January 28, 2025

GBank Financial Holdings Inc. Announces Fourth Quarter 2024 Financial Results

LAS VEGAS, Jan. 28, 2025 /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 December 31, 2024, of $5.2 million, or $0.36 per diluted share. This represents a 48.6% increase from $3.5 million, or $0.27 per diluted share, for the fourth quarter of 2023. For the year ended December 31, 2024, net income was $18.6 million, or $1.37 per diluted share. This is a 70.6% increase compared to $10.9 million, or $0.84 per diluted share, for the year ended December 31, 2023.

Click here: Quarterly Detailed Financials and Key Metrics

Fourth Quarter 2024 Financial Highlights

- **Record net income of $5.2 million and diluted earnings per share of $0.36**
- **Record net revenue of $17.5 million**
- **SBA Lending and Commercial Banking loan originations of $120.0 million, compared to $156.4 million for the third quarter of 2024 and $134.7 million for the fourth quarter of 2023**
- **Gain on sale of loans of $4.0 million on loans sold of $98.5 million, compared to gain on sale of loans of $2.8 million on loans sold of $71.4 million for the third quarter of 2024, and gain on sale of loans of $1.2 million on loans sold of $37.0 million for the fourth quarter of 2023**
- **Credit card charge transactions of $51.7 million, compared to $13.9 million for the third quarter of 2024 and $938 thousand for the fourth quarter of 2023**
- **Net interest margin of 4.53%**
- **Total deposit growth of $51.6 million, or 5.8% sequentially**
- **Total on-balance sheet guaranteed loans of $231.0 million, compared to $267.0 million as of September 30, 2024**
- **Total non-performing assets of $14.2 million, representing 1.26% of total assets**
- **Non-performing assets, excluding guaranteed portions, of $4.8 million, representing 0.43% of total assets**

Edward M. Nigro, Executive Chairman, stated, "GBFH is growing as a specialized digital banking and payments company. For the year 2024, our SBA operations exceeded $500 million in loan originations, while our GBank Visa Signature® Card exceeded $73 million in transactions – with over $50 million in the 4th quarter alone. We are well-positioned for continued substantive growth in our specialized markets, especially with our sports and gaming products that provide important consumer protections."

Private Placement of Common Stock

The Company announced the completion of its $20.0 million Private Placement Offering (the "Offering") on October 16, 2024. Raymond James & Associates, Inc. and Janney

Montgomery Scott LLC served as financial advisors on the private placement. The Company issued 1,081,081 shares of common stock as a result of the Offering. After deducting Offering related expenses, net proceeds to the Company were approximately $19.3 million.

The Company submitted a draft registration statement on Form S-1 with the United States Securities and Exchange Commission in January 2025 to register shares sold by the Company in the Offering. The Offering included a registration rights agreement, and the Form S-1 was submitted in accordance with that agreement. No additional shares are being offered by the Company.

Financial Results

Income Statement

Net interest income totaled $11.8 million for the fourth quarter of 2024, a decrease of $470 thousand, or 3.8%, compared to $12.3 million for the third quarter of 2024, and an increase of $1.4 million, or 13.9%, compared to the fourth quarter of 2023. The decrease in net interest income from the third quarter was driven by lower yields on variable rate loans, investments, and interest-bearing cash balances as a result of the full-quarter impact of the 50 basis point decrease in the federal funds rate enacted in September 2024 by the Federal Open Market Committee ("FOMC"). Contributing to the decrease was the reversal of $342 thousand of interest accruals and deferred fees and costs attributable to $12.4 million of commercial loans placed on nonaccrual status during the fourth quarter of 2024, as well as the accelerated recognition of certain premiums on brokered certificates of deposits totaling $170 thousand. The accelerated premium recognition was comprised of (i) $107 thousand of premium amortization resulting from the early redemption of $20.0 million of brokered deposits having a weighted average rate of 5.09%, and (ii) amortization of $63 thousand relating to $20 million in brokered deposits currently callable and expected to be called during the first quarter of 2025. The increase in net interest income when compared to the fourth quarter of 2023 was primarily volume driven, as higher interest income from growth in average loan and interest-bearing cash balances more than offset increases in interest expense resulting from higher balances and rates on interest bearing deposits.

Investment yields were 4.74% for the fourth quarter of 2024, compared to 5.06% for the third quarter of 2024 and 4.31% for the fourth quarter of 2023. The decrease in the investment yield quarter-over-quarter was driven by the impact of the previously mentioned decrease in the federal funds rate on certain variable rate investment securities. The increase in investment yield when comparing the fourth quarter of 2024 to the same quarter in 2023 was the result of the purchase of $66.0 million of investment securities during the previous twelve months to replace certain lower-yielding U.S. Treasury securities that matured during the year ended December 31, 2024.

