April 30, 2024

GBank Financial Holdings Inc. Announces First Quarter 2024 Financial Results

LAS VEGAS, April 30, 2024 /PRNewswire/ -- GBank Financial Holdings Inc. (the "Company") (OTCQX: GBFH), the parent company of GBank (the "Bank") today reported net income for the quarter ended March 31, 2024, of $3.7 million, or $0.28 per diluted share, compared to $3.5 million, or $0.27 per diluted share, during the fourth quarter of 2023, and $3.3 million, or $0.26 per diluted share, for the same period in 2023.

Click here: Quarterly Detailed Financials and Key Metrics

Financial Highlights

- **Q1 2024 net income of $3.7 million and diluted earnings per share of $0.28**
- **Q1 2024 net interest margin of 4.85%**
- **Q1 2024 gross loan growth of $93.9 million, or 14% sequentially**
- **Q1 2024 loans sold of $68.6 million, an increase of $31.6 million, or 85%, compared to the prior quarter**
- **Q1 2024 gain on sale of loans of $2.1 million, an increase of $907 thousand, or 77%, compared to the prior quarter**
- **Q1 2024 total on-balance-sheet guaranteed loans increased by $54.5 million, or 27%, compared to the prior quarter**
- **Q1 2024 non-performing assets were $6.1 million, or 0.64% of total assets**

Edward M. Nigro, Executive Chairman, stated, "Each quarter I comment on one or two factors that I believe most important to you, our investors and shareholders; but this is more difficult as our business plan becomes more complex. SBA, Commercial Lending, Gaming FinTech (BCS), Payments, and Credit Card are all important to our Balance Sheet and Earnings. Let's look year-over-year: total Gross Loans grew from $444.9 million to $776.7 million - total Balance Sheet growth from $685.2 million to $963.5 million. All this while further reducing risk by completing note modifications and rate reductions for 73 of our 470 SBA borrowers. We shall remain focused and continue our growth."

Financial Results

Operating Highlights

Beginning in Q3 2023, in an effort to proactively service its portfolio and address areas of stress occasioned by the Federal Reserve's rising interest rate policy, the Bank began offering note modifications to certain of its existing SBA borrowers that had been adversely

impacted by the Federal Reserve's 525 basis point increase in the prime rate, which modifications provided impacted borrowers with an option to lower both their current loan rates and monthly payments by converting their quarterly variable-rate loans to 5-year fixed-rate loans. In order to accomplish these loan modifications, the Company submitted detailed requests to SBA, resulting in the SBA approving approximately $152.9 million of repurchases of the guaranteed portion of previously sold SBA loans as of the quarter ended March 31, 2024. Through these efforts, the Bank has provided relief to 73 American small businesses during their time of need, on SBA 7(a) loans totaling approximately $166.2 million, with a weighted average rate reduction of 1.53%.

The Bank has also elected to retain certain newly originated guaranteed loans. These combined endeavors have resulted in a 27% increase in total retained guaranteed loans during the quarter, from $205.0 million at December 31, 2023, to $259.5 million at March 31, 2024.

Excluding repurchased loans, for the quarter ended March 31, 2024, loan originations by the Bank's SBA and Commercial Lending Divisions were $129.3 million and $7.4 million, respectively, totaling $136.6 million, compared to $134.7 million for the prior quarter. Loan sale volume increased 85% to $68.6 million, compared to $37.0 million for the prior quarter, and increased 42%, compared to $48.2 million for the same period in 2023. Gain on sale of loans increased 77% to $2.1 million, compared to $1.2 million for the prior quarter, and increased 4% from $2.0 million for the same period in 2023. Average pretax gain on sale of loans margin decreased to 3.04% during the first quarter, compared to 3.18% for the prior quarter and 4.17% for the same period in 2023.

Balance Sheet Review

The Company's consolidated liquidity and capital positions remain strong when compared to its peers. For the quarter ended March 31, 2024, the Company's Tangible Common Equity to Tangible Assets ratio was 10.6%. The Bank's Tier 1 leverage ratio was 13.03%, compared to 14.06% for the prior quarter, and 15.97% for the same period in 2023. The increase in Bank capital during the trailing twelve months ended March 31, 2024, was the result of both (i) growth in retained earnings through net income generated, and (ii) the downstream of $2.0 million in additional capital from the holding company, which was completed during Q3 2023. Capital ratios have been offset by the Company's and Bank's significant asset growth. As of March 31, 2024, the Bank had approximately $440 million in available borrowings from the Federal Reserve Bank, the Federal Home Loan Bank, and through its various Fed Funds lines.

