



Infinity Bancorp Announces 2023 Year End Financial Results and First Cash Dividend

Press Release – February 5, 2024

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, December 31, 2023.

Financial highlights for the fourth quarter of 2023 and subsequent event:

- Total liquidity remains very high at \$107 million, which equates to 35% of the Company’s total assets
- Total loans increased \$19.7 million from September 30, 2023 and increased \$37.7 million year-over-year from 2022
- Net interest margin increased to 5.74% from 5.14% a year ago
- Net income increased to \$3.9 million for the year ended December 31, 2023 compared to \$3.0 million in 2022
- Year to date earnings per share increased to \$1.19 compared to \$0.90 as of the same period last year
- On January 25, 2024, the Company declared a \$0.07 cash dividend to shareholders of record as of February 12, 2024, payable on February 26, 2024

Loans and Allowance for Credit Losses

Total loans were \$194.3 million as of December 31, 2023, compared to \$174.6 million for the third quarter ending September 30, 2023, an increase of \$19.7 million, or 11.3%. When compared to December 31, 2022, total loans increased \$37.7 million, or 24.1%. The Company funded \$39.8 million in new loans/advances in the fourth quarter of 2023. The fundings were offset by \$12.1 million in payoffs. The Company’s loan to deposit ratio increased to 77.8% as of December 31, 2023, from 62.6% as of September 30, 2023, and from 56.7% from a year ago.

During the quarter ended December 31, 2023, the Company charged off \$746 thousand which was related to one loan in its portfolio. The Bank has fully exited this relationship and has no further exposure as of December 31, 2023. At the time of the charge-off, most of the necessary reserves had already been established in the Company’s Allowance for Credit Losses (ACL). Economic uncertainty facing our region and nation has created the desire to be more conservative in our approach to the ACL. Therefore, as a result of these various factors, the Company made an additional provision to the ACL of \$1.0 million during the fourth quarter of 2023. The Company’s ACL increased 11 basis points to 1.60% from 1.49% when compared to the previous quarter. The Company continues to have only one non-performing relationship.

Yields on total loans decreased to 8.93% during the fourth quarter of 2023, compared to 9.42% from third quarter of 2023 and increased compared to 8.48% in the fourth quarter, 2022. The decrease in yield for the fourth quarter of 2023 was related to the loan that was placed on non-accrual discussed above.

Deposits

Total deposits equaled to \$249.7 million at December 31, 2023, a decrease of \$29.2 million, or -10.5% from the third quarter of 2023 and a decrease of \$26.7 million, or -9.7% from December 31, 2022. Interest-bearing deposits decreased by \$13.5 million, or -9.7% when compared to the third quarter of 2023 and \$6.0 million, or -4.5% when compared to December 31, 2022. Noninterest-bearing demand accounts decreased \$15.7 million, or -11.2% during the fourth quarter to \$123.6 million as of December 31, 2023, and comprise 49.5% of total deposits. Noninterest-bearing demand accounts decreased \$20.7 million, or -14.3% when compared to December 31, 2022. The decreases in deposits were generally related to expected shifts in customer deposits. The Company did not lose any customers or deposits during the liquidity crisis that occurred in the regional banking sector earlier in 2023.

As market rates continue to remain elevated compared to more recent norms, the Company has also raised the rates paid to their customers on their interest-bearing deposit accounts. This resulted in an increase in the Company’s cost of funds to 1.9% for the quarter ended December 31, 2023, compared to 1.76% for the previous linked quarter and 0.58% for the same quarter last year. For the twelve months ended December 31, 2023, the Company’s cost of funds was 1.54% up 115 basis points from same period last year.

FHLB and Other Borrowings

In order to take advantage of interest rate shifts in the marketplace, during the fourth quarter of 2023, the Company borrowed \$15.0 million from the FHLB with staggered maturities of \$5 million maturing in June 2024, December 2024 and June 2025. The notes bear interest at 4.69% to 5.42%, with interest payments due monthly. The notes are secured by the Company's available for sales securities and are expected to return more than 100 basis points over the next 18 months as they mature.

To facilitate a tender offer to repurchase 674,559 shares of the Company's outstanding common stock at a price of \$9.00 per share, totaling \$6.1 million reducing common stock to 2,734,586 shares, the Company entered into a line of credit agreement with a correspondent financial institution. The line requires quarterly interest payments at a variable interest rate (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 on the line and is expected to repay the line in full during the first quarter of 2024 with the proceeds from the capital offering which is discussed further below.

Net-interest Income

Net-interest income for the fourth quarter of 2023 was \$3.7 million, a \$273 thousand, or -6.8% decrease from the third quarter of 2023 and a decrease of \$400 thousand, or -9.7% over the fourth quarter of 2022. For the twelve months ended December 31, 2023, net interest income was \$15.8 million, an increase of \$3.4 million, or 27.7% from same period in 2022.

