



Infinity Bank Reports Third Quarter 2021 Earnings

Santa Ana, CA, October 20, 2021 (Accesswire) – Infinity Bank (OTCQB: INFT) (the “Bank”) today reported financial results for the third quarter ended September 30, 2021.

Financial Highlights for the third quarter of 2021:

- The Bank realized its fourth consecutive profitable quarter
- Reversed \$1.98 million valuation allowance on our deferred tax asset
- Total securities available for sale increased by \$52.5 million
- Total deposits increased by \$123.1 million

Loans

For the quarters ended September 30, 2021 and June 30, 2021, total loans were relatively flat at \$153.6 million and \$153.5 million, respectively. However, during the third quarter of 2021, \$7.2 million Paycheck Protection Program (“PPP”) loans were forgiven bringing the balance of PPP loans down to \$5.6 million, which means that non-PPP loans grew by approximately \$7.3 million for the quarter. Non-PPP loans generally yield significantly more than PPP loans, so this is an important growth point for the Bank in terms of income generation. Total loans increased by \$17.7 million, or 13% when compared to December 31, 2020. As of September 30, 2021, the Bank recorded a year-to-date increase of \$88.4 million in new loan commitments. The loan to deposit ratio decreased to 51.3% as of September 30, 2021, compared to 87.1% as of June 31, 2021. The decrease in the loan to deposit ratio was due to an increase in total deposits during the third quarter of 2021. Given the current economic conditions, the Bank increased its allowance for loan and lease losses (“ALLL”) to 1.4% from 1.3% on all non-PPP loans. The ALLL was 1.38%, 1.20% and 1.16% of total loans as of September 30, 2021, June 31, 2021, and December 31, 2020, respectively. PPP loans are guaranteed by the U.S. Government and, therefore, do not require an ALLL amount to be allocated to them and therefore as the total PPP loans outstanding decrease, the ALLL as a % of total loans increases.

The yield on average loans for the quarter ended September 30, 2021 was 6.39%, an increase of 69 basis points when compared to the previous quarter and 110 basis points when compared to the same quarter in 2020. The yield on average loans increased 47 basis points to 5.94% from the nine-month period ended September 30, 2020. The increases in the yields are directly related to the amount mix of loans. As PPP loans decrease as a percentage of total loans, the yield will increase as noted above.

Deposits

Total deposits increased by \$123.1 million, or 69.8% to \$299.4 million when compared to second quarter ended June 30, 2021, and \$127.0 million or 73.7% when compared to December 31, 2020. Noninterest-bearing demand accounts increased by \$103.0 million, or 105.8% during the third quarter of 2021 to \$200.3 million as of September 30, 2021 and comprises 67% of total deposits. Noninterest-bearing demand accounts increased \$99.6 million, or 98.9% when compared to December 31, 2020. Interest-bearing deposits grew by \$10.7 million, or 13.5% when compared to June 30, 2021, and by \$18.0 million, or 25.1% from December 31, 2020 to September 30, 2021. During the third quarter of 2021, the Bank purchased \$9.4 million of brokered time deposits. These deposits bear interest at 0.08% and mature in the third quarter of 2022. The drivers behind this dramatic increase were the seasonal growth in the amounts our clients hold with the Bank as well as the growth in the number of clients already at the Bank.

The cost of funds for the quarter ended September 30, 2021 was 21 basis points, a decrease of 5 basis points when compared to the quarter ended June 30, 2021 and a decrease of 18 basis points when compared to the same quarter of the previous year. The low cost of funds is a result of the Bank’s continued focus on long-term deposit relationships that are not solely based on pricing as well as the large increase in non-interest bearing demand during the third quarter of 2021.

Net-Interest Income

Net-interest income in the third quarter of 2021 was \$2.3 million, up \$318 thousand, or 16.0% from the second quarter of 2021 and up \$736 thousand, or 46.8% over the third quarter of 2020. For the nine-months ended September 30, 2021 the Bank’s net-interest income equaled \$6.2 million, an increase of \$2.2 million, or 56.7% from the nine-months ended September 30, 2020.

The Bank's primary source of net-interest income was driven by interest income from loans. The Bank's net interest margin decreased by 50 basis points to 3.49% during the third quarter 2021 when compared to the previous linked quarter. The decrease in the net interest margin was due to the mix of interest earning assets. At September 30, 2021, 38% of the interest earning assets were held in lower yielding cash and due from banks versus 19% as of June 30, 2021 which was driven by the rapid growth of deposits during the third quarter of 2021. The Bank's net interest margin increased 17 basis points when compared to the quarter ended September 30, 2020 due to the decrease in PPP loans as of September 30, 2021 as compared to the prior year. PPP loans earn interest at 1% and comprised 21% of the Bank's total loans as of September 30, 2020 versus 4% as of September 30, 2021.

