 2022 and increased from 53.4% 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. With the adoption of CECL in 2023, the Bank’s ALLL decreased slightly to 1.68% of total loans as of March 31, 2023 from 1.70% as compared with the prior quarter and an increase from 1.54% for the first quarter of 2022.

Yield on total loans increased to 9.38% during the first quarter of 2023, compared to 8.48% from fourth quarter of 2022 and 6.61% in the first quarter a year ago.

Deposits

Total deposits equaled to \$270.5 million at March 31, 2023, a decrease of \$5.8 million, or -2.1% from the fourth quarter of 2022 and a decrease of \$5.2 million, or -1.9% from March 31, 2022. Interest-bearing deposits increased by \$8.6 million, or 6.5% when compared to fourth quarter of 2022 and increased \$37.2 million, or 36% when compared to March 31, 2022. Noninterest-bearing demand accounts decreased \$14.5 million, or -10% during the first quarter to \$129.8 million as of March 31, 2023, and comprises 48% of total deposits.

Noninterest-bearing demand accounts decreased \$33 million, or -20.3% when compared to same quarter in 2022. This shift to interest-bearing accounts was expected due to increased market rates over the past year.

Cost of funds for the quarter ended March 31, 2023, increased due to two federal funds rate increases during the first quarter of 2023 that were approved by the Federal Open Market Committee. In response to the increases in federal funds rates in 2022 and 2023, the Bank increased the rates paid on interest-bearing-deposit accounts in 2022 and first quarter of 2023 resulting in an increase in cost of funds of 48 basis points to 1.06% when compared to year end and 77 basis points from March 2022.

Net-interest Income

Net-interest income for the first quarter of 2023 was \$4.1 million, a slight decrease of \$24 thousand, or -0.6% from the fourth quarter of 2022 and an increase of \$1.7 million, or 68.7% over the first quarter of 2022.

The Bank's net interest margin was up 58 basis points to 5.72% when compared to fourth quarter ended December 31, 2022, and 237 basis points from 3.35% for the comparable period ended March 31, 2022. The Bank's primary source of net-interest income continues to be driven by interest on loans followed by other short-term investments.

Non-interest Income

For the quarter ended March 31, 2023, the Bank's non-interest income totaled \$79 thousand, a decrease of \$1 thousand, or -1.3% from the fourth quarter of 2022, and up \$2 thousand, or 2.6% from same period in 2022. The increase in non-interest income for the quarter was mainly driven by an increase in account analysis fees.

Non-interest Expense

For the first quarter of 2023, non-interest expense increased \$64 thousand, or 3.1% to \$2.1 million, versus the fourth quarter of 2022 and increased of \$416 thousand, or 24.8% when compared to same quarter in 2022. The increase over the first quarter of 2022 was driven primarily by an increase in salaries and employee benefits and other expenses. The average assets per employee was \$9.3 million at March 31, 2023 a decrease from \$10.1 million at December 31, 2022. Furthermore, the efficiency ratio improved slightly to 43.1% for the quarter ended March 31, 2023 compared to 43.8% at December 31, 2022.

Income Tax Expense

The Bank's income tax expense decreased \$35 thousand, or -5.7% from the fourth quarter of 2022, totaling \$575 thousand for the first quarter of 2023 and increased \$376 thousand, or 188.9% from the same period in 2022. The increase is directly related to the increase in income before taxes for these periods.

Net Income

For the first quarter of 2023 the Bank's net income was \$1.4 million, or \$0.41 per share which is flat compared to the fourth quarter of 2022 due to relatively flat interest rate spreads (4.66% compared to 4.56%). When compared to the first quarter of 2022, profitability increased \$896 thousand, or \$0.27 per share. This increase is primarily due to an increase in the interest rate spread to 4.66% as compared to 3.06%.

The income before taxes for the quarter ended March 31, 2023 was \$1.9 million, a decrease of \$41 thousand, or -2.1% when compared to the quarter ended December 31, 2022 and up \$1.3 million, or 189.6% when compared to the same quarter in 2022.

The return on average assets increased 20 basis points to 1.88% for the first quarter of 2023 as compared to 1.68% for the fourth quarter of 2022 and increased 124 basis points from 0.64% for the first quarter of 2022.

The return on average equity for the first quarter of 2023 was 19.16%, down 117 basis points from 20.33% for the fourth quarter of 2022 and an increase of 1,239 basis points from 6.77% for the first quarter of 2022. This is primarily due to a \$2.3 million increase in average equity in the first quarter of 2023 (\$1.4 million is related to net income and a \$800 thousand related to a decrease in the average net unrealized loss on securities).

Capital Management

The Bank continues to be well-capitalized and exceeds minimum regulatory requirement ratios with a tier 1 leverage ratio of 11.3%, tier 1 risk-based capital ratio of 17.0%, and a total risk-based capital ratio of 20.2%.

