July 30, 2024

# GBank Financial Holdings Inc. Announces Second Quarter 2024 Financial Results

LAS VEGAS, July 30, 2024 /PRNewswire/ -- GBank Financial Holdings Inc. (the "Company") (OTCQX: GBFH), the parent company of GBank (the "Bank"), today reported record net income for the quarter ended June 30, 2024, of $4.7 million, or $0.35 per diluted share. This represents an increase from $2.3 million, or $0.18 per diluted share, for the same period in 2023. For the six months ended June 30, 2024, net income was $8.4 million, or $0.63 per diluted share, compared to $5.6 million, or $0.43 per diluted share, for the comparable period of 2023.

Click here: Quarterly Detailed Financials and Key Metrics

**Financial Highlights**

- **Record net income of $4.7 million and diluted earnings per share of $0.35**
- **Record net revenue of $15.5 million**
- **Gain on sale of loans of $3.2 million, representing an increase of $1.1 million, or 52%, compared to the first quarter of 2024**
- **Net interest margin of 4.82%**
- **Gross loan growth of $35.6 million, or 5% sequentially**
- **Total on-balance sheet guaranteed loans of $252.2 million**
- **Loans sold of $77.9 million, an increase of $9.3 million, or 14%, compared to the first quarter of 2024, and an increase of $42.2 million, or 118%, compared to the second quarter of 2023**
- **Total non-performing assets were $7.6 million, representing 0.75% of total assets**
- **Non-performing assets, excluding guaranteed portions, were $2.2 million, representing 0.22% of total assets**

Edward M. Nigro, Executive Chairman, stated, "This quarter marks significant milestones for our Company - $1 billion in total assets – the most profitable quarter in history – and the completion of our 32.99% investment in BCS. These are all powerful foundations for our future growth."

**Non-voting Equity Investment in BankCard Services, LLC**

On June 26, 2024, the Company announced the acquisition of a 32.99% non-voting equity interest in BankCard Services, LLC ("BCS"). This acquisition was completed by exchanging

231,508 shares of restricted, non-voting GBFH common stock for 143,371 shares of non-voting BCS common stock. The GBFH non-voting stock must be held by BCS for a minimum of one year and can only be converted into voting shares upon a disposition by BCS, in accordance with applicable Federal Reserve regulations.

**Financial Results**

*Income Statement*

Net interest income totaled $11.3 million in the second quarter of 2024, an increase of $546 thousand, or 5.1%, from $10.8 million in the first quarter of 2024, and an increase of $2.6 million, or 29.9%, compared to the second quarter of 2023. The increase in net interest income from the first quarter of 2024 was primarily due to higher average loan balances, partially offset by an increase in deposit balances and rates. The increase in net interest income from the second quarter of 2023 was driven by an increase in average loan balances and yields, along with a decrease in lower-yield investment securities. These increases were partially offset by higher balances and rates on deposits.

The Company recorded a provision for credit losses on loans of $283 thousand in the second quarter of 2024, compared to no provision recorded in the first quarter of 2024, and a decrease of $125 thousand from $408 thousand in the second quarter of 2023. The provision for credit losses on loans in the second quarter of 2024 primarily reflects growth in non-guaranteed loans.

The Company's net interest margin in the second quarter of 2024 was 4.82%, a decrease from 4.85% in the first quarter of 2024, and a decrease from 5.40% in the second quarter 2023. The decrease in net interest margin from the first quarter of 2024 was primarily due to higher balances and rates on interest-bearing deposits. The decrease in net interest margin from the second quarter 2023 was also driven by higher balances and rates on interest-bearing deposits, which offset higher balances and rates on total earning assets.

Non-interest income was $4.2 million for the second quarter of 2024, compared to $2.4 million for the first quarter of 2024, and $2.3 million for the second quarter of 2023. The $1.8 million increase in non-interest income from the first quarter of 2024 was primarily due to a $1.1 million increase in income from gain on sale of loans and a $474 thousand increase in loan servicing income. The $1.9 million increase in non-interest income from the second quarter of 2023 was mainly driven by a $1.5 million increase in income from gain on sale of loans.

Net revenue totaled $15.5 million for the second quarter of 2024, representing an increase of $2.3 million or 17.5%, compared to $13.2 million in the first quarter of 2024. This also marks an increase of $4.5 million, or 40.9%, compared to $11.1 million in the second quarter of 2023.

