April 22, 2022

GBank Financial Holdings Inc. Announces Quarterly Operating Earnings

LAS VEGAS, April 22, 2022 /PRNewswire/ -- GBank Financial Holdings Inc. ("GBank" or the "Company") (OTCQX: GBFH), the parent company for Bank of George (the "Bank"), today reported year-to-date and quarterly earnings of $3.2 million, or $0.25 per diluted share. This represents a year-over-year increase of 216%, compared to $1.0 million or $0.08 per diluted share for the year-to-date period ending March 31, 2021. Earnings were highlighted by continued strong gain on loan sales for the quarter. Gain on sales income increased to $5.1 million from $1.8 million in the same quarter 2021, representing a 180% year-over-year increase.

First Quarter Financial Highlights (for the year-over-year and linked quarterly periods ending March 31, 2022)

Year-over-year comparisons:

- Year-to-date net income increased 216% to $3.2 million, compared to $1.0 million for the same period in 2021.
- Year-to-date earnings per diluted share were $0.25, compared to $0.08 for the same period in 2021.
- Allowance for loan losses was $6.1 million, compared to $5.4 million at March 31, 2021.
- Net interest margin (bank-level) was 3.12%, compared to 3.52% for the same period in 2021.
- Year-to-date net revenues (net interest income plus noninterest income) increased 63% to $10.3 million, compared to $6.3 million for 2021.
- Noninterest income increased 152% to $5.9 million, compared to $2.3 million for 2021.
- Total assets increased 20% to $626.4 million, compared to $522.6 million as of March 31, 2021.
- Total deposits increased 16% to $507.6 million, compared to $437.6 million as of March 31, 2021.
- Book value was $6.45 per share, compared to $5.39 per share as of March 31, 2021.

Linked quarter comparisons:

- Net income decreased 18% to $3.2 million, compared to $4.0 million for Q4 2021.
- Earnings per diluted share were $0.25, compared to $0.31 for Q4 2021.
- Return on average assets was 2.11%, compared to 2.72% for Q4 2021.
- Return on average equity was 16.93%, compared to 21.46% for Q4 2021.
- Allowance for loan losses was $6.1 million, compared to $6.2 million at December 31, 2021.
- Net interest margin was 3.12%, compared to 3.53% for Q4 2021.
- Total net revenues (net interest income plus noninterest income) decreased 9% to $10.3 million, compared to $11.4 million for Q4 2021.

- Noninterest income decreased 8% to $5.9 million, compared to $6.4 million for Q4 2021.
- Total assets increased 1% to $626.4 million, compared to $620.3 million at December 31, 2021.
- Total deposits decreased 0.4% to $507.6 million, compared to $509.6 million at December 31, 2021.
- Book value was $6.45 per share, compared to $6.19 per share at December 31, 2021.

Edward M. Nigro, GBank Executive Chairman, stated "This record first quarter earnings, combined with anticipated FOMC rate increases, reinforce our expectations for continued strong growth in 2022."

Covid-19 Response

The Company continues to administer several pandemic programs to assist its clients with their financial needs, and remains committed to helping its clients who have been affected by the declining economic activity or other challenges related to the pandemic.

Bank of George Business Relief Plan

Beginning in March 2020, and with 100% of loan portfolios performing as agreed, the Bank was able to implement the Bank of George Business Relief Plan. This bold initiative utilized the Company's sizeable financial strength to support all the Bank's communities and clients. Under this plan, the Bank offered all its borrowers optional three and six-month payment deferrals for full principal and interest. As the payment deferral status ended, borrowers resumed making their scheduled payments and were no longer considered being in an active deferral status. At March 31, 2022, the Bank no longer had any loan relationships on deferral under this program.

Paycheck Protection Program

As a U.S. Small Business Administration ("SBA") PLP lender, the Bank has also been able to play a critical role in offering loans through the SBA Paycheck Protection Program ("PPP"). During the life of the program, the Bank funded approximately $85 million in PPP loans. These vital funds supported keeping nearly 7,000 employees on the payroll. PPP loans at March 31, 2022, were approximately $6.9 million.

