October 22, 2024

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

LAS VEGAS, Oct. 22, 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 September 30, 2024, of $5.0 million, or $0.37 per diluted share. This represents an increase from $1.8 million, or $0.14 per diluted share, compared to the third quarter of 2023. For the nine months ended September 30, 2024, net income was $13.4 million, or $1.00 per diluted share, compared to $7.4 million, or $0.57 per diluted share, for the same period in 2023.

Click here: Quarterly Detailed Financials and Key Metrics

**Third Quarter 2024 Financial Highlights**

- **Record net income of $5.0 million and diluted earnings per share of $0.37**
- **Record net revenue of $16.1 million**
- **Record SBA Lending and Commercial Banking loan originations of $156.4 million, compared to $126.9 million for the second quarter of 2024, and $91.1 million, compared to the third quarter of 2023**
- **Gain on sale of loans of $2.8 million on loans sold of $71.4 million, compared to gain on sale of loans of $3.1 million on loans sold of $77.9 million for the second quarter of 2024 and gain on sale of loans of $763 thousand on loans sold of $22.7 million, compared to the third quarter of 2023**
- **Net interest margin of 5.00%**
- **Gross loan growth of $35.4 million, or 4% sequentially**
- **Total on-balance sheet guaranteed loans of $267.0 million, compared to $252.2 million as of June 30, 2024**
- **Total non-performing assets of $5.4 million, representing 0.52% of total assets**
- **Non-performing assets, excluding guaranteed portions, of $1.6 million, representing 0.15% of total assets**

Edward M. Nigro, Executive Chairman, stated, "The record revenues and earnings for the third quarter and year-to-date of $0.37 and $1.00, respectively, are a reflection upon the continued expansion of our GBank business model; and, with the recently completed $20 million capital raise, we believe we are well-positioned to continue our growth."

## Private Placement of Common Stock

The Company announced the completion of its $20.0 million Private Placement Offering on October 16, 2024. Raymond James & Associates, Inc. and Janney Montgomery Scott LLC served as financial advisors on the private placement (presentation link). After deducting offering related expenses, net proceeds to the Company will be approximately $19.2 million.

## Financial Results

*Income Statement*

Net interest income totaled $12.3 million for the third quarter of 2024, an increase of $911 thousand, or 8.0%, compared to $11.3 million for the second quarter of 2024, and an increase of $2.7 million, or 27.9%, compared to the third quarter of 2023. The increase in net interest income from the second quarter of 2024 was primarily due to higher average loan balances, partially offset by an increase in interest bearing deposit balances and rates. The increase in net interest income from the third quarter of 2023 was driven by increases in average loan balances and yields as well as increases in average investment security balances and yields. These favorable increases were partially offset by higher balances and rates on interest bearing deposits. The increase in investment yields through September 30, 2024, was the result of the purchase of $37.2 million of investment securities during the quarter to replace certain lower-yielding U.S. Treasury securities that matured during the first nine months of 2024.

The Company recorded a provision for credit losses on loans of $570 thousand for the third quarter of 2024, an increase of $287 thousand, compared to $283 thousand for the second quarter of 2024, and an increase of $344 thousand, compared to $226 thousand for the third quarter of 2023. The provision for credit losses on loans recorded in the third quarter of 2024 primarily reflects quarterly growth in non-guaranteed loans of $20.5 million, specific reserves on non-performing loans, as well as the impact of certain model adjustments relating to projected economic conditions.

The Company's net interest margin for the third quarter of 2024 increased to 5.00%, compared to 4.82% for the second quarter of 2024, and decreased from 5.71%, compared to the third quarter of 2023. The increase in net interest margin from the second quarter of 2024 was primarily due to improved yields on loans and investment securities, partially offset by higher balances and rates on interest-bearing deposits. The decrease in net interest margin from the second quarter of 2023 was driven by higher balances and rates on interest-bearing deposits, which offset higher balances and rates on total earning assets.

Non-interest income was $3.9 million for the third quarter of 2024, compared to $4.2 million for the second quarter of 2024, and $1.2 million for the third quarter of 2023. The $307 thousand decrease in non-interest income from the second quarter of 2024 was primarily due to a $325 thousand decrease in income from gain on sale of loans resulting from a reduction in average pretax gain on sale margin and slightly lower sales volume quarter-over-quarter. The $2.7 million increase in non-interest income, compared to the third quarter of 2023, was driven by (i) a $2.1 million increase in income from gain on sale of loans, (ii) a $332 thousand increase in loan servicing income as the third quarter of 2023 reflected the write-off of certain loan servicing assets totaling $156 thousand relating to the repurchase of the guaranteed portion of previously sold SBA loans, and (iii) a $245 thousand increase in other income, primarily due to an increase in credit card net interchange fees of $230 thousand, compared to  the third quarter of 2023.

Net revenue totaled $16.1 million for the third quarter of 2024, representing an increase of $604 thousand, or 3.9%, compared to $15.5 million for the second quarter of 2024. This also marks an increase of $5.3 million, or 49.4%, compared to $10.8 million for the third quarter of 2023.

