



Infinity Bancorp Announces Third Quarter 2023 Financial Results

Press Release – 11/07/2023

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, September 30, 2023.

Financial highlights for the third quarter of 2023:

- Total liquidity remains very high at \$138 million, which equates to 44% of the Bank’s total assets
- Total loans increased \$18.1 million from December 31, 2022
- Total assets equaled to \$316.5 million, an increase of \$6.0 million when compared to the previous linked quarter
- Net interest margin increased to 5.46% from 3.64% a year ago
- Net income increased to \$3.6 million for the nine months ended September 30, 2023 compared to \$1.6 million in 2022
- Year to date earnings per share increased to \$1.05 compared to \$0.49 as of the same period last year

Loans

Total loans were \$174.6 million at September 30, 2023, compared to \$169.7 million for the second quarter ending June 30, 2023, an increase of \$5.0 million, or 2.9%. When compared to December 31, 2022, total loans increased \$18.1 million, or 11.5%. The Bank funded \$38.4 million in new loans/advances in the third quarter of 2023. The fundings were offset by \$33.4 million in payoffs, most of which were expected based on the contractual terms of the loans. The Bank’s loan to deposit ratio decreased slightly to 62.6% as of September 30, 2023, from 63.3% as of June 30, 2023, and increased from 51.8% from a year ago.

The Bank’s Allowance for Credit Losses (ACL) increased 11 basis points to 1.49% from 1.38% when compared to the previous quarter due to uncertainties in the current economic conditions. The Bank continues to have only one non-performing relationship.

Yield on total loans decreased to 9.42% during the third quarter of 2023, compared to 9.50% from second quarter of 2023 and increased compared to 7.21% in the third quarter, 2022.

Deposits

Total deposits equaled to \$278.8 million at September 30, 2023, an increase of \$10.7 million, or 4.0% from the second quarter of 2023 and an increase of \$2.5 million, or 0.9% from December 31, 2022. Interest-bearing deposits increased by \$13.2 million, or 10.5% when compared to the second quarter of 2023 and \$7.5 million, or 5.7% when compared to December 31, 2022. Noninterest-bearing demand accounts decreased \$2.5 million, or -1.8% during the third quarter to \$139.3 million as of September 30, 2023, and comprise 50.0% of total deposits. Noninterest-bearing demand accounts decreased \$5.0 million, or -3.5% when compared to December 31, 2022.

As market rates continue to remain elevated compared to more recent norms, the Bank has also raised the rates paid to their customers on their interest-bearing deposit accounts. This resulted in an increase in the Bank’s cost of funds to 1.76% for the quarter ended September 30, 2023, compared to 1.48% for the previous linked quarter and 0.34% for the same quarter last year. For the nine months ended September 30, 2023, the Bank’s cost of funds was 1.43% up 111 basis points from same period last year.

Net-interest Income

Net-interest income for the third quarter of 2023 was \$4.0 million, flat with the second quarter of 2023 and an increase of \$669 thousand, or 20.1% over the third quarter of 2022. For the nine months ended September 30, 2023, net interest income was \$12.1 million, an increase of \$3.8 million, or 46.4% from same period in 2022.

The Bank's net interest margin was down 2 basis points to 5.53% when compared to second quarter ended June 30, 2023, and up 143 basis points from 4.10% for the comparable period ended September 30, 2022. For the nine months ended September 30, 2023, the Bank's net-interest margin was up 182 basis points to 5.46% when compared to the same period ended September 30, 2022. The Bank's primary source of net-interest income continues to be driven by interest on loans followed by cash held at other banks and other short-term investments.

Non-interest Income

For the quarter ended September 30, 2023, the Bank's non-interest income totaled \$100 thousand, an increase of \$12 thousand, or 13.6% from the second quarter of 2023, and up \$35 thousand, or 53.8% from same period in 2022. For the nine months ended September 30, 2023, non-interest income totaled \$267 thousand, an increase of \$26 thousand, or 10.8%. The increase in non-interest income for the quarter was mainly driven by an increase in loan-related fees.

