



Infinity Bancorp Announces Second Quarter 2024 Financial Results

Press Release – 07/31/2024

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, June 30, 2024.

Financial highlights for the second quarter of 2024:

- The Bancorp completed a stock offering selling 380,000 shares for \$4.75 million
- A dividend of \$0.07 per share was paid during the second quarter of 2024
- Total loans increased \$11.5 million, or 5.92% since December 31, 2023
- Total stockholder’s equity increased \$5.6 million from March 31, 2024, and increased \$6.2 million from December 31, 2023
- Net income increased 10.1% from March 31, 2024 to \$903 thousand

Loans and Allowance for Credit Losses

Total loans were \$205.8 million at June 30, 2024, compared to \$201.8 million for the first quarter of 2024, an increase of \$4 million, or 2%. When compared to the fourth quarter of 2023, total loans increased \$11.5 million, or 5.9%. The Bank funded \$27 million in new loans/advances in the second quarter of 2024. The fundings were offset by \$23 million in payoffs, most of which were expected based on the contractual terms of the loans. The growth in loans led the Bank’s loan to deposit ratio to increase to 79.9% as of June 30, 2024, from 76.9% as of March 31, 2024, and from 63.5% from a year ago.

During the quarter ended December 31, 2023, the Company charged off \$273 thousand which was related to two relationships in its portfolio. The Bank has fully exited one of the relationships. The remaining balance on the other relationship represents a guarantee from the State of California and the Bank had no further exposure as of June 30, 2024. At the time of the charge-off the necessary reserves had already been established in the Company’s Allowance for Credit Losses (ACL). Economic uncertainty facing our region and nation 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, net of charge-offs, to the ACL of \$70 thousand during the second quarter of 2024 and \$439 thousand since December 31, 2023. The Company’s ACL remained flat at 1.72% when compared to the previous quarter and increased 12 basis points from December 31, 2023.

Yields on total loans increased to 9.45% during the second quarter of 2024, compared to 9.39% from first quarter of 2024 and 8.88% in the second quarter, 2023. For the six months ended June 30, 2024, yield on loans increased to 9.42% compared to 8.84% for the same period in 2023.

Deposits and Borrowed Funds

Total deposits equaled to \$257.6 million at June 30, 2024, a decrease of \$4.7 million, or -1.8% from the first quarter of 2024, and an increase of \$7.9 million, or 3.2% from December 31, 2023. Interest-bearing deposits decreased by \$13.1 million, or -10.1% when compared to first quarter of 2024 and decreased \$9.6 million, or -7.6% when compared to December 31, 2023. Non-interest-bearing demand accounts increased \$8.4 million, or 6.3% during the second quarter to \$141.1 million as of June 30, 2024, and comprise 55% of total deposits. Non-interest-bearing demand accounts increased \$17.5 million, or 14.2% when compared to December 31, 2023. The changes in deposits were generally related to organic shifts in customer deposits.

During the second quarter of 2024, \$5 million in FHLB borrowings matured dropping the outstanding balance to \$10 million at June 30, 2024 from \$15 million at March 31, 2024 and December 31, 2023. The remaining FHLB borrowings have staggered maturities of \$5 million in December 2024 and June 2025. The notes bear interest at 4.69% to 5.02%, with interest payments due each 6-month anniversary and the scheduled maturity date. The notes are secured by the Company’s available for sale securities.

To facilitate a tender offer to repurchase 674,559 shares of the Company’s outstanding common stock totaling \$6.1 million during the fourth quarter of 2023, the Company entered into a line of credit agreement with a correspondent financial institution to borrow up to \$8 million. 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 during the fourth quarter of 2023. The advance was repaid in April 2024 in part with the proceeds from the capital offering which is discussed further below.

The Company's cost of funds was down to 2.33% for the quarter ended June 30, 2024, compared to 2.41% from the previous linked quarter and up from 1.48% for the same quarter last year. For the six months ended June 30, 2024, the cost of funds increased to 2.37% from 1.48% for the same period in 2023. Cost of funds decreased during the second quarter due to the pay-off of \$6.1 million line of credit, the maturity of \$5 million in FHLB borrowings and the decrease in interest-bearing deposits. The cost of funds increased over the second quarter and first six months of 2023 in part due to the increase in borrowings during the fourth quarter of 2023 as well as in response to the increases in the federal funds rates that were approved by the Federal Open Market Committee in 2022 and 2023.

Net-interest Income

Net-interest income for the second quarter of 2024 was \$4.1 million, a slight increase of \$191 thousand, or 4.9% from the first quarter of 2024 and an increase of \$28 thousand, or .7% over the second quarter of 2023. For the six-month ended June 30, 2024, net-interest income was \$7.9 million, a decrease of \$199 thousand, or -2.5% from the same period in 2023.

