January 24, 2023

GBank Financial Holdings Inc. Announces Fourth Quarter 2022 Financial Results

LAS VEGAS, Jan. 24, 2023 /PRNewswire/ -- GBank Financial Holdings Inc. ("GBank" or the "Company") (OTCQX: GBFH), the parent company for GBank (formerly known as "Bank of George") (the "Bank") today reported net income of $3.3 million or $0.25 per diluted share for the quarter ended December 31, 2022, compared to $2.6 million or $0.20 per diluted share during the third quarter of 2022. Net income for the year ended December 31, 2022, was $10.9 million, or $0.84 per diluted share, compared to $11.0 million, or $0.85 per diluted share, for the year ended December 31, 2021.

Quarterly Earnings Report – Q4 2022

A copy of the Quarterly Earnings Report published with OTC Markets can be found in the link below:

GBank Financial Holdings Inc. – Quarterly Earnings Report – Q4 2022

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

Year-over-year comparisons:

- Year-to-date net income decreased 1% to $10.9 million, compared to $11.0 million for the same period in 2021.
- Year-to-date net revenues (net interest income plus noninterest income) increased 13% to $41.7 million, compared to $37.0 million for the same period in 2021.
- Year-to-date net interest income increased 43% to $25.2 million, compared to $17.6 million for the same period in 2021.
- Net interest margin (bank-level) increased to 4.28%, compared to 3.47% for the same period in 2021.
- Net interest margin (consolidated) increased to 4.10%, compared to 3.40% for the same period in 2021.
- Noninterest income decreased 15% to $16.5 million, compared to $19.4 million for 2021.
- Noninterest expense increased 22% to $26.3 million, compared to $21.5 million for 2021.
- Year-to-date SBA Division loan originations increased 6% to $289.5 million, compared to $274.0 million for 2021.
- Total assets increased 9% to $678.7 million, compared to $620.3 million as of December 31, 2021.
- Total deposits increased 9% to $555.4 million, compared to $509.6 million as of December 31, 2021.
- Book value increased to $6.84 per share, compared to $6.19 per share as of December 31, 2021.

- Return on average assets was 1.68%, compared to 2.04% for the same period in 2021.
- Return on average equity was 13.38%, compared to 15.88% for the same period in 2021.

Linked quarter comparisons:

- Net income increased 25% to $3.3 million, compared to $2.6 million for Q3 2022.
- Total net revenues (net interest income plus noninterest income) increased 5% to $11.3 million, compared to $10.7 million for Q3 2022.
- Net interest income increased 24% to $8.6 million, compared to $7.0 million for Q3 2022.
- Net interest margin (bank-level) increased to 5.45%, compared to 4.70% for Q3 2022.
- Net interest margin (consolidated) increased to 5.29%, compared to 4.52% for Q3 2022.
- Noninterest income decreased 29% to $2.7 million, compared to $3.8 million for Q3 2022.
- Noninterest expense increased 2% to $7.1 million, compared to $6.9 million for Q3 2022.
- Total assets increased 2% to $678.7 million, compared to $667.3 million at September 30, 2022.
- Total deposits increased 2% to $555.4 million, compared to $547.2 million at September 30, 2022.
- Book value increased to $6.84 per share, compared to $6.59 per share at September 30, 2022.
- Return on average assets was 1.89%, compared to 1.61% for Q3 2022.
- Return on average equity was 15.22%, compared to 12.73% for Q3 2022.

Edward M. Nigro, Executive Chairman, stated "While we provide more detail below, 2022 was indeed unique for GBFH. What began as Bank of George has become GBank, and the name change was just the beginning. We began major reorganization with key staff additions including our new CITO, Shouvik Ray, and his staff; expanding both the SBA and Commercial Lending Divisions; launching our Credit Card Division; adding 3 new FinTech Pooled Player Account clients with 3 additional in final vetting; boarding Resorts World with Sightline Interactive for the first cashless gaming casino client in Las Vegas; and, most importantly, commenced our core processor change from FIS to FISERV. Thus, with our overall increase from 105 to 146 employees, we are building for our future growth in our existing and growing financial services."

Operating Results

Operating Highlights

Earnings for 2022 included approximately $1.0 million in one-time pretax expenses related to the upgrade of the Bank's core processing system and the rebrand from Bank of George to GBank.

For the U.S. Small Business Administration ("SBA") fiscal year ending September 30, 2022, the Bank secured $242.6 million in SBA 7(a) loan approvals, ranking the Bank 14th in total dollar volume of SBA 7(a) loan approvals in the United States during the twelve months ended September 30, 2022, compared to the Bank's ranking of 19th for the same period in 2021.