SBA

"The Company continues to invest in our SBA Division as we continue to break records and work to become an even stronger player in this market. These loans are the backbone of the U.S. economy, and we are excited to work with these small businesses and contribute to their success," stated T. Ryan Sullivan, President/CEO.

For the SBA fiscal year ending September 30, 2021, the Bank secured a total of approximately $292 million in SBA 7(a) loan approvals, excluding PPP loans. This placed the Bank as 19th for all SBA 7(a) lenders in the nation. During Q1 2022, the Bank's SBA Division closed on approximately $54.4 million in total loans originated. Q1 2022 loan production increased 50.7% from the total loan originations of approximately $36.1 million during the same quarter 2021.

A key provision of the CARES Act was the SBA Debt Relief Program, whereby the SBA made six months of principal and interest payments on qualifying existing and new SBA loans. This has been an incredibly powerful resource for SBA borrowers and, with all of the Bank's SBA 7(a) loans in regular payment status at the onset of the program, most of the Bank's SBA borrowers were able to benefit from this program. At March 31, 2022, the bank no longer had any loan relationships receiving support under this program. Additionally, under the Economic Aid Act, continuing SBA payment support of up to $9,000 per month has been provided for a significant portion of the Bank's SBA 7(a) loan portfolio, with approximately $7.2 million in loan relationships continuing to receive support under this program at March 31, 2022.

Gaming FinTech

As a result of the merger of SBTech and DraftKings, the Bank's related Oregon State Lottery Program ("OSL") sports wagering accounts began winding down during Q1 2022. Due to this winddown, OSL load volume decreased 76.9% during Q1 2022 to $4.6 million, compared to $20.3 million during Q1 2021. Even with this decrease, the Bank's Play+ Program with its strategic partners, BankCard Services, LLC and Sightline Payments, experienced an increase in load volumes of 36.7% during Q1 2022 to $202.2 million, compared to $147.9 million during Q1 2021, resulting in an overall Gaming FinTech Division load volume increase of 23.2% during Q1 2022 to approximately $207 million, compared to $168 million during Q1 2021.

As an offset to the OSL winddown, the Bank anticipates it will receive a total of $225 thousand for the OSL Program termination.

Subordinated Notes Offering

On December 14, 2021, the Company completed its private placement of $20 million of 3.875% fixed-to-floating rate subordinated notes due 2031 (the "Notes") to certain qualified institutional buyers and accredited investors. The Notes have been structured to qualify as Tier 2 capital for regulatory capital purposes. The Company intends to use the net proceeds of the offering for general corporate operating purposes, to support organic growth, and to fund potential acquisitions.

Balance Sheet Review

GBank's consolidated liquidity and capital positions continue to perform well compared to its relative peers. Year-over-year, deposits grew by approximately $70 million. Year-over-year, gross loan balances (excluding PPP) increased by approximately $50 million due to SBA and commercial loan growth. The Bank continues to take advantage of favorable market conditions related to SBA loan sales.

Total assets increased 19.9% to approximately $626 million, compared to approximately $523 million at March 31, 2021. Total deposits were also up 16% to approximately $508 million, compared to approximately $438 million at March 31, 2021. Shareholders' equity increased 20% to approximately $79 million, compared to approximately $65.7 million at March 31, 2021.

The company adopted ASC 842 – Lease Accounting in Q3 2021, resulting in a right-of-use asset and corresponding operating lease liability of approximately $1.6 million. Certain

adjustments have been made to the financial presentation for the 2021 year-to-date period and are related to this adoption for comparative purposes. We have leased branches and office space and have entered into various other agreements in conducting our business. Operating lease right-of-use assets are included within All Other Assets and the Bank's operating lease liability is included within Accrued Interest Payable and Other. Operating lease expense is recognized on a straight-line basis over the expected lease term, subject to any changes in the lease or expectations regarding the terms. Variable lease costs such as property taxes are expensed as incurred. Lease and non-lease components are accounted for separately as the amounts are readily determinable under our lease contracts. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

Operating Results

The Company's quarterly net interest margin was 3.12%, compared to 3.52% for Q1 2021. First quarter net revenues (net interest income plus noninterest income) increased 63% to $10.3 million, compared to $6.3 million for Q1 2021. First quarter noninterest income increased 152% to $5.9 million, compared to $2.3 million for Q1 2021. Total first quarter noninterest expense increased 29% to $6 million, compared to $4.6 million for Q1 2021, and increased 1.5% for the first quarter to $6 million, compared to $5.9 million for Q4 2021.