Non-interest expense was $9.1 million for the second quarter of 2024, compared to $8.4 million for the first quarter of 2024 and $7.6 million for the second quarter of 2023. The Company's efficiency ratio was 58.9% for the second quarter of 2024, compared to 63.4% in the first quarter of 2024 and 69.0% for the second quarter of 2023. The increase in non-interest expense from the first quarter of 2024 is primarily due to an increase of $462 thousand in employee compensation costs, largely driven by higher incentive commissions on increased loan origination volume during the quarter by the Bank's SBA Lending Division. Additionally, there were non-recurring expenses of approximately $268 thousand related to

the Company's non-voting equity investment in BCS. The increase in non-interest expense from the second quarter of 2023 is also primarily attributable to a $1.1 million increase in employee compensation costs, again largely due to higher incentive commissions on increased loan origination volume, as well as the aforementioned non-recurring expenses.

Income tax expense was $1.4 million for the second quarter of 2024, compared to $1.1 million for the first quarter of 2024 and $725 thousand for the second quarter of 2023. The increase in income tax expense from both the first quarter of 2024 and the second quarter of 2023 is primarily due to increased earnings. The increase in income tax expense from the second quarter of 2023 was partially offset by a decrease in the effective tax rate, which declined to 23.2% from 24.0%.

Net income was $4.7 million for the second quarter of 2024, an increase of $975 thousand from $3.7 million for the first quarter of 2024, and an increase of $2.4 million from $2.3 million in the second quarter of 2023. Earnings per share totaled $0.35 for the second quarter of 2024, compared to $0.28 for the first quarter of 2024 and $0.18 for the second quarter of 2023.

The Company had 155 full-time equivalent employees as of June 30, 2024, compared to 150 full-time equivalent employees as of March 31, 2024, and 158 full-time equivalent employees as of June 30, 2023.

*Balance Sheet*

Total gross loans were $812.3 million as of June 30, 2024, compared to $776.7 million as of March 31, 2024, and $458.0 million as of June 30, 2023. The increase in gross loans of $35.6 million from the prior quarter was primarily driven by an increase of $43.1 million in commercial real estate loans, partially offset by decreases of $4.4 million in guaranteed loans held for sale and $3.0 million in guaranteed loans held for investment. The increase in gross loans of $354.2 million from June 30, 2023, was primarily driven by increases of $212.9 million in guaranteed loans held for investment and $123.9 million in commercial real estate loans. This increase was partially offset by a decrease of $8.3 million in guaranteed loans held for sale. Total guaranteed loans as a percentage of gross loans were 31.0% as of June 30, 2024, compared to 33.4% as of March 31, 2024, and 10.4% as of June 30, 2023.

The Company's allowance for credit losses totaled $7.3 million as of June 30, 2024. The allowance for loan losses as a percentage of total gross loans was 0.90% as of June 30, 2024, compared to 0.91% as of March 31, 2024, and 1.56% as of June 30, 2023. The allowance for loan losses as a percentage of total net loans, excluding guaranteed portions, was 1.31% as of June 30, 2024, compared to 1.37% as of March 31, 2024, and 1.76% as of June 30, 2023.

Deposits totaled $840.4 million as of June 30, 2024, an increase of $33.4 million from $806.9 million as of March 31, 2024, and an increase of $287.9 million from $552.5 million as of June 30, 2023. By deposit type, the increase from the prior quarter was driven by an increase of $22.6 million in savings and money market accounts and a $5.4 million increase in certificates of deposit. From June 30, 2023, certificates of deposit increased by $225.0 million, and savings and money market accounts increased by $74.0 million. Non-interest bearing deposits totaled $220.4 million as of June 30, 2024, an increase of $4.1 million from $216.3 million as of March 31, 2024, and an increase of $2.1 million from $218.3 million as of June 30, 2023.

The Company's ratio of gross loans to deposits was 96.7% as of June 30, 2024, compared to 96.3% as of March 31, 2024, and 82.9% as of June 30, 2023.

Short-term borrowings were $12.0 million as of June 30, 2024, compared to $10.0 million as of March 31, 2024, and no short-term borrowings as of June 30, 2023. The Company had approximately $454 million in available borrowing capacity from the Federal Reserve Bank, the Federal Home Loan Bank, and through its various Fed Funds lines as of June 30, 2024.

