



Infinity Bancorp Announces First Quarter 2024 Financial Results

Press Release – 05/06/2024

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, March 31, 2024.

Financial highlights for the first quarter of 2024 and subsequent events:

- A dividend of \$0.07 per share was paid during the first quarter of 2024
- Total liquidity remains very high at \$117 million, which equates to 36% of the Company’s total assets
- Total loans increased \$7.5 million from December 31, 2023 and increased \$47.0 million year-over-year from 2023
- Total deposits increased \$12.7 million from December 31, 2023
- Earnings per share increased to \$0.30 per share compared to \$0.10 as of the previous quarter
- On May 2, 2024, the Company declared a \$0.07 cash dividend to shareholders of record as of May 16, 2024, payable on May 30, 2024

Loans and Allowance for Credit Losses

Total loans were \$201.8 million at March 31, 2024, compared to \$194.3 million for the fourth quarter of 2023, an increase of \$7.5 million, or 3.9%. On a year-over year basis, total loans grew \$47.0 million, or 30.4% from the first quarter ending March 31, 2023. The Bank funded \$18.4 million in new loans/advances in the first quarter of 2024. The fundings were offset by \$10.9 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 76.9% as of March 31, 2024, from 77.8% as of December 31, 2023, and increased from 57.2% from a year ago.

The Company’s Allowance for Credit Losses (ACL) increased 12 basis points to 1.72% from 1.60% when compared to the previous quarter. The Company continues to have only one non-performing relationship. 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 \$370 thousand during the first quarter of 2024 and \$1.3 million during the fourth quarter of 2023.

Yields on total loans increased to 9.39% during the first quarter of 2024, compared to 8.93% from fourth quarter of 2023 and remained flat compared to 9.38% in the first quarter, 2023.

Deposits

Total deposits equaled to \$262.3 million at March 31, 2024, an increase of \$12.7 million, or 5.1% from the fourth quarter of 2023, and a decrease of \$8.1 million, or -3.0% from March 31, 2023. Interest-bearing deposits increased by \$3.5 million, or 2.8% when compared to fourth quarter of 2023 and decreased \$11.1 million, or -7.9% when compared to March 31, 2023. Noninterest-bearing demand accounts increased \$9.2 million, or 7.4% during the first quarter to \$132.8 million as of March 31, 2024, and comprises 51% of total deposits. Noninterest-bearing demand accounts increased \$3.0 million, or 2.3% when compared to same quarter in 2023. The Company did not lose any customers or deposits during the liquidity crisis that occurred in the regional banking sector in early 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 2.40% for the quarter ended March 31, 2024, compared to 1.90% for the previous linked quarter and 1.06% for the same quarter last year. Cost of funds increased in response to the increases in the federal funds rates that were approved by the Federal Open Market Committee in 2022 and 2023.

FHLB, Other Borrowings and Subsequent Event

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 semiannually and at maturity. 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 and 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 subsequent to March 31, 2024, the loan was repaid in full (\$4.75 million from the proceeds from the capital offering, which is discussed in more detail below, and \$1.3 million via dividend to the Bancorp from the Bank).

Net-interest Income

Net-interest income for the first quarter of 2024 was \$3.9 million, a slight increase of \$149 thousand, or 4.0% from the fourth quarter of 2023 and a decrease of \$227 thousand, or -5.5% over the first quarter of 2023.

The Company's net interest margin was down 20 basis points to 5.28% when compared to fourth quarter ended December 31, 2023, and down 44 basis points from 5.72% for the comparable period ended March 31, 2023. The Company'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, 2024, the Company's non-interest income totaled \$83 thousand, a decrease of \$43 thousand, or -34.1% from the fourth quarter of 2023, and up \$4 thousand, or 5.1% from same period in 2023. The decrease in non-interest income for the quarter was mainly driven by gain on sale of an automobile during the fourth quarter of 2023. Non-interest income continues to be driven primarily by fees on loans and deposit accounts.

Non-interest Expense

For the first quarter of 2024, non-interest expense totaled \$2.4 million, an increase of \$196 thousand, or 9.1% from the fourth quarter of 2023 and an increase of \$255 thousand, or 12.2% when compared to same quarter in 2023. The increase over both the first and the fourth quarters of 2023 was driven primarily by an increase in salaries and employee benefits which is tied to and driven by the Company's increase in net income and other performance indicators. 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 42.2% for the quarter ended March 31, 2024, from 42.9% at December 31, 2023 and improved from 43.1% for the same quarter in 2023.

Income Tax Expense

The Company's income tax expense increased \$270 thousand, or 192.9% from the fourth quarter of 2023, totaling \$410 thousand for the first quarter of 2024 and decreased \$165 thousand, or -28.7% from the same period in 2023. The increase is directly related to the change in income before taxes for these periods.

Net Income

For the first quarter of 2024 the Company's net income increased \$525 thousand to \$820 thousand, or \$0.30 per share compared to \$295 thousand, or \$0.10 per share for the fourth quarter of 2023 due to the \$1.0 million in additional provision for credit losses recorded during the fourth quarter of 2023. When compared to the first quarter of 2023, profitability decreased \$548 thousand, or \$0.11 per share due to the increase in the cost of funds.

The return on average assets increased 67 basis points to 1.09% for the first quarter of 2024 as compared to 0.42% for the fourth quarter of 2023 and decreased 78 basis points from 1.87% for the first quarter of 2023.