Loan originations by the Bank's SBA Lending Division, excluding Paycheck Protection Program ("PPP") loans, were at $289.5 million year-to-date through December 31, 2022, a 6% increase compared to $274 million in originations for the same period in 2021. Gain on sale of loans decreased $1.4 million, or 43%, during the quarter ended December 31, 2022, and decreased $3.6 million, or 21%, during the twelve months ended December 31, 2022. The decrease is mainly related to a reduction in the sale price of U.S. Small Business Administration ("SBA") loans that has resulted from the interest rate increases from the Federal Reserve Bank and from changing market conditions. Average pretax GAAP gain on loan sale prices decreased to 5.76% in 2022 from 9.48% in 2021, while loan sales increased to $235.1 million in 2022 from $180.4 million in the prior year. Prior year gain on sale of loans also benefitted from the Economic Aid Act, which temporarily increased standard SBA (a) guaranties from 75% to 90%.

GBank's strategic partner, BankCard Services, LLC, supported Gaming FinTech deposits of $44.1 million as of December 31, 2022. Gaming FinTech deposits were at an all-time high of $58 million in October 2022. Gaming FinTech fees for 2022 increased to $619 thousand from $440 thousand in 2021, due mainly to the one-time payment of $225 thousand for the winddown of the Oregon State Lottery sports program. Sightline loads to GBank branded Play+ accounts declined to $642 million from $751 million in 2021. This decline was primarily due to card networks applying a gaming code (code 7801) to all credit and debit card loads to the GBank Play+ debit card, which caused a very high denial rate. Sightline signed Resorts World in Las Vegas as the first casino to commence cashless gaming. Resorts World player load activity is now solely with GBank. Sightline anticipates 6 new casino wallet contracts in 2023.

Net Interest Income and Net Interest Margin

For the year ended December 31, 2022, net interest income was $25.2 million, an increase of $7.6 million, or 43%, compared to net interest income of $17.6 million for the year ended December 31, 2021. Net interest income was $8.6 million for the quarter ended December 31, 2022, an increase of $1.7 million or 24% when compared to $7.0 million during the third quarter of 2022. The favorable increase in net interest income for both the quarter and year ended December 31, 2022, was driven by adjustable-rate loans totaling approximately $279.2 million at December 31, 2022, which repriced as a result of the increase in the Wall Street Journal prime rate during the twelve months ended December 31, 2022. Market rate increases also contributed to higher interest income on other liquid assets, including cash balances held at the Federal Reserve, as well as volume and rate-related growth within GBank's investment portfolio, which grew from $3.7 million at December 31, 2021, to $107.5 million at December 31, 2022, and yielded 3.03% during the twelve months ended December 31, 2022. These favorable increases were partially offset by an increase in interest expense driven by both (i) higher rates paid on interest-bearing deposits to maintain competitive pricing, and (ii) an increase in subordinated debt interest costs of $771 thousand due to the full-year impact the subordinated debt issuance in December 2021.

Net interest margin for the Bank for the year ended December 31, 2022, was 4.28%, compared to 3.47% for the year ended December 31, 2021. The Bank's fourth quarter net interest margin was 5.45%, compared to 4.70% for the third quarter of 2022. The increase in both the quarter-to-date and year-to-date net interest margin was driven by higher loan yields as a result of increases in the federal funds rate of (i) 125 basis points during the fourth quarter of 2022, and (ii) 425 basis points during the year ended December 31, 2022, initiated by the Federal Reserve Bank. The favorable increase in loan yields was partially

offset by deposit rate increases in response to the above-mentioned federal funds rate increases.

Noninterest Income

For the three months ended December 31, 2022, noninterest income totaled $2.7 million, a decrease of $1.1 million, or 29%, compared to noninterest income of $3.8 million for the three months ended September 30, 2022. For year ended December 31, 2022, noninterest income totaled $16.5 million, a decrease of $2.9 million, or 15%, compared to noninterest income of $19.4 million for the same period in 2021. The decrease in noninterest income is mainly related to a decrease in gain on sale of loans partially offset by favorable increases in both loan servicing income and other income. The components of noninterest income are discussed in more detail below.

As previously reported, gain on sale of loans decreased $1.4 million, or 43%, during the quarter ended December 31, 2022, and decreased $3.6 million, or 21%, during the twelve months ended December 31, 2022. The decrease is mainly related to a reduction in the sale price of U.S. Small Business Administration ("SBA") loans that has resulted from the interest rate increases from the Federal Reserve Bank and from changing market conditions. Average pretax GAAP gain on loan sale prices decreased to 5.76% in 2022 from 9.48% in 2021, while loan sales increased to $235.1 million in 2022 from $180.4 million in the prior year. Prior year gain on sale of loans also benefitted from the Economic Aid Act, which temporarily increased standard SBA (a) guaranties from 75% to 90%. The net impact to earnings is a reduction of $3.6 million in pretax revenue. While the reduction in loan sale pricing has impacted the Bank, the natural hedge of the variable rate loans and the large liquidity position of the Bank has helped to stabilize earnings during this volatile year.