The Company's net interest margin for the second quarter of 2024 was up 35 basis points to 5.63% when compared to first quarter ended March 31, 2024, and up 28 basis points from 5.35% for the comparable period ended June 30, 2023. The net interest margin for the six months ended June 30, 2024, increased to 5.45% compared to 5.35% for the same period in 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 June 30, 2024, the Company's non-interest income remained flat when compared to the previous quarter, non-interest income totaled \$83 thousand, down \$5 thousand, or -5.7% from same period in 2023. For the six-month ended June 30, 2024, non-interest income totaled \$166 thousand, down \$1 thousand, or -0.6% from linked period in 2023. Non-interest income continues to be driven primarily by fees on loans and deposit accounts.

Non-interest Expense

For the second quarter of 2024, non-interest expense totaled \$2.5 million, an increase of \$130 thousand, or 5.5% from the first quarter of 2024 and an increase of \$140 thousand, or 6% when compared to same quarter in 2023. The increase was driven primarily by an increase in professional & legal expenses due to the timing of various audits and an increase in FDIC insurance rate related to the increase in our total average assets. For the six-month ended June 30, 2024, non-interest expense increased \$395 thousand, or 8.9%, to \$4.8 million from linked period in 2023 due primarily to 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. In addition, as inflation continues to increase costs for our third-party vendors and service providers, the Company's costs are expected to rise as well. The Company's efficiency ratio equaled to 59.9% for the quarter ended June 30, 2024, compared to 59.5% at March 31, 2024 and 56.8% for the same quarter in 2023. The efficiency ratio for the six months ended June 30, 2024, was 59.7% compared to 56.8% for the same period in 2023.

Income Tax Expense

The Company's income tax expense increased \$6 thousand, or 1.5% from the first quarter of 2024, totaling \$416 thousand for the second quarter of 2024 and decreased \$89 thousand, or -17.6% from the same period in 2023. For the six months ended June 30, 2024, income tax expense decreased 254 thousand, or 23.5%, to \$826 thousand from the linked period in 2023. The changes are directly related to the change in income before taxes for these periods.

Net Income

For the second quarter of 2024 the Company's net income increased \$83 thousand to \$903 thousand, or \$0.30 per share compared to \$820 thousand, or \$0.30 per share for the first quarter of 2024. When compared to the second quarter of 2023, profitability decreased \$242 thousand, or \$0.04 per share. For the six months ended June 30, 2024, net income decreased \$790 thousand, \$0.15 per share, when compared to the first six months of 2023. The decrease in profitability as compared to both the quarter and six months ended June 30, 2023, was due primarily to the increase in the cost of funds, provision for credit losses and non-interest expense. Additionally, the Company has taken a significantly more cautious approach in its evaluation of the provision for credit losses, despite the limited number of actual losses experienced. This cautious approach is due to the economic uncertainty due to elevated interest rates and sustained higher inflation.

The return on average assets increased 14 basis points to 1.23% for the second quarter of 2024 as compared to 1.09% for the first quarter of 2024 and decreased 31 basis points from 1.54% for the second quarter of 2023. For the six months ended June 30, 2024, the return on average assets decreased 38 basis points to 1.16% from 1.54% for the same period in 2023.

The return on average equity for the second quarter of 2024 was 11.17%, down 52 basis points from 11.69% for the first quarter of 2024 and decreased 362 basis points from 14.79% for the second quarter of 2023. For the six months ended June 30, 2024, the return on average equity decreased 327 basis points to 11.51% from 14.79% for the same period in 2023.

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 12.40%, tier 1 risk-based capital ratio of 15.09%, and a total risk-based capital ratio of 17.94%.

On July 25, 2024, the Company declared a \$0.07 cash dividend to shareholders of record as of August 12, 2024, payable on August 26, 2024.

The book value of the Company's common stock was \$10.95 as of June 30, 2024, up from \$10.43 as of March 31, 2024, and up from \$9.34 at June 30, 2023. The book value of the Company's common stock increased as of June 30, 2024, as compared to March 31, 2024 and June 30, 2023, due primarily to an increase in net income and the decrease in the unrealized loss on investment securities. 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 \$755 thousand in monthly payments that are reinvested in higher yielding assets. As of June 30, 2024, the portfolio has an average life of 2.9 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.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.