The return on average equity for the first quarter of 2024 was 11.65%, up 765 basis points from 4.01% for the fourth quarter of 2023 and decreased of 738 basis points from 19.03% for the first quarter of 2023.

The decreases in net income, return on asset and return on equity when compared to the first quarter of 2023 are primarily due to the decrease in the net interest margin of 44 basis points as well as increases in non-interest expenses.

Capital Management and Subsequent Event

The Company continues to be well-capitalized and exceeds minimum regulatory requirement ratios with a tier 1 leverage ratio of 12.28%, tier 1 risk-based capital ratio of 15.67%, and a total risk-based capital ratio of 18.57%.

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.

The book value of the Company's common stock was \$10.43 as of March 31, 2024, up from \$10.20 as of December 31, 2023, and up from \$9.11 at March 31, 2023. The book value of the Company's common stock increased as of March 31, 2024, as compared to December 31, 2023, due primarily to an increase in net income. The increase in book value when compared to March 31, 2023 is 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 government agency or government sponsored enterprise securities and therefore, the risk of incurring an actual loss is unmeasurably 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. Also, the securities are amortizing which provides the Company with additional liquidity of approximately \$800 thousand in monthly payments that are reinvested in higher yielding assets. As of March 31, 2024, the portfolio has an average life of 3.2 years.

On April 22, 2024, the Company completed a capital offering which began on December 18, 2023. The Company sold 380,000 shares of common stock at a price of \$12.50 per share and raised \$4.75 million. These funds were used to pay down the line of credit with the correspondent financial institution.

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.infinity.bank

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 CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands)

	March 31, 2024	December 31, 2023	March 31, 2023
ASSETS:			
Cash and due from banks	\$ 76,677	\$ 64,158	\$ 98,632
Securities available for sale	40,383	42,514	49,787
Total Loans	201,790	194,284	154,807
Allowance for loan and lease losses	(3,473)	(3,104)	(2,597)
Net Loans	198,317	191,180	152,210
Premises and equipment, net	1,499	1,570	762
Other assets	5,340	5,542	5,195
TOTAL ASSETS	\$ 322,216	\$ 304,964	\$ 306,586
LIABILITIES			
Deposits:			
Non-interest bearing	\$ 132,781	\$ 123,616	\$ 129,817
Interest bearing	129,502	126,042	140,642
Time certificates of deposit	50	-	-
Total deposits	262,333	249,658	270,459
Other liabilities	6,329	2,388	1,885
FHLB and other borrowings	21,071	21,071	-
Subordinated debt	3,951	3,946	3,932
TOTAL LIABILITIES	293,684	277,063	276,276
Stockholders' Equity:			
Common stock	28,373	28,344	33,577
Retained earnings (Accumulated deficit)	2,798	(882)	(882)
Net income	820	3,871	1,368
Accumulated other comprehensive gain (loss)	(3,459)	(3,432)	(3,753)
TOTAL STOCKHOLDERS' EQUITY	28,532	27,901	30,310
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 322,216	\$ 304,964	\$ 306,586

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

	For the Three Months Ended		
	March 31,	December 31,	March 31,
	2024	2023	2023
Interest Income:			
Loans	\$ 4,534	\$ 4,171	\$ 3,704
Investment securities	155	158	174
Other short-term investments	800	568	910
Total interest income	5,489	4,897	4,788
Interest expense:			
Deposits	1,250	1,034	646
Borrowed funds	371	144	47
Total interest expense	1,621	1,178	693
Net interest income	3,868	3,719	4,095
Provision for loan and lease losses	370	1,255	135
Net interest income after provision for loan and lease losses	3,498	2,464	3,960
Non-interest income:			
Service charges	46	49	48
Other income	37	77	31
Total non-interest income	83	126	79
Non-interest expense:			
Salaries and employee benefits	1,771	1,559	1,470
Occupancy	60	6	89
Furniture, fixture & equipment	38	39	33
Data processing	119	132	108
Professional & legal	105	194	129
Marketing	60	3	13
Other expense	198	222	254
Total non-interest expense	2,351	2,155	2,096
Income before taxes	1,230	435	1,943
Income tax expense	410	140	575
Net Income	\$ 820	\$ 295	\$ 1,368
Earnings per share ("EPS"): Basic	\$ 0.30	\$ 0.10	\$ 0.41
Common shares outstanding	2,734,586	2,734,586	3,325,716

INFINITY BANCORP
UNAUDITED CONSOLIDATED FINANCIAL HIGHLIGHTS

	At and For the Three Months Ended		
	March 31, 2024	December 31, 2023	March 31, 2023
Performance Ratios:			
Net interest margin	5.28%	5.48%	5.72%
Cost of funds	2.40%	1.90%	1.06%
Loan to deposit ratio	76.92%	77.82%	57.24%
Yield on total loans	9.39%	8.93%	9.38%
Return on average assets	1.09%	0.42%	1.87%
Return on average equity	11.65%	4.01%	19.03%
Efficiency ratio	42.19%	42.90%	43.07%
Book value of common stock	\$ 10.43	\$ 10.20	\$ 9.11
Asset Quality Summary:			
Allowance for loan loss/Total loans	1.72%	1.60%	1.68%
Capital Ratios:			
Tier 1 risk-based capital ratio	15.67%	15.47%	17.00%
Total risk-based capital ratio	18.57%	18.35%	20.21%
Tier 1 leverage ratio	12.28%	13.26%	11.27%