Subordinated notes totaled $26.1 million as of June 30, 2024, compared to $26.0 million as of March 31, 2024, and June 30, 2023.

Stockholders' equity was $110.9 million as of June 30, 2024, compared to $102.6 million as of March 31, 2024, and $92.6 million as of June 30, 2023. The increase in stockholders' equity from March 31, 2024, and June 30, 2023, is attributable to net income and an increase in common stock and paid-in capital resulting from the issuance of non-voting common shares related to the Company's investment in BCS during the second quarter 2024.

The Company's tangible common equity to tangible assets ratio was 11.0% as of June 30, 2024, compared to 10.6% as of March 31, 2024, and 13.5% as of June 30, 2023. The Bank's Tier 1 leverage ratio was 12.9% as of June 30, 2024, compared to 13.0% as of March 31, 2024, and 15.9%as of June 30, 2023. The Company's tangible book value per share was $8.49 as of June 30, 2024, an increase of 6.2% from $8.00 as of March 31, 2024, and an increase of 16.5% from $7.29 as of June 30, 2023. The increase in tangible book value per share from March 31, 2024, and June 30, 2023, is attributable to net income as well as the increase in common stock and paid-in capital resulting from the issuance of non-voting common shares related to the Company's investment in BCS during the second quarter 2024.

Total assets increased 4.8% to $1.0 billion as of June 30, 2024, from $963.5 million as of March 31, 2024, and increased 47.4% from $684.9 million as of June 30, 2023. The increase in total assets from March 31, 2024, was primarily driven by an increase in gross loans and interest-bearing deposit cash equivalents, partially offset by a decrease in investment securities. The increase in total assets from June 30, 2023, was primarily driven by an increase in gross loans, partially offset by a decrease in investment securities.

*Asset Quality*

The provision for credit losses on loans totaled $283 thousand for the second quarter of 2024, compared to no provision for the first quarter of 2024 and $408 thousand for the second quarter of 2023. Net loan charge-offs in the second quarter of 2024 totaled $29 thousand, or 0.01% of average net loans (annualized), compared to no net loan charge-offs in the first quarter of 2024 and $100 thousand, or 0.09% of average net loans (annualized), in the second quarter of 2023.

Nonaccrual loans increased by $374 thousand to $6.5 million during the second quarter and decreased by $648 thousand from June 30, 2023. Loans past due 90 days and still accruing interest increased to $1.1 million compared to $33 thousand at March 31, 2024, and no loans past due 90 days and still accruing interest as of June 30, 2023.

There was no other real estate owned as of June 30, 2024, March 31, 2024, and June 30, 2023.

Total non-performing assets totaled $7.6 million as of June 30, 2024, an increase of $1.5 million from $6.1 million as of March 31, 2024, and an increase of $494 thousand from $7.1 million as of June 30, 2023. Non-performing assets, excluding guaranteed portions, totaled $2.2 million as of June 30, 2024, an increase of $659 thousand from $1.6 million as of March 31, 2024, and an increase of $362 thousand from $1.9 million as of June 30, 2023.

Loans past due 30-89 days and still accruing interest totaled $1.1 million as of June 30, 2024, a decrease from $3.4 million as of March 31, 2024, and a decrease from $3.1 million as of June 30, 2023.

The ratio of total non-performing assets to total assets was 0.75% as of June 30, 2024, compared to 0.64% as of March 31, 2024, and 1.04% as of June 30, 2023. The ratio of non-performing assets, excluding guaranteed portions, to total assets was 0.22% as of June 30, 2024, compared to 0.16% as of March 31, 2024, and 0.27% as of June 30, 2023.

**Segment Highlights**

*SBA Lending and Commercial Banking*

Loan originations by the Bank's SBA and Commercial Banking Divisions totaled $126.9 million, compared to $136.6 million in the first quarter of 2024 and $80.2 million in the second quarter 2023. Loan sale volume increased by 14% to $77.9 million, compared to $68.6 million in the first quarter of 2024, and increased by 118% from $35.7 million in the second quarter of 2023. Gain on sale of loans increased by 52% to $3.2 million, compared to $2.1 million in the first quarter of 2024, and increased 96% from $1.6 million in the second quarter of 2023. The average pretax gain on sale of loans margin was 4.36%, compared to 3.04% in the first quarter of 2024, and 4.53% in the second quarter of 2023.