Non-interest expense was $9.0 million for the third quarter of 2024, compared to $9.1 million for the second quarter of 2024 and $8.3 million for the third quarter of 2023. The Company's efficiency ratio was 55.9%, compared to 58.9% for the second quarter of 2024 and 76.7% for the third quarter of 2023. The decrease in non-interest expense from the second quarter of 2024 is primarily due to a decrease of $257 thousand in employee compensation costs. The increase in non-interest expense from the third quarter of 2023 was driven by a $478 thousand increase in other expenses, primarily due to higher loan origination costs commensurate with the volume increase of loan originations.

Income tax expense was $1.5 million for the third quarter of 2024, compared to $1.4 million for the second quarter of 2024 and $516 thousand for the third quarter of 2023. The increase in income tax expense from both the second quarter of 2024 and the third quarter of 2023 is primarily due to increased earnings. Additionally, the increase in income tax expense from the third quarter of 2023 was due, in part, to an increase in the effective tax rate, which increased to 23.2% at September 30, 2024, from 22.5% at September 30, 2023.

Net income was $5.0 million for the third quarter of 2024, an increase of $339 thousand from $4.7 million for the second quarter of 2024, and an increase of $3.2 million from $1.8 million for the third quarter of 2023. Diluted earnings per share totaled $0.37 for the third quarter of 2024, compared to $0.35 for the second quarter of 2024 and $0.14 for the third quarter of 2023.

The Company had 159 full-time equivalent employees as of September 30, 2024, compared to 155 full-time equivalent employees as of June 30, 2024, and 163 full-time equivalent employees as of September 30, 2023.

*Balance Sheet*

Total gross loans were $847.6 million as of September 30, 2024, compared to $812.3 million as of June 30, 2024, and $524.1 million as of September 30, 2023. The increase in gross loans of $35.4 million from June 30, 2024, was primarily driven by an increase in commercial real estate loans of $15.3 million and guaranteed loans held-for-sale of $26.9 million. These increases were partially offset by a decrease of $12.1 million in guaranteed loans held-for-investment. The increase in gross loans of $323.6 million from September 30, 2023, was primarily driven by increases of $162.6 million in guaranteed loans held-for-investment, $122.9 million in commercial real estate loans, and $13.3 million in guaranteed loans held-for-sale. Total guaranteed loans as a percentage of gross loans were 31.5% as of September 30, 2024, compared to 31.0% as of June 30, 2024, and 17.4% as of September 30, 2023.

The Company's allowance for credit losses totaled $7.9 million as of September 30, 2024, compared to $7.3 million as of June 30, 2024, and $6.6 million as of September 30, 2023. The allowance for loan losses as a percentage of total gross loans was 0.94% as of September 30, 2024, compared to 0.90% as of June 30, 2024, and 1.27% as of September 30, 2023. The allowance for loan losses as a percentage of total net loans, excluding guaranteed portions, was 1.36% as of September 30, 2024, compared to 1.31% as of June 30, 2024, and 1.54% as of September 30, 2023.

Deposits totaled $883.5 million as of September 30, 2024, an increase of $43.2 million from $840.4 million as of June 30, 2024, and an increase of $289.9 million from $593.6 million as of September 30, 2023. By deposit type, the increase from the prior quarter was driven by an increase of $22.0 million in savings and money market accounts and a $11.2 million increase in certificates of deposit. From September 30, 2023, certificates of deposit increased by $185.0 million, and savings and money market accounts increased by $98.1 million. Non-interest bearing deposits totaled $229.9 million as of September 30, 2024, an increase of $9.4 million from $220.4 million as of June 30, 2024, and an increase of $18.0 million from $211.9 million as of September 30, 2023.

The Company's ratio of gross loans to deposits was 95.9% as of September 30, 2024, compared to 96.7% as of June 30, 2024, and 88.3% as of September 30, 2023.

The Company held no short-term borrowings as of September 30, 2024, compared to short term borrowings of $12.0 million as of June 30, 2024, and no short-term borrowings as of September 30, 2023. As of September 30, 2024, the Company had approximately $448.3 million in available borrowing capacity from the Federal Reserve Bank, the Federal Home Loan Bank, and through its various Fed Funds lines.

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

Stockholders' equity was $116.4 million as of September 30, 2024, compared to $110.9 million as of June 30, 2024, and $94.6 million as of September 30, 2023. The increase in stockholders' equity from June 30, 2024, is attributable to net income earned during the quarter. The increase since September 30, 2023, is driven by both net income earned during the previous twelve months as well as 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 BankCard Services, LLC ("BCS") during the second quarter of 2024.

The Company's tangible common equity to tangible assets ratio was 11.1% as of September 30, 2024, compared to 11.0% as of June 30, 2024, and 13.0% as of September 30, 2023. The Bank's Tier 1 leverage ratio was 13.08% as of September 30, 2024, compared to 12.9% as of June 30, 2024, and 16.2% as of September 30, 2023. The Company's tangible book value per share was $8.91 as of September 30, 2024, an increase of 4.9% from $8.49 as of June 30, 2024, and an increase of 19.8% from $7.44 as of September 30, 2023. The increase in tangible book value per share from June 30, 2024, is attributable to net income, while the increase since September 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 of 2024.