The Company's net interest margin for the fourth quarter of 2024 decreased to 4.53%, compared to 5.00% for the third quarter of 2024 and 5.16% for the fourth quarter of 2023. The decrease in net interest margin from both the third quarter of 2024 and the fourth quarter of 2023 is reflective of the full-quarter impact on variable rate loans, investment securities, and interest bearing cash balances of the 50 basis point decrease in the federal funds rate enacted in September 2024 by the FOMC, (ii) interest income reversals relating to loans placed on nonaccrual during the quarter, and (iii) the accelerated recognition of certain premiums on brokered certificates of deposits.

The Company recorded a provision for credit losses on loans of $1.3 million for the fourth quarter of 2024, an increase of $767 thousand compared to $570 thousand for the third quarter of 2024, and an increase of $879 thousand compared to $458 thousand for the fourth quarter of 2023. The provision for credit losses on loans recorded in the fourth quarter of 2024 primarily reflects quarterly growth in non-guaranteed loans of $37.7 million and increases in specific reserves on non-performing loans.

Non-interest income was $5.8 million for the fourth quarter of 2024, compared to $3.9 million for the third quarter of 2024, and $1.3 million for the fourth quarter of 2023. The $1.9 million increase in non-interest income from the third quarter of 2024 was due to a $1.2 million increase in income from gain on sale of loans, resulting from an increase in average pretax gain on sale margin and higher sales volume quarter-over-quarter, as well as a $696 thousand increase in credit card net interchange fees due to increased credit card transaction volume. The $4.5 million increase in non-interest income when compared to the fourth quarter of 2023 was driven by (i) a $2.8 million increase in income from gain on sale of loans, (ii) a $684 thousand increase in loan servicing income as the fourth quarter of 2023 reflected the write-off of certain loan servicing assets totaling $606 thousand relating to the repurchase of the guaranteed portion of previously sold SBA loans, and (iii) an increase in credit card net interchange fees of $925 thousand, compared to the fourth quarter of 2023.

Net revenue totaled $17.5 million for the fourth quarter of 2024, representing an increase of $1.4 million, or 8.8%, compared to $16.1 million for the third quarter of 2024. This also marks an increase of $5.9 million, or 50.6%, compared to $11.6 million for the fourth quarter of 2023.

Non-interest expense was $9.7 million for the fourth quarter of 2024, compared to $9.0 million for the third quarter of 2024 and $6.9 million for the fourth quarter of 2023. The Company's efficiency ratio was 55.4%, compared to 55.9% for the third quarter of 2024 and 59.1% for the fourth quarter of 2023. The increase in non-interest expense from the third quarter of 2024 is primarily due to an increase of $318 thousand in employee compensation costs attributable to $367 thousand of stock compensation cost associated with a one-time employee stock grant distributed in November 2024, and an increase in other operating expenses of $386 thousand. The increase in non-interest expense from the fourth quarter of 2023 was driven by a $1.4 million increase in other expenses, primarily due to higher loan origination costs and a $1.4 million increase in employee compensation costs mainly related to the volume increase of loan originations.

Income tax expense was $1.2 million for the fourth quarter of 2024, compared to $1.5 million for the third quarter of 2024 and $774 thousand for the fourth quarter of 2023. The decrease in income tax expense from the third quarter of 2024 was due to certain tax benefits recorded during the fourth quarter relating to stock-based compensation activity due to the increase in the Company's share price, which were partially offset by tax increases resulting from state income tax adjustments. The increase in income tax expense from the fourth quarter of 2023 is primarily due to increased earnings.

Net income was $5.2 million for the fourth quarter of 2024, an increase of $229 thousand from $5.0 million for the third quarter of 2024, and an increase of $1.7 million from $3.5 million for the fourth quarter of 2023. Diluted earnings per share totaled $0.36 for the fourth quarter of 2024, compared to $0.37 for the third quarter of 2024 and $0.27 for the fourth quarter of 2023. Earnings per share and other share-based metrics were impacted by the shares issued in the Offering.

The Company had 169 full-time equivalent employees as of December 31, 2024, compared to 159 full-time equivalent employees as of September 30, 2024, and 163 full-time equivalent employees as of December 31, 2023.