Credit Quality

The provision for loan losses during Q1 2022 reflects our current assessment of risks associated with our credit portfolios, the COVID-19 pandemic, and general economic conditions. The Company recorded a $56 thousand provision for loan losses during the first quarter of 2022, compared to a $250 thousand provision during the preceding linked quarter. The Company held approximately $6.1 million in allowance for loan losses at March 31, 2022, compared to approximately $6.15 million at December 31, 2021. The Bank holds no balances of other real estate owned and reports two loans in non-accrual status for approximately $298 thousand at March 31, 2022, down from $320 thousand in the prior quarter. The allowance for loan losses to total net loans, excluding PPP and guaranteed balances, was 2.13% at March 31, 2022. During the quarter, the Bank experienced a partial net charge-off of approximately $105 thousand.

Earnings Call

The Company will host its Q1 2022 quarterly earnings call in conjunction with its regularly scheduled Annual Meeting of Shareholders on Thursday, May 12, at 2:00 p.m. (PST). Please see GBFH Company Release published April 8, 2022, for information on joining this meeting:

04.08.2022 GBFH Company Release – Annual Meeting of Shareholders

The Company

GBank Financial Holdings Inc. ("GBank" or the "Company") (GBFH), a bank holding company with approximately $626 million in assets at March 31, 2022, conducts business through its wholly owned subsidiary, Bank of George (named in honor of George Washington). Founded in 2007, the Bank operates two full-service commercial branches in Las Vegas, Nevada, with primary lending activities focused on engaging clients in Nevada,

California, Utah, and Arizona. Bank of George has key businesses in three prominent divisions: SBA Lending, Gaming FinTech, and Commercial Lending. The Bank conducts business nationally through its SBA lending activities (ranked 19th in the nation by the U.S. Small Business Administration for SBA 7(a) dollar loan volume through September 30, 2021) and its partnership. Launched in 2016, the Bank's Gaming FinTech Division, through its contract with BankCard Services, LLC ("BCS") is empowering Sightline Payments Play+ Solution (Sightline Payments) for seamless and secure pay-and-play that is enabling cashless, mobile commerce solutions for gaming, lottery, and sports betting ecosystems – positioning GBank as a financial leader in this new payments world. The Bank also provides general commercial banking services with an emphasis on serving the needs of small- and medium-sized businesses, high net worth individuals, professionals, and investors. The Bank offers a full complement of consumer deposit products and is focused on delivering a premium level of service. Bank of George has been recognized every year for each of the past five years by S&P Global Market Intelligence as a top 100 U.S. community bank under $3 billion in assets. For more information about Bank of George, please visit its website at https://www.bankofgeorge.com. GBank's Common Stock is quoted on the US OTCQX Market under the symbol GBFH.

Forward-looking Statements

GBank has made forward-looking statements in this Press Release. These forward-looking statements are subject to risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of operations of the Company and its subsidiaries. When words such as "believes," "expects," "anticipates," or similar expressions occur in this Press Release, the Company is making forward-looking statements. Note that many factors could affect the future financial results of the Company and its subsidiaries, both individually and collectively, and could cause those results to differ materially from those expressed in the forward-looking statements contained in this Press Release. Those factors include, but are not limited to: the recent and continuing coronavirus (COVID-19) pandemic which poses risks and may harm the Company's business and results of operations in future quarters, credit risk, changes in market interest rates, inability to achieve merger-related synergies, competition, economic downturn or recession, and government regulation and supervision. The Company undertakes no obligation to update or revise any forward-looking statements.

View original content:https://www.prnewswire.com/news-releases/gbank-financial-holdings-inc-announces-quarterly-operating-earnings-301531376.html

SOURCE GBank Financial Holdings Inc.