Loan servicing income increased $114 thousand, or 39%, compared to the three months ended September 30, 2022, and increased $204 thousand, or 19%, compared to the twelve months ended December 31, 2022. The favorable increase was driven by a 31% increase in loans serviced for others from $518.5 million at December 31, 2021, to $678.7 million at December 31, 2022.

Other income increased $174 thousand, or 58%, during the three months ended December 31, 2022, and increased $403 thousand, or 33%, during the twelve months ended December 31, 2022. These increases were driven by an increase in bank-owned life insurance of $256 thousand year-over-year, as well as $224 thousand in non-recurring Gaming FinTech revenues received due to the previously announced termination of the Oregon State Lottery Program ("OSL") sports wagering accounts.

Noninterest Expense

For the three months ended December 31, 2022, noninterest expense totaled $7.1 million, an increase of $128 thousand, or 2%, compared to noninterest expense of $6.9 million for the third quarter of 2022. For the year ended December 31, 2022, noninterest expense totaled $26.3 million, an increase of $4.8 million, or 22%, compared to noninterest expense of $21.5 million for the year ended December 31, 2021. The increases are primarily driven by employee growth, higher salaries, employee benefits, core conversion and rebrand expenses, and increases within other expenses. The components of noninterest expense are discussed in more detail below.

Salaries and employee benefits increased $86 thousand, or 2%, during the quarter ended December 31, 2022, and $3.5 million, or 26%, for the twelve months ended December 31, 2022. This variance was driven by a substantial increase in full-time equivalent employees from 105 at December 31, 2021, to 146 at December 31, 2022. Much of this growth was within the SBA Division, which added 26 new employees during the year. Other staff additions related to the pending launch of the Bank's credit card and technology upgrades during the year.

The increase in other operating expense of $1.3 million during the twelve months ended December 31, 2022, includes $700 thousand in pretax deconversion costs related to the Bank's core conversion upgrade and $293 thousand in costs related to the rebranding of Bank of George to GBank. In addition, the Bank invested $358 thousand in development costs for the credit card product.

Balance Sheet Review

The Company's consolidated liquidity and capital positions continue to perform well compared to its relative peers. Total assets increased to $678.7 million, compared to $667.3 million at September 30, 2022, and $620.3 million at December 31, 2021.

Total gross loans as of December 31, 2022, were $409.7 million, compared to $406.2 million at September 30, 2022, and $360.7 million as of December 31, 2021. The increase of $49.0 million in gross loans since December 31, 2021, was driven by record loan production in both government guaranteed and conventional loan products totaling approximately $383.6 million for the year-to-date period ending December 31, 2022.

Total deposits were $555.4 million as of December 31, 2022, compared to $547.2 million at September 30, 2022, and $509.6 million at December 31, 2021. Deposit growth of $45.9 million since December 31, 2021, was led by a substantial increase in noninterest-bearing deposits which continues to strengthen the Bank's net interest margin.

Shareholders' equity totaled $86.8 million as of December 31, 2022, compared to $83.5 million at September 30, 2022, and $75.8 million at December 31, 2021. The increase in shareholders equity when compared to both the prior linked quarter and the previous year-end was driven by an increase in retained earnings resulting from strong earnings results.

SBA Division

"The most important contributor to Company's success has been our continued growth in SBA lending activity. The $290 million in 2022 originations compares to $274 million in the prior year and $195 million in 2020. Our focus on growth has enabled us to significantly expand our net revenues, which hit an all-time record of $42 million for this last year. This represents incredible progress made towards our goal of becoming a national top 10 SBA 7(a) lender," stated T. Ryan Sullivan, President and CEO.

As previously reported, the Bank secured $242.6 million in SBA 7(a) loan approvals during the twelve months ended September 30, 2022, ranking the Bank 14th in total dollar volume of SBA 7(a) loan approvals in the United States, compared to the Bank's ranking of 19th for the same period in 2021. During the first quarter of SBA's fiscal year ending September 20, 2023, the Bank secured $55.8 million in SBA 7(a) loan approvals.