Balance Sheet

Total gross loans were $849.3 million as of December 31, 2024, compared to $847.6 million as of September 30, 2024, and $682.9 million as of December 31, 2023. Gross loans increased $1.7 million for the fourth quarter of 2024 as increases in commercial real estate and commercial and industrial loans of $38.0 million were nearly entirely offset by a decrease in guaranteed loans held for sale during the quarter of $34.5 million due to the substantial volume of loans sold during the quarter. The increase in gross loans of $166.5 million from December 31, 2023 was primarily driven by increases of $119.4 million in commercial real estate loans, $83.9 million in guaranteed loans held-for-investment, and $19.1 million in commercial and industrial loans. Total guaranteed loans as a percentage of gross loans were 27.2% as of December 31, 2024, compared to 31.5% as of September 30, 2024, and 30.0% as of December 31, 2023.

The Company's allowance for credit losses totaled $9.1 million as of December 31, 2024, compared to $7.9 million as of September 30, 2024, and $7.1 million as of December 31, 2023. The allowance for credit losses as a percentage of total gross loans was 1.07% as of December 31, 2024, compared to 0.94% as of September 30, 2024, and 1.04% as of December 31, 2023. The allowance for loan losses as a percentage of total net loans, excluding guaranteed portions, was 1.47% as of December 31, 2024, compared to 1.36% as of September 30, 2024, and 1.48% as of December 31, 2023.

Deposits totaled $935.1 million as of December 31, 2024, an increase of $51.6 million from $883.5 million as of September 30, 2024, and an increase of $189.4 million from $745.7 million as of December 31, 2023. By deposit type, the increase from the prior quarter was driven by an increase of $26.6 million in certificates of deposit and a $12.6 million increase in savings and money market accounts. From December 31, 2023, certificates of deposit increased by $95.8 million, and savings and money market accounts increased by $81.6 million. Noninterest-bearing deposits totaled $239.7 million as of December 31, 2024, an increase of $9.8 million from $229.9 million as of September 30, 2024, and an increase of $22.8 million from $216.9 million as of December 31, 2023.

The Company's ratio of gross loans to deposits was 90.8% as of December 31, 2024, compared to 95.9% as of September 30, 2024, and 91.6% as of December 31, 2023.

The Company held no short-term borrowings as of December 31 or September 30, 2024, compared to short term borrowings of $30.0 million as of December 31, 2023. As of December 31, 2024, the Company had approximately $475.3 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 December 31 and September 30, 2024, compared to $26.0 million as of December 31, 2023.

Stockholders' equity was $140.7 million as of December 31, 2024, compared to $116.4 million as of September 30, 2024, and $98.4 million as of December 31, 2023. The increase in stockholders' equity from September 30, 2024 is attributable to increases in common stock and paid-in capital as a result of the Offering completed in October 2024 and

increases in retained earnings resulting from net income earned during the quarter. The increase in stockholders' equity since December 31, 2023 was driven by the previously mentioned Offering, net income earned during the previous twelve months, as well as an increase 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 12.5% as of December 31, 2024, compared to 11.1% as of September 30, 2024, and 10.7% as of December 31, 2023. The Bank's Tier 1 leverage ratio was 12.9% as of December 31, 2024, compared to 13.1% as of September 30, 2024, and 14.1% as of December 31, 2023. The Company's tangible book value per share was $9.87 as of December 31, 2024, an increase of 10.8% from $8.91 as of September 30, 2024, and an increase of 27.9% from $7.72 as of December 31, 2023. The increase in tangible book value per share from September 30, 2024 is attributable to net income and increases in common stock and paid-in capital resulting from the Offering. The increase since December 31, 2023 is attributable to net income, the Offering, and the increases 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 7.1% to $1.122 billion as of December 31, 2024, from $1.048 billion as of September 30, 2024, and increased 22.2% from $918.4 million as of December 31, 2023. The increase in total assets from September 30, 2024 was primarily driven by increases in interest bearing deposits with banks and investment securities. The increase in total assets from December 31, 2023 was primarily driven by increases in gross loans, interest bearing deposits with banks, and investment securities.

Asset Quality

The provision for credit losses on loans totaled $1.3 million for the fourth quarter of 2024, compared to $570 thousand for the third quarter of 2024 and $458 thousand for the fourth quarter of 2023. Net loan charge-offs in the fourth quarter totaled $157 thousand, or 0.07% of average net loans (annualized), compared to net loan recoveries of $22 thousand, or 0.01% of average net loans (annualized) in the third quarter of 2024 and no net loan charge-offs or recoveries during the fourth quarter of 2023.

Nonaccrual loans increased $8.7 million during the quarter to $14.1 million as of December 31, 2024, and increased $11.4 million from $2.7 million as of December 31, 2023. Loans past due 90 days and accruing interest totaled $40 thousand as of December 31, 2024, compared to $27 thousand as of September 30, 2024, and $3.6 million as of December 31, 2023.