For the quarter ended March 31, 2024, total assets increased 5% to $963.5 million, compared to $918.4 million for the prior quarter, and increased 41% from $685.2 million for the same period in 2023.

For the quarter ended March 31, 2024, total gross loans (net of SBA loan sales) increased 14% to $776.7 million, compared to $682.9 million for the prior quarter, and increased 75% from $444.9 million for the same period in 2023. Year-to-date loan originations, including SBA and non-SBA commercial loans, were $136.6 million, representing an increase of 45% compared to $94.5 million during the same period in 2023.

For the quarter ended March 31, 2024, total deposits increased 8% to $806.9 million, compared to $745.7 million for the prior quarter, and increased 45% from $556.7 million for the same period in 2023. The increase in total deposits was driven by higher balances of

business money market and savings accounts, as well as an increase in certificates of deposit. The increase in certificates of deposits includes the net addition of approximately $10 million of brokered deposits since December 31, 2023.

For the quarter ended March 31, 2024, stockholders' equity increased 4% to $102.6 million, compared to $98.4 million for the prior quarter, and increased 14% from $90.2 million for the same period in 2023.

Net Interest Income and Net Interest Margin

For the quarter ended March 31, 2024, net interest income increased 4% to $10.8 million, compared to $10.4 million for the prior quarter, and increased 15% compared to $9.4 million for the same period in 2023. The positive growth within net interest income was the result of both (i) significant loan growth, with average loan balances increasing approximately $112.7 million compared to the prior quarter, and approximately $308.5 million compared to the same period in 2023, and (ii) rate increases on certain adjustable-rate loans, securities, and other liquid assets compared to the same period in 2023.

Net interest income growth was partially offset by an increase in interest expense, primarily driven by higher rates paid on interest-bearing deposits to maintain competitive pricing. The decrease in interest expense on borrowed funds was the result of a decrease in the average balance of short-term borrowings outstanding from approximately $24.5 million for the fourth quarter of 2023 to approximately $7.6 million for the first quarter of 2024, primarily due to the scheduled repayment of a short-term borrowing arrangement of $30 million in January 2024. For the quarter ended March 31, 2024, short-term borrowings totaled $10 million, compared to $30 million for the prior quarter. The Company periodically utilizes short-term borrowings as a means to fund GBank's balance sheet growth. For the quarter ended March 31, 2024, the Company's consolidated net interest margin was 4.85%, compared to 5.16% for the prior quarter and 6.04% for the same period in 2023.

Noninterest Income

For the quarter ended March 31, 2024, noninterest income increased 86% to $2.4 million, compared to $1.3 million for the prior quarter, and decreased 16% from $2.9 million for the same period in 2023.

For the quarter ended March 31, 2024, loan servicing income was $60 thousand, an increase of $147 thousand compared to the prior quarter, and a decrease of $461 thousand compared to the same period in 2023. Q4 2023 reflected a negative revenue for loan servicing due to the write-off of certain servicing assets totaling $606 thousand for the quarter ended December 31, 2023, and relating to the repurchase of the guaranteed portions of previously sold SBA loans. Q1 2024 reflects $401 thousand in servicing asset write-offs relating to the repurchase of the guaranteed portion of previously sold loans.

For the quarter ended March 31, 2024, other noninterest income increased 27% to $262 thousand, compared to $207 thousand for the prior quarter. The favorable increase was primarily driven by increases in certain components of other noninterest income, including referral fees, credit card fees, and other miscellaneous income when compared to the prior quarter.

Noninterest Expense

For the quarter ended March 31, 2024, noninterest expense increased 22% to $8.4 million, compared to $6.9 million for the prior quarter, and was flat compared to $8.4 million for the same period in 2023.

For the quarter ended March 31, 2024, salaries and other compensation expenses increased 19% to $5.3 million, compared to $4.4 million for the prior quarter, and decreased 3% from $5.5 million for the same period in 2023. Q4 2023 reflected certain non-recurring adjustments offsetting salary expense and relating to deferred loan origination costs for SBA loan modifications.

For the quarter ended March 31, 2024, other operating expenses increased 26% to $2.6 million, compared to $2.1 million for the prior quarter, and increased 6% compared to $2.5 million for the same period in 2023. The increase quarter-over-quarter was driven by increases in stock compensation expense, FDIC insurance, postage, and loan related expenses attributable to the substantial loan growth during the quarter. Additionally, Q4 2023 reflected the non-recurring impact of the release of prior accruals relating to certain data processing and technology initiatives.