The Company's net interest margin was up 21 basis points to 5.74% when compared to third quarter ended September 30, 2023, and up 60 basis points from 5.14% for the comparable period ended December 31, 2022. For the twelve months ended December 31, 2023, the Company's net-interest margin was up 160 basis points to 5.63% when compared to the same period ended December 31, 2022. The Company'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 December 31, 2023, the Company's non-interest income totaled \$126 thousand, an increase of \$26 thousand, or 26% from the third quarter of 2023, and up \$46 thousand, or 57.5% from same period in 2022. For the twelve months ended December 31, 2023, non-interest income totaled \$393 thousand, an increase of \$72 thousand, or 22.4%. Non-interest income continues to be driven primarily by fees on loans and deposit accounts.

Non-interest Expense

For the fourth quarter of 2023, non-interest expense totaled \$2.2 million, a decrease of \$166 thousand, or -7.2% from the third quarter of 2023 and an increase of \$123 thousand, or 6.1% when compared to same quarter in 2022. The decrease over the third quarter of 2023 was driven primarily by a decrease in occupancy expense related to the Company's facility while the increase over the same quarter in 2022 was primarily related to an increase in data processing charges as well as salaries and employee benefits which is tied to and driven by the Company's increase in net income and other performance indicators. For the year ended December 31, 2023, non-interest expense increased \$1.3 million to \$8.9 million from December 31, 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 Company's costs are expected to rise as well. Nevertheless, the Company's efficiency ratio improved to 42.9% for the quarter ended December 31, 2023, from 44.3% at September 30, 2023 and improved from 43.8% for the same quarter in 2022. For the year ended December 31, 2023, the efficiency ratio improved to 44.1% from 55.2% for the same period in 2022.

Income Tax Expense

The Company's income tax expense decreased \$322 thousand, or -69.7% from the third quarter of 2023, totaling \$140 thousand for the fourth quarter of 2023 and a decrease of \$470 thousand, or 77.1% from the same period in 2022. For the year ended December 31, 2023, the Company's income tax expense equaled \$1.7 million, an increase of \$388 thousand, or 30.0% from the same period last year. The change is directly related to the change 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

Net income for the year ended December 31, 2023, increased \$870 thousand, or 29.0% to \$3.9 million when compared to the same period in 2022. For the fourth quarter of 2023 the Company's net income was \$295 thousand, or \$0.10 per share, a \$0.21 decrease when compared to the third quarter of 2023. When compared to the fourth quarter of 2022, profitability decreased \$1.1 million, or \$0.31 per share.

The return on average assets increased 38 basis points to 1.33% for the year ended December 31, 2023, compared to the same period in

2022. The return on average assets decreased 102 basis points to 0.42% for the fourth quarter of 2023 as compared to 1.44% for the third quarter of 2023 and decreased 126 basis points from 1.68% for the fourth quarter of 2022.

The return on average equity for the year ended December 31, 2023, was 13.18%, up 221 basis points from the same period in 2022. The return on average equity for the fourth quarter of 2023 was 4.01%, down from 13.10% for the third quarter of 2023 and down from 20.33% for the fourth quarter of 2022.

Capital Management

The Company continues to be well-capitalized and exceeds minimum regulatory requirement ratios with a tier 1 leverage ratio of 13.3%, tier 1 risk-based capital ratio of 15.5%, and a total risk-based capital ratio of 18.4%.

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, resulting in a \$6.1 million reduction to common stock and reducing common stock outstanding to 2,734,586 shares.

On December 18, 2023, the Company opened a capital offering in which it plans to sell common stock at a price of \$12.50 per share. The offering is expected to raise approximately \$6.0 million. These funds will be used to pay off the line of credit with the correspondent financial institution. The capital offering is expected to close sometime during the first quarter of 2024.

The book value of the Company's common stock was \$10.20 as of December 31, 2023, up from \$9.57 as of September 30, 2023, and \$8.48 at December 31, 2022. The book value of the common stock increased due to the reduction in the total number of shares outstanding, income earned for the quarter, and the decrease 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 Company 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 Company with liquidity by allowing us to borrow approximately 95% of the fair market value of the portfolio. As of December 31, 2023, the portfolio has an average life of 3.1 years.

ABOUT INFINITY BANCORP AND INFINITY BANK

Infinity Bank is the sole subsidiary of Infinity Bancorp. 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.