Year-to-date loan originations by the Bank's SBA Lending Division, excluding Paycheck Protection Program ("PPP") loans, were at $289.5 million through December 31, 2022, a 6% increase compared to $274 million in originations for the same period in 2021. Year-to-date gains on sale of loans were $13.5 million through December 31, 2022, a decrease of $3.6 million despite a 30% increase in loan sales. The gain on sales of SBA loans has been impacted by the interest rate increases from the Federal Reserve Bank and changing market conditions.

Gaming FinTech Division

Overall, the Bank's Gaming FinTech Division experienced total load volume of $641.5 million for the year ended December 31, 2022, compared to $750.7 million for the same period in 2021. This decline was primarily the result of the winddown of the OSL sports wagering accounts and reduced levels of growth in Sightline Play+ loads. The Bank's Play+ Program experienced a slight decrease in load volume of 6% for the year ended December 31, 2022, to $636.8 million, compared to $674.0 million for the same period in 2021. Among other Gaming FinTech initiatives, the Bank also announced its launch of the GBank Credit Card, which will be readily available to nearly 1,000,000 consumer records held by the Bank – see Credit Card Press Release.

Gaming FinTech deposits were $44.1 million as of December 31, 2022. Our strategic partner, BankCard Services, LLC ("BCS"), signed three new gaming companies - including sports wagering and skills gaming entities – to utilize Pooled Player Accounts at GBank (***PPA powered by PIMS™***).

Paycheck Protection Program

As an SBA PLP lender, the Bank has 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 December 31, 2022, were $135 thousand.

Subordinated Note Offerings

On December 30, 2020, the Company completed its private placement of $6.5 million of 4.5% 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.

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.

Credit Quality

The provision for loan losses during Q4 2022 reflects our current assessment of risks associated with our credit portfolios, the COVID-19 pandemic, and general economic

conditions. The Company recorded a $60 thousand provision for loan losses during the fourth quarter of 2022, compared to a $464 thousand provision during the preceding linked quarter. For the year ended December 31, 2022, the Company recorded $1.3 million of loan loss provision compared to $1.1 million during the year ended December 31, 2021. The Company held $6.9 million in allowance for loan losses as of December 31, 2022, compared to $6.8 million at September 30, 2022, and $6.2 million at December 31, 2021. The allowance for loan losses to total gross loans was 1.67% as of December 31, 2022, compared to 1.68% at September 30, 2022, and 1.71% at December 31, 2021. The allowance for loan losses to total net loans, excluding PPP and guaranteed balances, was 1.84% at December 31, 2022, compared to 1.91% at September 30, 2022, and 2.16% at December 31, 2021.

The Bank holds no balances of other real estate owned, and reports loans in nonaccrual status of $598 thousand at December 31, 2022, compared to $4.5 million in the preceding linked quarter. The decrease in nonaccrual loans from the preceding linked quarter was driven by partial satisfaction of the nonaccrual relationship through the SBA. The Bank had no charge-offs or recoveries during the fourth quarter of 2022, compared to $446 thousand of net charge-offs during the prior quarter. The Bank experienced net charge-offs of $633 thousand for the year ended December 31, 2022, while no charge-offs or recoveries were recorded during the year ended December 31, 2021.

Earnings Call

The Company will host its Q4 2022 quarterly earnings call on Wednesday, January 25, 2023, at 2:00 p.m. PST. Interested parties will be able to listen from any remote location that has Internet connectivity. There will be no physical location for interested parties to attend.

Interested parties may participate online, via the ZOOM app on their smartphones, or by joining by telephone:

The ZOOM video conference ID is 826 3030 7240
Passcode: 549549

Joining by ZOOM Video Conference
Log in on your computer at
https://us02web.zoom.us/j/82630307240?pwd=TU4yZXJqMEc2VGZoUm5rRTl0OVFxdz09
or by using the Zoom app on your smartphone.

Joining by Telephone
Dial (408) 638-0968. The conference ID is 826 3030 7240. Passcode: 549549.

The Company

GBank Financial Holdings Inc. (the "Company") (GBFH), a bank holding company with approximately $678.7 million in assets at December 31, 2022, conducts business through its wholly owned subsidiary, GBank (formerly known as "Bank of George") (the "Bank"). 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. GBank 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 14th in the nation by the U.S. Small Business Administration for SBA 7(a) dollar loan volume through September 30, 2022)

and its BankCard Services, LLC ("BCS") partnership. Launched in 2016, its Gaming FinTech Division, through its contract with 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 the Bank 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. GBank has been recognized every year for each of the past six years by S&P Capital IQ in its Top 100 Best-Performing Community Banks. For more information about GBank, please visit its website at www.g.bank. The Company's Common Stock is quoted on the US OTCQX Market under the symbol GBFH.

Cautionary Notice Regarding Forward-Looking Statements

The Company 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.

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