Gaming FinTech Division

GBank's partner, BankCard Services, LLC ("BCS"), has been actively completing development of its Pooled Player and Pooled Consumer Accounts ***"Powered by PIMS and CIMS"™***, and recently received its third patent for this intellectual property. BCS is finding a niche with referrals of startup digital wallet companies in both gaming and consumer programs/apps. Currently, BCS and GBank are in due diligence for 4 new prepaid access and PPA/PCA clients with anticipated onboarding to occur in future quarters. Gaming FinTech deposits increased to an average of $34.1 million, up from $29.0 million in the prior quarter.

Merger Activity

On December 14, 2023, the Company issued a press release announcing the execution of a definitive merger agreement whereby the Bank will acquire BankCard Services, LLC ("BCS") in an all-stock transaction. When completed, BCS will operate as a subsidiary of the Bank, further enhancing its Gaming FinTech Division. BCS's patented Pooled Player (PPA™) and Pooled Consumer (PCA™) Programs will expand cashless payment solutions to a growing network of gaming and payments partners and financial institutions.

As stated in the merger agreement, which has been approved by the disinterested members of the Board of Directors of the Company and the Bank, BCS shareholders will receive an aggregate of $10,000,000 of shares of Company common stock, valued for purposes of the merger at the October 27, 2023, closing price of $14.25 per share (an aggregate of 701,754 shares of the Company's common stock). The transaction is expected to be immediately accretive to the Company's earnings per share. The transaction is subject to regulatory and Company shareholder approval as well as other customary conditions as set forth in the definitive merger agreement.

Credit Quality

As of March 31, 2024, the Bank had $6.1 million of loans in nonaccrual status, of which $4.6 million is SBA guaranteed. This compares to $2.7 million of loans in nonaccrual status as of December 31, 2023. The increase in nonaccrual loans is attributable to one loan relationship

transferred to nonaccrual status during Q1 2024 totaling $3.6 million, of which $2.7 million is SBA guaranteed.

The Bank had no other real estate owned as of March 31, 2024, or December 31, 2023. No net charge-offs were recorded during the first quarters of 2024 or 2023, nor the fourth quarter of 2023.

For the quarter ended March 31, 2024, no provision for credit losses relating to loans was recorded, compared to $458 thousand for the prior quarter, and no provision was recorded for the same period in 2023. The allowance for credit losses was $7.1 million at March 31, 2024, unchanged from the end of the prior quarter, and compared to $6.9 million for the same period in 2023. The allowance for credit losses to total gross loans was 0.91%, compared to 1.04% for the prior quarter and 1.54% for the same period in 2023, with the decrease reflecting the larger balance of held-for-investment guaranteed loans when compared to prior periods. The allowance for credit losses to total net loans, excluding guaranteed balances, was 1.37%, compared to 1.48% for the prior quarter and 1.73% for the same period in 2023. The allowance for credit losses reflects our current assessment of risks associated with our loan portfolio.

A provision for credit losses relating to unfunded commitments of $20 thousand was recorded during the first quarter of 2024 in response to updates to assumptions used in the estimate of the reserve for unfunded commitments. No provision for credit losses relating to unfunded commitments was recorded during the prior quarter or the first quarter of 2023.

Earnings Call

The Company will host its Q1 2024 quarterly earnings call on Wednesday, May 1, 2024, 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
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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.

About GBank Financial Holdings Inc.

GBank Financial Holdings Inc. (the "Company") (GBFH), a bank holding company with approximately $963.5 million in assets at March 31, 2024, 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 10th in the nation by the U.S. Small Business Administration for SBA 7(a) dollar loan volume through March 31, 2024) and its BankCard Services, LLC ("BCS") partnership. GBank's Gaming Fintech Division was launched in 2016 with the GBank/BCS Agreement. BCS provides not only Sightline Payments Play+ Prepaid Card Programs for gaming operators, but also prepaid access programs granting GBank use and access to the BCS proprietary Player/Consumer Information Management System ("PIMS/CIMS"). PIMS/CIMS provides custodial accounts for the benefit of the player/consumer managed by GBank and insured by the FDIC. 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. 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
This Press Release contains forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements include information concerning potential or assumed future results of operations of the Company and its subsidiaries. Such statements are made based on management's beliefs and assumptions, and words like "believes," "expects," "anticipates," or similar terminology indicate forward-looking statements. Factors that could affect the financial performance of the Company include, but are not limited to, ongoing challenges from the COVID-19 pandemic, credit risk, market interest rate changes, competition, economic downturns, or regulatory supervision. GBank Financial Holdings Inc. is under no obligation to revise these forward-looking statements.

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