Non-interest Expense

For the third quarter of 2023, non-interest expense remained flat at \$2.3 million as compared with the second quarter of 2023 and increased \$198 thousand, or 9.3% when compared to same quarter in 2022. The increase over the third quarter of 2022 was driven primarily by an increase in data processing charges as well as salaries and employee benefits which is tied to and driven by the Bank's increase in net income and other performance indicators. For the nine months ended September 30, 2023, non-interest expense increased \$1.2 million to \$6.8 million from September 30, 2022 as a result of increases in staff as well as increases in other costs such as data processing, employee benefit costs and professional fees. As inflation continues to increase costs for our third-party vendors and service providers, the Bank's costs are expected to rise as well. The average assets per employee for the quarter ended September 30, 2023 decreased \$144 thousand to \$9.2 million when compared to June 30, 2023 and decreased from \$11.3 million as of September 30, 2022. Furthermore, the efficiency ratio decreased to 44.3% for the quarter ended September 30, 2023, from 46.0% at June 30, 2023 and decreased from 58.3% for the same quarter in 2022. For the nine months ended September 30, 2023, the efficiency ratio decreased to 44.5% from 60.9% for the same period in 2022.

Income Tax Expense

The Bank's income tax expense decreased \$43 thousand, or -8.5% from the second quarter of 2023, totaling \$462 thousand for the third quarter of 2023 and increased \$164 thousand, or 55.0% from the same period in 2022. For the nine months ended September 30, 2023, the Bank's income tax expense equaled \$1.5 million, an increase of \$858 thousand, or 125.4% from the same period last year. The change is directly related to the increase in income before taxes for these periods. The Company's net effective tax rate for combined state and federal taxes is approximately 30%.

Net Income

For the third quarter of 2023 the Bank's net income was \$1.1 million, or \$0.31 per share, a \$0.03 decrease when compared to the second quarter of 2023. When compared to the third quarter of 2022, profitability increased \$338 thousand, or \$0.09 per share.

The income before taxes for the quarter ended September 30, 2023, was \$1.5 million, a decrease of \$125 thousand, or -7.6% when compared to the previous linked quarter and up \$502 thousand, or 49.1% when compared to the same quarter in 2022.

The return on average assets decreased 18 basis points to 1.44% for the third quarter of 2023 as compared to 1.62% for the second quarter of 2023 and increased 56 basis points from 0.88% for the third quarter of 2022.

The return on average equity for the third quarter of 2023 was 12.93%, down 253 basis points from 15.46% for the second quarter of 2023 and an increase of 240 basis points from 10.53% for the third quarter of 2022.

Capital Management and Subsequent Event

The Bank continues to be well-capitalized and exceeds minimum regulatory requirement ratios with a tier 1 leverage ratio of 12.5%, tier 1 risk-based capital ratio of 16.9%, and a total risk-based capital ratio of 19.9%.

Common stock remained flat at \$34.4 million at September 30 and June 30, 2023.

The book value of the Bank's common stock was \$9.56 as of September 30, 2023, up from \$9.34 as of June 30, 2023, and \$7.83 at

September 30, 2022. The book value of the common stock increased due to the additional income earned for the quarter offset by the increase in the unrealized loss on investment securities for the quarter. The investment portfolio consists entirely of securities issued by government agencies or government sponsored enterprises and are primarily short-term, cash-flowing mortgage-backed securities, therefore, the risk of incurring an actual loss is immeasurably 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. As of September 30, 2023, the portfolio has an average life of 3.4 years.

On October 31, 2023, the Company completed a tender offer resulting in the repurchase of 674,559 shares of the Company's outstanding common stock at a price of \$9.00 per share, totaling \$6,071,031. The total shares outstanding after the tender offer was 2,734,586. In order to facilitate the repurchase of the shares, the Company entered into a line of credit agreement with a financial institution to borrow up to \$8 million, secured by the stock of the Bank. The line requires quarterly interest payments at Prime plus 0.25% (currently 8.75%) and matures in October 2024. The line is subject to certain financial and non-financial covenants. The Company borrowed \$6.1 million under the line of credit on November 1, 2023.