INFINITY
BANK

6 Hutton Centre Drive, Suite 100
Santa Ana, CA 92707

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

Victor Guerrero
President, COO
Phone: (562) 631-3042
Victor@goinfinitybank.com

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

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

	As of December 31, 2023	As of September 30, 2023	As of December 31, 2022
	(Consolidated)	(Consolidated)	(Consolidated)
ASSETS:			
Cash and due from banks	\$ 64,158	\$ 94,941	\$ 98,234
Securities available for sale	42,514	43,336	51,979
Total Loans	194,284	174,631	156,567
Allowance for credit losses	(3,104)	(2,594)	(2,661)
Net Loans	191,180	172,037	153,906
Premises and equipment, net	290	577	856
Other assets	6,822	5,602	5,198
TOTAL ASSETS	\$ 304,964	\$ 316,493	\$ 310,173
LIABILITIES			
Deposits:			
Non-interest bearing	\$ 123,616	\$ 139,269	\$ 144,281
Interest bearing	126,042	139,550	132,034
Total deposits	249,658	278,819	276,315
Other liabilities	2,388	1,154	1,713
Subordinated debt	3,946	3,942	3,927
FHLB and Other Borrowings	21,071	-	-
TOTAL LIABILITIES	277,063	283,915	281,955
Stockholders' Equity:			
Common stock	28,344	34,446	33,502
Accumulated deficit	(882)	(882)	(4,011)
Net income	3,871	3,576	3,001
Accumulated other comprehensive gain (loss)	(3,432)	(4,562)	(4,274)
TOTAL STOCKHOLDERS' EQUITY	27,901	32,578	28,218
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 304,964	\$ 316,493	\$ 310,173

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, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	(Consolidated)	(Consolidated)	(Consolidated)	(Consolidated)	(Consolidated)
Interest Income:					
Loans	\$ 4,171	\$ 3,968	\$ 3,348	\$ 15,598	\$ 10,917
Investment securities	158	165	177	662	700
Other short-term investments	568	1,003	1,030	3,566	1,889
Total interest income	4,897	5,136	4,555	19,826	13,506
Interest expense:					
Deposits	1,034	1,095	389	3,700	919
Borrowed funds	144	49	47	289	188
Total interest expense	1,178	1,144	436	3,989	1,107
Net interest income	3,719	3,992	4,119	15,837	12,399
Provision for credit losses	1,255	246	183	1,764	793
Net interest income after provision for loan and lease losses	2,464	3,746	3,936	14,073	11,606
Non-interest income:					
Service charges	49	49	38	202	167
Other income	77	51	42	191	154
Total non-interest income	126	100	80	393	321
Non-interest expense:					
Salaries and employee benefits	1,559	1,603	1,442	6,350	5,386
Occupancy	6	94	89	279	354
Furniture, fixture & equipment	39	32	36	135	151
Data processing	132	165	87	533	364
Professional & legal	194	151	139	618	480
Marketing	3	22	16	56	69
Other expense	222	254	223	942	828
Total non-interest expense	2,155	2,321	2,032	8,913	7,632
Income before taxes	435	1,525	1,984	5,553	4,295
Income tax expense	140	462	610	1,682	1,294
Net Income	\$ 295	\$ 1,063	\$ 1,374	\$ 3,871	\$ 3,001
Earnings per share ("EPS"): Basic	\$ 0.10	\$ 0.31	\$ 0.41	\$ 1.19	\$ 0.90
Common shares outstanding	2,734,586	3,409,145	3,325,716	2,734,586	3,325,716

INFINITY BANCORP
UNAUDITED FINANCIAL HIGHLIGHTS

	At and For the Three Months Ended			At and For the Twelve Months Ended	
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Performance Ratios:					
Net interest margin	5.74%	5.53%	5.14%	5.63%	4.03%
Cost of funds	1.90%	1.76%	0.58%	1.54%	0.39%
Loan to deposit ratio	77.82%	62.63%	56.66%	77.82%	56.66%
Yield on total loans	8.93%	9.42%	8.48%	9.29%	7.21%
Return on average assets	0.42%	1.44%	1.68%	1.33%	0.96%
Return on average equity	4.01%	13.10%	20.33%	13.18%	10.97%
Efficiency ratio	42.90%	44.33%	43.84%	44.08%	55.20%
Average assets per employee (in thousands)	\$ 9,530	\$ 9,890	\$ 10,006	\$ 9,530	\$ 10,006
Book value of common stock	\$ 10.20	\$ 9.57	\$ 8.48		
Asset Quality Summary:					
Allowance for credit losses/Total loans	1.60%	1.49%	1.81%	1.60%	1.81%
Capital Ratios:					
Tier 1 risk-based capital ratio	15.47%	16.87%	15.24%	15.47%	15.24%
Total risk-based capital ratio	18.35%	19.87%	18.33%	18.35%	18.33%
Tier 1 leverage ratio	13.26%	12.45%	9.81%	13.26%	9.81%