Total assets increased 3.8% to $1.048 billion as of September 30, 2024, from $1.009 billion as of June 30, 2024, and increased 43.7% from $729.3 million as of September 30, 2023. The increase in total assets from June 30, 2024, was primarily driven by an increase in gross loans and investment securities, partially offset by a decrease in interest-bearing deposit cash equivalents. The increase in total assets from September 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 $570 thousand for the third quarter of 2024, compared to $283 thousand for the prior linked quarter and $226 thousand for the third quarter of 2023. Net loan recoveries in the third quarter totaled $22 thousand, or 0.01% of average net loans (annualized), compared to net loan charge-offs of $29 thousand, or 0.01% of average net loans (annualized) in the second quarter of 2024 and net loan charge-offs of $764 thousand, or 0.62% of average net loans (annualized), in the third quarter of 2023.

Nonaccrual loans decreased $1.1 million to $5.4 million as of September 30, 2024, and increased $5.4 million from zero as of September 30, 2023. Loans past due 90 days and still accruing interest decreased to $27 thousand as of September 30, 2024, compared to $1.1 million at June 30, 2024, and no loans past due 90 days and still accruing interest as of September 30, 2023.

There was no other real estate owned as of September 30, 2024, or June 30, 2024, compared to $1.1 million as of September 30, 2023.

Total non-performing assets totaled $5.4 million as of September 30, 2024, a decrease of $2.2 million from $7.6 million as of June 30, 2024, and an increase of $4.3 million from $1.1 million as of September 30, 2023. Non-performing assets, excluding guaranteed portions, totaled $1.6 million as of September 30, 2024, a decrease of $646 thousand from $2.2 million as of June 30, 2024, and an increase of $490 thousand from $1.1 million as of September 30, 2023.

Loans past due 30-89 days and still accruing interest totaled $12.4 million as of September 30, 2024, of which $8.5 million was guaranteed, an increase from $1.1 million as of June 30, 2024, and $1.8 million as of September 30, 2023.

The ratio of total non-performing assets to total assets was 0.52% as of September 30, 2024, compared to 0.75% as of June 30, 2024, and 0.15% as of September 30, 2023. The ratio of non-performing assets, excluding guaranteed portions, to total assets was 0.15% as of September 30, 2024 and 2023, compared to 0.22% as of June 30, 2024.

**Segment Highlights**

*SBA Lending and Commercial Banking*

Loan originations by the Bank's SBA Lending and Commercial Banking Divisions totaled $156.4 million, compared to $126.9 million for the second quarter of 2024 and $91.1 million for the third quarter 2023. Loan sale volume decreased by 8% to $71.4 million, compared to $77.9 million for the second quarter of 2024, and increased by 214% from $22.7 million, compared to the third quarter of 2023. Gain on sale of loans decreased by 10% to $2.8 million, compared to $3.2 million for the second quarter of 2024, and increased 272% from $763 thousand for the third quarter of 2023. The average pretax gain on sale of loans margin was 3.64%, compared to 4.36% for the second quarter of 2024 and 3.36% for the third quarter of 2023.

*Gaming FinTech*

GBank's partner, BCS, has been actively developing its pipeline of Pooled Player and Pooled Consumer Accounts ***"Powered by PIMS and CIMS"***™. BCS recently completed onboarding of two of its programs. First, the US prepaid program, Mastercard Express, is designed to support and accelerate growth of fintech companies by providing the tools and resources necessary to scale and innovate within the payments industry. BCS, GBank, and

i2c shall be key partners with Mastercard in the expansion of gaming, medical, and government related providers. Mastercard and i2c believe that this program shall enable accelerating products to market with unprecedented speed. Second, BoltBetz executed its BCS Agreement that provides PPA account structure and RTP/RfP payments loading and offloading systems to their Konami integrated application, facilitating cashless slot wagering. It is anticipated that both programs shall be approved and activated by GBank in the fourth quarter of 2024.

BCS and GBank now have 16 active prepaid access and PPA/PCA clients. Currently, BCS and GBank are conducting due diligence for 6 new prepaid access and PPA/PCA clients, with anticipated onboarding in future quarters. Gaming FinTech deposits averaged $31.7 million for the third quarter of 2024, compared to $32.4 million for the second 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 eight marketing referral agreements as of September 30, 2024.

Credit card charge transactions were $13.9 million for the third quarter of 2024, compared to $7.0 million for the second quarter of 2024 and $1.1 million for the first quarter of 2024. Credit card balances were $1.2 million as of September 30, 2024, compared to $919 thousand as of June 30, 2024. Total open credit card lines were $4.9 million as of September 30, 2024, compared to $3.7 million as of June 30, 2024. Through September 30, 2024, and since launch, the Bank has processed over $21.0 million in gaming transactions through its credit card product.

**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 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.

**Earnings Call**

The Company will host its Q3 2024 quarterly earnings call on Wednesday, October 23, 2024, at 10:00 a.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 Conference ID 826 3030 7240**
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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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