Non-Interest Income

For the quarter ended September 30, 2021, total non-interest income totaled \$92 thousand, an increase of \$11 thousand, or 13.6%, from the previous quarter ended June 30, 2021. Non-interest income increased \$41 thousand, or 80.4% when compared to the like period ended September 30, 2020. For the nine-months ended September 30, 2021 total non-interest income equaled \$224 thousand, an increase of \$66 thousand or 41.8% when compared to the nine-months ended September 30, 2020. The increase in non-interest income for all periods was driven equally by service charges and other income.

Non-Interest Expense

Total non-interest expense increased by \$275 thousand, or 19.2% versus the previous quarter ended June 30, 2021. Non-interest expense increased \$163 thousand, or 10.5% when compared to the same period ended September 30, 2020. The increase in non-interest expense for the three months ended September 30, 2021 was primarily due to incentives which are based on increases in loans and deposits. For the nine-months ended September 30, 2021 non-interest expense totaled \$4.8 million, an increase of \$607 thousand or 14.4% from the like period in 2020 and was primarily related to the addition of staff to support the Bank's asset growth of 73% year over year.

Income Tax Expense

Due to the net operating losses incurred during the Bank's first few years of operation, the Bank realized a deferred tax asset primarily related to net operating loss carryforwards. As there had been uncertainty related to the realization of the deferred tax asset, a valuation allowance was recorded against the full value of the deferred tax asset. Since the Bank has been profitable for the past twelve consecutive months and believes that the net operating losses will be fully utilized, the Bank reversed the \$1.89 million valuation allowance during the third quarter of 2021, resulting in a tax credit. The tax credit is offset by the current year tax expense at a rate of approximately 31%.

Net Income

The Bank realized its fourth consecutive quarter of profitability and recorded net income of \$2.2 million, or \$0.66 per share which includes the tax credit of \$1.89 million (\$0.57) for the period ending September 30, 2021. This represents an increase in profitability of 622% from previous linked quarter of \$302 thousand, or \$0.09 per share and \$2.3 million increase over the net loss of \$165 thousand, or (\$0.05) per share when compared to September 30, 2020. Net income for the nine-months ended September 30, 2021 totaled \$2.7 million, or \$0.82 per share, an increase of \$3.3 million as compared to the same period in 2020.

The income before taxes for the quarter ended September 30, 2021 was \$405 thousand, a decrease of \$17 thousand, or 4.0% when compared to the previous quarter. For the quarter ended September 30, 2021, income before taxes increased \$570 thousand over the loss before taxes of \$165 thousand when compared to the same quarter in 2020. Income before taxes for the nine-months ended September 30, 2021 was \$1.1 million, an increase of \$1.6 million over the \$548 thousand loss before taxes for the same period in 2020.

The return on average assets increased 264 basis points to 3.24% (2.81% is related to the reversal of the deferred tax asset) for the quarter ended September 30, 2021 as compared to 0.60% for the previous linked quarter and 358 basis points from (0.34%) for the quarter ended September 30, 2020. The return on average assets was 1.63% (1.13% is related to the reversal of the deferred tax asset) for the nine-months ended September 30, 2021 as compared with (0.46%) for the same period last year.

The return on average equity increased to 30.85% (26.81% is related to the reversal of the deferred tax asset) for the quarter ended September 30, 2021 as compared to 4.59% for the previous quarter and (2.56%) for the quarter ended September 30, 2020. The return on average equity was 13.62% (9.44% is related to the reversal of the deferred tax asset) for the nine-months ended September 30, 2021 as compared to (2.85%) for the same period in 2020.

Capital

As of September 30, 2021, the Bank remained well-capitalized under the regulatory capital ratio guidelines with a tier 1 leverage ratio of 8.96%, a tier 1 risk-based capital ratio of 12.42%, and a total risk-based capital ratio of 13.53%.

The book value of the Bank's common stock was \$8.57, \$7.98 and \$7.70 as of September 30, 2021, June 30, 2021 and September 30, 2020, respectively.

ABOUT INFINITY BANK

Infinity 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.

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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 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 Bank'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 Bank's results include, without limitation, the following: the timing and occurrence or non-occurrence of events may be subject to circumstances beyond the Bank'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 Bank; unanticipated or significant increases in loan losses; changes in accounting principles, policies or guidelines may cause the Bank's financial condition to be perceived differently; changes in corporate and/or individual income tax laws may adversely affect the Bank's financial condition or results of operations; general economic conditions, either nationally or locally in some or all areas in which the Bank conducts business, or conditions in the securities markets or the banking industry may be less favorable than the Bank currently anticipates; legislation or regulatory changes may adversely affect the Bank's business; technological changes may be more difficult or expensive than the Bank 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 Bank 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 Bank anticipates.