INFINITY
— B A N K —

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

Bala Balkrishna
CEO
Phone: (657) 223-1000
Bala@infinity.bank

Victor Guerrero
President, COO
Phone: (562) 631-3042
Victor@infinity.bank

Allison Duncan
CFO
Phone: (657) 304-2378
Allisond@infinity.bank

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

	June 30, 2024	March 31, 2024	December 31, 2023
ASSETS:			
Cash and due from banks	\$ 61,032	\$ 76,677	\$ 64,158
Securities available for sale	38,349	40,383	42,514
Total Loans	205,786	201,790	194,284
Allowance for loan and lease losses	(3,543)	(3,473)	(3,104)
Net Loans	202,243	198,317	191,180
Premises and equipment, net	1,428	1,499	1,570
Other assets	5,282	5,340	5,542
TOTAL ASSETS	\$ 308,334	\$ 322,216	\$ 304,964
LIABILITIES			
Deposits:			
Non-interest bearing	\$ 141,138	\$ 132,781	\$ 123,616
Interest bearing	116,412	129,502	126,042
Time certificates of deposit	50	50	-
Total deposits	257,600	262,333	249,658
Other liabilities	2,666	6,329	2,388
FHLB and other borrowings	10,000	21,071	21,071
Subordinated debt	3,956	3,951	3,946
TOTAL LIABILITIES	274,222	293,684	277,063
Stockholders' Equity:			
Common stock	33,051	28,373	28,344
Retained earnings (Accumulated deficit)	2,579	2,798	(882)
Net income	1,723	820	3,871
Accumulated other comprehensive gain (loss)	(3,241)	(3,459)	(3,432)
TOTAL STOCKHOLDERS' EQUITY	34,112	28,532	27,901
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 308,334	\$ 322,216	\$ 304,964

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

	For the Three Months Ended			For the Six Months Ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Interest Income:					
Loans	\$ 4,792	\$ 4,534	\$ 3,755	\$ 9,326	\$ 7,459
Investment securities	146	155	165	301	339
Other short-term investments	631	800	1,085	1,431	1,995
Total interest income	5,569	5,489	5,005	11,058	9,793
Interest expense:					
Deposits	1,235	1,250	925	2,485	1,571
Borrowed funds	275	371	49	646	96
Total interest expense	1,510	1,621	974	3,131	1,667
Net interest income	4,059	3,868	4,031	7,927	8,126
Provision for loan and lease losses	342	370	128	712	263
Net interest income after provision for loan and lease losses	3,717	3,498	3,903	7,215	7,863
Non-interest income:					
Service charges	49	46	56	95	104
Other income	34	37	32	71	63
Total non-interest income	83	83	88	166	167
Non-interest expense:					
Salaries and employee benefits	1,779	1,771	1,718	3,550	3,188
Occupancy	68	60	90	128	179
Furniture, fixture & equipment	43	38	31	81	64
Data processing	148	119	128	267	236
Professional & legal	175	105	144	280	273
Marketing	(1)	60	18	59	31
Other expense	269	198	212	467	466
Total non-interest expense	2,481	2,351	2,341	4,832	4,437
Income before taxes	1,319	1,230	1,650	2,549	3,593
Income tax expense	416	410	505	826	1,080
Net Income	\$ 903	\$ 820	\$ 1,145	\$ 1,723	\$ 2,513
Earnings per share ("EPS"): Basic	\$ 0.30	\$ 0.30	\$ 0.34	\$ 0.60	\$ 0.75
Common shares outstanding	3,114,586	2,734,586	3,402,716	3,114,586	3,402,716

INFINITY BANCORP
UNAUDITED CONSOLIDATED FINANCIAL HIGHLIGHTS

	At and For the Three Months Ended			At and For the Six Months Ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Performance Ratios:					
Net interest margin	5.63%	5.28%	5.35%	5.45%	5.35%
Cost of funds	2.33%	2.41%	1.48%	2.37%	1.48%
Loan to deposit ratio	79.89%	76.92%	63.53%	79.89%	63.53%
Yield on total loans	9.45%	9.39%	8.88%	9.42%	8.88%
Return on average assets	1.23%	1.09%	1.54%	1.16%	1.54%
Return on average equity	11.17%	11.69%	14.79%	11.52%	14.79%
Efficiency ratio	59.90%	59.50%	56.83%	59.71%	56.83%
Book value of common stock	\$ 10.95	\$ 10.43	\$ 9.34		
Asset Quality Summary:					
Allowance for loan loss/Total loans	1.72%	1.72%	1.38%	1.72%	1.38%
Capital Ratios:					
Tier 1 risk-based capital ratio	15.09%	15.47%	17.27%	15.09%	17.27%
Total risk-based capital ratio	17.94%	18.35%	20.30%	17.94%	20.30%
Tier 1 leverage ratio	12.40%	13.26%	11.90%	12.40%	11.90%