*Gaming FinTech*

GBank's partner, BankCard Services, LLC ("BCS"), has been actively developing its Pooled Player and Pooled Consumer Accounts ***"Powered by PIMS and CIMS"™***, recently securing its third patent for this intellectual property. BCS is carving out a niche by referring startup digital wallet companies in both gaming and consumer programs/applications. BCS and GBank now have 14 active prepaid access and PPA/PCA clients. Currently, BCS and GBank are conducting due diligence for 4 new prepaid access and PPA/PCA clients, with anticipated onboarding in future quarters. Gaming FinTech deposits averaged $32.4 million during the quarter, compared to $34.1 million in the first quarter of 2024.

*Credit Card*

The Bank launched its GBank Visa Signature® Card in the second quarter of 2023. The GBank Visa Signature® Card targets prime and super-prime consumers, offering 1% cash rewards on gaming transactions and 2% cash rewards on all other purchases. Since the product launch in 2023, the Bank has entered into several marketing referral agreements, with four such agreements in place as of June 30, 2024.

Credit card balances were $919 thousand as of June 30, 2024, compared to $439 thousand as of March 31, 2024. Total open credit card lines were $3.7 million as of June 30, 2024, compared to $2.1 million as of March 31, 2024. Through July 11, 2024, the Bank has processed over $10 million in gaming transactions through its credit card product.

**Earnings Call**

The Company will host its Q2 2024 quarterly earnings call on Wednesday, July 31, 2024, at 2:00 p.m. PST. Interested parties can participate remotely via Internet connectivity. There will be no physical location for attendance.

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

- **ZOOM Video Conference ID 826 3030 7240**
- **Passcode: 549549**

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

**Click here to learn more about GBank Financial Holdings Inc.**

**Cautionary Notice Regarding Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements regarding certain of the Company's goals and expectations with respect to future events that are subject to various risks and uncertainties, and statements preceded by, followed by, or that include the words "may," "will," "could," "should," "expect," "plan," "project," "intend," "anticipate," "believe," "estimate," "predict," "potential," "pursuant," "target," "continue," and similar expressions. These statements are based upon the current belief and expectations of the Company's management team and are subject to significant risks and uncertainties that are subject to change based on various factors (many of which are beyond the Company's control). Factors that could cause actual results to differ materially from management's projections, forecasts, estimates and expectations include, but are not limited to: the impact on us or our customers of a decline in general economic conditions and any regulatory responses thereto; potential recession in the United States and our market areas; the impacts related to or resulting from bank failures and any continuation of uncertainty in the banking industry, including the associated impact to the Company and other financial institutions of any regulatory changes or other mitigation efforts taken by government agencies in response thereto; increased competition for deposits and related changes in deposit customer behavior; the impact of changes in market interest rates, whether due to continued elevated interest rates or potential reductions in interest rates and a resulting decline in net interest income; the persistence of the inflationary pressures, or the resurgence of elevated levels of inflation, in the United States and our market areas; the uncertain impacts of ongoing quantitative tightening and current and future monetary policies of the Board of Governors of the Federal Reserve System; effects of declines in housing prices in the United States and our market areas; increases in unemployment rates in the United States and our market areas; declines in commercial real estate values and prices; uncertainty regarding United States fiscal debt and budget matters; cyber incidents or other failures, disruptions or breaches of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers, including as a result of cyber-

attacks; severe weather, natural disasters, acts of war or terrorism, geopolitical instability or other external events; regulatory considerations; our ability to recognize the expected benefits and synergies of our completed acquisitions; the maintenance and development of well-established and valued client relationships and referral source relationships; acquisition or loss of key production personnel; changes in tax laws; the risks related to the development, implementation, use and management of emerging technologies, including artificial intelligence and machine learnings; potential increased regulatory requirements and costs related to the transition and physical impacts of climate change; and current or future litigation, regulatory examinations or other legal and/or regulatory actions. These forward-looking statements are based on current information and/or management's good faith belief as to future events. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Therefore, the Company can give no assurance that the results contemplated in the forward-looking statements will be realized. Due to these and other possible uncertainties and risks, readers are cautioned not to place undue reliance on the forward-looking statements contained in this press release. The inclusion of this forward-looking information should not be construed as a representation by the Company or any person that the future events, plans, or expectations contemplated by the Company will be achieved. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements are made as of the date of this press release. The Company does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made, except as required by law. All forward-looking statements, express or implied, included in the press release are qualified in their entirety by this cautionary statement.

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