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

	<u>September 30, 2021</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>
ASSETS:			
Cash and due from banks	\$ 107,900	\$ 37,126	\$ 44,647
Securities available for sale	65,090	12,557	23,014
Total Loans	153,593	153,529	135,866
Allowance for loan and lease losses	(2,124)	(1,841)	(1,582)
Net Loans	151,469	151,688	134,284
Premises and equipment, net	1,324	1,375	1,561
Other assets	3,528	1,547	1,376
TOTAL ASSETS	<u>\$ 329,311</u>	<u>\$ 204,293</u>	<u>\$ 204,882</u>
LIABILITIES			
Deposits:			
Non-interest bearing	\$ 200,332	\$ 97,329	\$ 100,710
Interest bearing	89,685	78,993	71,706
Time certificates of deposit	9,391	-	-
Total deposits	299,408	176,322	172,416
Other liabilities	1,444	1,533	1,638
FHLB borrowings	-	-	5,000
TOTAL LIABILITIES	<u>300,852</u>	<u>177,855</u>	<u>179,054</u>
Stockholders' Equity:			
Common stock	33,143	33,072	32,944
Accumulated deficit	(7,184)	(7,184)	(6,866)
Net income (loss)	2,733	553	(318)
Accumulated other comprehensive gain (loss)	(233)	(3)	68
TOTAL STOCKHOLDERS' EQUITY	<u>28,459</u>	<u>26,438</u>	<u>25,828</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 329,311</u>	<u>\$ 204,293</u>	<u>\$ 204,882</u>

INFINITY BANK
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, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Interest Income:					
Loans	\$ 2,361	\$ 2,071	\$ 1,688	\$ 6,418	\$ 4,154
Investment securities	23	10	29	46	142
Other short-term investments	48	23	17	90	102
Total interest income	<u>2,432</u>	<u>2,104</u>	<u>1,734</u>	<u>6,554</u>	<u>4,398</u>
Interest expense:					
Deposits	125	115	163	345	436
Borrowed funds	-	-	-	1	-
Total interest expense	<u>125</u>	<u>115</u>	<u>163</u>	<u>346</u>	<u>436</u>
Net interest income	2,307	1,989	1,571	6,208	3,962
Provision for loan and lease losses	<u>283</u>	<u>212</u>	<u>239</u>	<u>542</u>	<u>464</u>
Net interest income after provision for loan and lease losses	<u>2,024</u>	<u>1,777</u>	<u>1,332</u>	<u>5,666</u>	<u>3,498</u>
Non-interest income:					
Service charges and other fees	46	36	26	110	69
Other income	46	45	25	114	80
Gain (loss) on securities	-	-	-	-	9
Total non-interest income	<u>92</u>	<u>81</u>	<u>51</u>	<u>224</u>	<u>158</u>
Non-interest expense:					
Salaries and employee benefits	1,159	941	1,076	3,282	2,873
Occupancy	93	89	86	269	268
Furniture, fixture & equipment	32	33	43	118	136
Data processing	110	101	88	306	235
Professional & legal	122	109	107	314	261
Marketing	19	16	18	48	38
Other expense	176	147	130	474	393
Total non-interest expense	<u>1,711</u>	<u>1,436</u>	<u>1,548</u>	<u>4,811</u>	<u>4,204</u>
Income (loss) before taxes	405	422	(165)	1,079	(548)
Income tax expense	<u>(1,775)</u>	<u>120</u>	<u>-</u>	<u>(1,654)</u>	<u>-</u>
Net Income (Loss)	<u>\$ 2,180</u>	<u>\$ 302</u>	<u>\$ (165)</u>	<u>\$ 2,733</u>	<u>\$ (548)</u>
Earnings (loss) per share: Basic	\$ 0.66	\$ 0.09	\$ (0.05)	\$ 0.82	\$ (0.17)
Common shares outstanding	3,319,287	3,312,858	3,312,858	3,319,287	3,312,858

INFINITY BANK
UNAUDITED FINANCIAL HIGHLIGHTS

	<u>At and For the Three Months Ended</u>			<u>At and For the Nine Months Ended</u>	
	<u>September 30,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>	<u>September 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>
Performance Ratios:					
Net interest margin	3.49%	3.99%	3.32%	3.78%	3.42%
Cost of funds	0.21%	0.26%	0.39%	0.24%	0.44%
Loan to deposit ratio	51.30%	87.07%	89.12%	51.30%	89.12%
Yield on total loans	6.39%	5.70%	5.29%	5.94%	5.47%
Return on average assets	3.24%	0.60%	(0.34%)	1.63%	(0.46%)
Return on average equity	30.85%	4.59%	(2.56%)	13.62%	(2.85%)
Book value of common stock	\$ 8.57	\$ 7.98	\$ 7.70		
Asset Quality Summary:					
Allowance for loan loss/Total loans	1.38%	1.20%	1.02%		
Capital Ratios:					
Tier 1 risk-based capital ratio	12.42%	15.29%	15.67%		
Total risk-based capital ratio	13.53%	16.36%	16.52%		
Tier 1 leverage ratio	8.96%	13.00%	13.28%		