The Company held no other real estate owned as of December 31, 2024 or 2023, or September 30, 2024.

Total non-performing assets totaled $14.2 million as of December 31, 2024, an increase of $8.8 million from $5.4 million as of September 30, 2024, and an increase of $7.9 million from $6.3 million as of December 31, 2023. Non-performing assets, excluding guaranteed portions, totaled $4.8 million as of December 31, 2024, an increase of $3.3 million from $1.6 million when compared to each of the periods ended September 30, 2024 and December 31, 2023.

Loans past due between 30 and 89 days and accruing interest totaled $11.8 million as of December 31, 2024, a decrease of $568 thousand from $12.4 million as of September 30, 2024, and an increase of $9.3 million from $2.5 million as of December 31, 2023. The guaranteed portion of loans past due between 30 and 89 days and accruing interest totaled $8.7 million as of December 31, 2024.

The ratio of total non-performing assets to total assets was 1.26% as of December 31, 2024, compared to 0.52% as of September 30, 2024, and 0.69% as of December 31, 2023. The ratio of non-performing assets, excluding guaranteed portions, to total assets was 0.43% as of December 31, 2024, compared to 0.15% as of September 30, 2024, and 0.17% as of December 31, 2023.

Other Financial Highlights

SBA Lending and Commercial Banking

The SBA Lending team exceeded $500 million in new loan originations in 2024 and has now exceeded $2 billion in loan originations since its launch in 2015. SBA Lending and Commercial Banking loan originations totaled $120.0 million for the fourth quarter of 2024, compared to $156.4 million for the third quarter of 2024 and $134.7 million for the fourth quarter 2023. Loan sale volume increased 38.0% to $98.5 million, compared to $71.4 million for the third quarter of 2024, and increased by 166.4% from $37.0 million for the fourth quarter of 2023. Gain on sale of loans increased 40.9% to $4.0 million, compared to $2.8 million for the third quarter of 2024, and increased 240.0% from $1.2 million for the fourth quarter of 2023. The average pretax gain on sale of loans margin was 4.06%, compared to 3.98% for the third quarter of 2024 and 3.18% for the fourth 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 is currently onboarding three new programs. BCS is working with two gaming operators as a part of the latest Product Express partnership with MasterCard and i2c announced during the third quarter of 2024. One client is a cash access service provider in the casino industry and the other is a social gaming operator. Both are working to onboard their prepaid issuing program through this partnership. BCS has executed an additional card issuing agreement with a client offering prepaid access services for cashless venues nationwide. These programs are expected to be active by the end of the first quarter of 2025.

BCS and GBank now have sixteen active prepaid access and PPA/PCA clients. Currently, BCS and GBank are conducting due diligence for three new clients, with anticipated onboarding in future quarters. Gaming FinTech deposits averaged $30.5 million for the fourth quarter of 2024, compared to $31.7 million for the third quarter of 2024.

Credit Card

The Bank launched its GBank Visa Signature® Card in the second quarter of 2023 for prime and super-prime consumers, offering 1% cash rewards on gaming transactions and 2% cash rewards on all other purchases. Since the product launched in 2023, the Bank has entered into nine marketing referral agreements as of December 31, 2024.

Credit card charge transactions were $51.7 million for the fourth quarter of 2024, compared to $13.9 million for the third quarter of 2024 and $938 thousand for the fourth quarter of

2023. Credit card balances were $1.6 million as of December 31, 2024, compared to $1.2 million as of September 30, 2024 and $410 thousand as of December 31, 2023. Total open credit card lines were $18.3 million as of December 31, 2024, compared to $4.9 million as of September 30, 2024. Through December 31, 2024, and since launch, the Bank has processed over $75 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 fourth quarter 2024 earnings call on Wednesday, January 29, 2025, 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**
- **Passcode: 549549**

Joining by ZOOM Conference (audio only):

Log in on your computer at https://us02web.zoom.us/j/82630307240?pwd=TU4yZXJqMEc2VGZoUm5rRTl0OVFxdz09 or use the ZOOM app on your smartphone.

Joining by Telephone

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

Click here to learn more about GBank Financial Holdings Inc.

Notice Regarding Disclosures and Forward-Looking Statements

This press release does not constitute an offer to sell or the solicitation of an offer to buy any securities. Any offers, solicitations or offers to buy, or any sales of securities will be made in accordance with the registration requirements of the Securities Act of 1933, as amended ("Securities Act"). This announcement is being issued in accordance with Rule 135 under the Securities Act.

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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