The book value of the Bank's common stock was \$9.11 as of March 31, 2023, up from \$8.48 as of December 31, 2022, and up from \$8.20 at March 31, 2022. The book value of the Bank's common stock increased as of March 31, 2023, as compared to December 31, 2022, due primarily to a decrease in the unrealized loss on the investment securities portfolio of \$521 thousand 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 \$850 thousand in monthly payments that are reinvested in higher yielding assets. As of March 31, 2023, the portfolio has an average life of 3.3 years.

ABOUT INFINITY BANCORP AND INFINITY BANK

Adoption of new accounting standards:

Effective January 1, 2023, the Bank adopted Accounting Standards Update (“ASU”) No. 2016-13, Topic 326, Measurement of Credit Losses on Financial Instruments. Under this standard, the allowance for credit losses is determined using the Current Expected Credit Loss (“CECL”) methodology versus the incurred loss method which was used through December 31, 2022. The effect of the adoption of ASU 2016-13, \$128,000, was recorded as an increase to opening retained earnings. All subsequent adjustments to allowance for credit losses will be recorded through the income statement.

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 months ended March 31, 2023 and December 31, 2022 is consolidated. Financial data presented as of and for the three months ended March 31, 2022 was prior to the formation of Infinity Bancorp and therefore represents the activity of Infinity Bank only.

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 FINANCIAL CONDITION
(Dollars in thousands)

	March 31, 2023	December 31, 2022	March 31, 2022
	(Consolidated)	(Consolidated)	(Bank Only)
ASSETS:			
Cash and due from banks	\$ 98,632	\$ 98,234	\$ 92,311
Securities available for sale	49,787	51,979	64,454
Total Loans	154,807	156,567	147,250
Allowance for loan and lease losses	(2,597)	(2,661)	(2,274)
Net Loans	152,210	153,906	144,976
Premises and equipment, net	762	856	1,136
Other assets	5,195	5,198	5,559
TOTAL ASSETS	\$ 306,586	\$ 310,173	\$ 308,436
LIABILITIES			
Deposits:			
Non-interest bearing	\$ 129,817	\$ 144,281	\$ 162,866
Interest bearing	140,642	132,034	103,436
Time certificates of deposit	-	-	9,391
Total deposits	270,459	276,315	275,693
Other liabilities	1,885	1,713	1,613
Subordinated debt	3,932	3,927	3,913
TOTAL LIABILITIES	276,276	281,955	281,219
Stockholders' Equity:			
Common stock	33,577	33,502	33,275
Accumulated deficit	(882)	(4,011)	(4,011)
Net income	1,368	3,001	472
Accumulated other comprehensive gain (loss)	(3,753)	(4,274)	(2,519)
TOTAL STOCKHOLDERS' EQUITY	30,310	28,218	27,217
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 306,586	\$ 310,173	\$ 308,436

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

	For the Three Months Ended		
	March 31, 2023	December 31, 2022	March 31, 2022
	(Consolidated)	(Consolidated)	(Bank Only)
Interest Income:			
Loans	\$ 3,704	\$ 3,348	\$ 2,422
Investment securities	174	177	161
Other short-term investments	910	1,030	39
Total interest income	4,788	4,555	2,622
Interest expense:			
Deposits	646	389	148
Borrowed funds	47	47	47
Total interest expense	693	436	195
Net interest income	4,095	4,119	2,427
Provision for loan and lease losses	135	183	153
Net interest income after provision for loan and lease losses	3,960	3,936	2,274
Non-interest income:			
Service charges	48	38	39
Other income	31	42	38
Total non-interest income	79	80	77
Non-interest expense:			
Salaries and employee benefits	1,470	1,442	1,123
Occupancy	89	89	89
Furniture, fixture & equipment	33	36	35
Data processing	108	87	98
Professional & legal	129	139	112
Marketing	13	16	15
Other expense	254	223	208
Total non-interest expense	2,096	2,032	1,680
Income before taxes	1,943	1,984	671
Income tax expense	575	610	199
Net Income	\$ 1,368	\$ 1,374	\$ 472
Earnings per share ("EPS"): Basic	\$ 0.41	\$ 0.41	\$ 0.14
Common shares outstanding	3,325,716	3,325,716	3,319,287

INFINITY BANCORP
UNAUDITED FINANCIAL HIGHLIGHTS

	At and For the Three Months Ended		
	March 31, 2023	December 31, 2022	March 31, 2022
	(Consolidated)	(Consolidated)	(Bank Only)
Performance Ratios:			
Net interest margin	5.72%	5.14%	3.35%
Cost of funds	1.06%	0.58%	0.29%
Loan to deposit ratio	57.24%	56.66%	53.41%
Yield on total loans	9.38%	8.48%	6.61%
Return on average assets	1.88%	1.68%	0.64%
Return on average equity	19.16%	20.33%	6.77%
Efficiency ratio	43.06%	43.84%	62.25%
Book value of common stock	\$ 9.11	\$ 8.48	\$ 8.20
Asset Quality Summary:			
Allowance for loan loss/Total loans	1.68%	1.70%	1.54%
Capital Ratios:			
Tier 1 risk-based capital ratio	17.00%	15.24%	14.21%
Total risk-based capital ratio	20.21%	18.33%	17.23%
Tier 1 leverage ratio	11.27%	9.81%	9.70%