ABOUT INFINITY BANCORP AND INFINITY BANK

Formation of Infinity Bancorp and basis of presentation:

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 September 30, 2023, and June 30, 2023, is consolidated. Financial data presented as of and for the three and nine months ended September 30, 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)

	As of September 30, 2023	As of June 30, 2023	As of December 31, 2022
	(Consolidated)	(Consolidated)	(Consolidated)
ASSETS:			
Cash and due from banks	\$ 94,941	\$ 90,660	\$ 98,234
Securities available for sale	43,336	46,382	51,979
Total Loans	174,631	169,680	156,567
Allowance for credit losses	(2,594)	(2,348)	(2,661)
Net Loans	172,037	167,332	153,906
Premises and equipment, net	577	676	856
Other assets	5,602	5,400	5,198
TOTAL ASSETS	\$ 316,493	\$ 310,450	\$ 310,173
LIABILITIES			
Deposits:			
Non-interest bearing	\$ 139,269	\$ 141,784	\$ 144,281
Interest bearing	139,550	126,303	132,034
Total deposits	278,819	268,087	276,315
Other liabilities	1,154	2,628	1,713
Subordinated debt	3,942	3,937	3,927
FHLB and Other Borrowings	-	4,000	-
TOTAL LIABILITIES	283,915	278,652	281,955
Stockholders' Equity:			
Common stock	34,446	34,415	33,502
Accumulated deficit	(882)	(882)	(4,011)
Net income	3,576	2,513	3,001
Accumulated other comprehensive gain (loss)	(4,562)	(4,248)	(4,274)
TOTAL STOCKHOLDERS' EQUITY	32,578	31,798	28,218
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 316,493	\$ 310,450	\$ 310,173

INFINITY BANCORP
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, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(Consolidated)	(Consolidated)		(Consolidated)	
Interest Income:					
Loans	\$ 3,968	\$ 3,755	\$ 2,749	\$ 11,427	\$ 7,569
Investment securities	165	165	184	504	523
Other short-term investments	1,003	1,085	645	2,998	859
Total interest income	5,136	5,005	3,578	14,929	8,951
Interest expense:					
Deposits	1,095	925	208	2,666	530
Borrowed funds	49	49	47	145	141
Total interest expense	1,144	974	255	2,811	671
Net interest income	3,992	4,031	3,323	12,118	8,280
Provision for credit losses	246	128	242	509	610
Net interest income after provision for loan and lease losses	3,746	3,903	3,081	11,609	7,670
Non-interest income:					
Service charges	49	56	37	153	129
Other income	51	32	28	114	112
Total non-interest income	100	88	65	267	241
Non-interest expense:					
Salaries and employee benefits	1,603	1,718	1,546	4,791	3,944
Occupancy	94	90	92	273	265
Furniture, fixture & equipment	32	31	40	96	115
Data processing	165	128	89	401	277
Professional & legal	151	144	116	424	341
Marketing	22	18	22	53	53
Other expense	254	212	218	720	605
Total non-interest expense	2,321	2,341	2,123	6,758	5,600
Income before taxes	1,525	1,650	1,023	5,118	2,311
Income tax expense	462	505	298	1,542	684
Net Income	\$ 1,063	\$ 1,145	\$ 725	\$ 3,576	\$ 1,627
Earnings per share ("EPS"): Basic	\$ 0.31	\$ 0.34	\$ 0.22	\$ 1.05	\$ 0.49
Common shares outstanding	3,409,145	3,402,716	3,325,716	3,409,145	3,325,716

INFINITY BANCORP
UNAUDITED FINANCIAL HIGHLIGHTS

	At and For the Three Months Ended			At and For the Nine Months Ended	
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Performance Ratios:					
Net interest margin	5.53%	5.55%	4.10%	5.46%	3.64%
Cost of funds	1.76%	1.48%	0.34%	1.43%	0.32%
Loan to deposit ratio	62.63%	63.29%	51.80%	62.63%	51.80%
Yield on total loans	9.42%	9.50%	7.21%	9.02%	6.76%
Return on average assets	1.44%	1.62%	0.88%	1.62%	0.70%
Return on average equity	12.93%	15.46%	10.53%	15.43%	7.90%
Efficiency ratio	44.33%	45.97%	58.28%	44.47%	60.92%
Average assets per employee (in thousands)	\$ 9,152	\$ 9,296	\$ 11,300	\$ 9,235	\$ 10,713
Book value of common stock	\$ 9.56	\$ 9.34	\$ 7.83		
Asset Quality Summary:					
Allowance for credit losses/Total loans	1.49%	1.38%	1.81%	1.49%	1.81%
Capital Ratios:					
Tier 1 risk-based capital ratio	16.87%	17.27%	14.34%	16.87%	14.34%
Total risk-based capital ratio	19.87%	20.30%	17.42%	19.87%	17.42%
Tier 1 leverage ratio	12.45%	11.90%	9.28%	12.45%	9.28%