

Banks & Thrifts

Price:	\$15.90
Fair Value Estimate:	\$18.00
52-Week Range:	\$10.16 - \$16.00
Market Cap (MM):	\$203
Shr.O/S-Diluted (mm):	12.8
Average Daily Volume:	13,200
Dividend:	\$0.00
Yield:	0.0%
Tang Book Value:	\$7.44
Price/Tangible Book:	2.14x

FYE: Dec	2023E	2024E	2025E
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Quarterly EPS - GAAP:

Q1	\$0.26A	\$0.24E	\$0.30E
Q2	\$0.18A	\$0.26E	\$0.33E
Q3	\$0.14A	\$0.29E	\$0.35E
Q4	\$0.22E	\$0.31E	\$0.37E
Year:	\$0.80E	\$1.10E	\$1.35E

GBank Financial Holdings is the holding company for GBank, a two-branch commercial and consumer banking institution in Nevada. The company was founded as Bank of George in 2007. GBank offers traditional lending and deposit products with a focus on government guaranteed lending programs and banking services to commercial entities and high net worth individuals. GBank operates a Gaming FinTech division using a technology for cashless, mobile commerce solutions to the gaming, lottery, and sports betting ecosystems.



January 22, 2024

GBank Financial Holdings Inc. (GBFH) - BUY

GBFH: Initiating Coverage with BUY Rating and Fair Value Estimate of \$18.00.

PORTFOLIO MANAGER BRIEF

- Initiating Coverage with BUY Rating and Fair Value Estimate of \$18.00 on a Strong Organic Growing Commercial Bank with Emerging Gaming FinTech Product Line.
- Establishing EPS Estimates of \$0.22 for 4Q23, \$0.80 for 2023, \$1.10 for 2024, and \$1.35 for 2025.
- Fair Value Estimate of \$18.00 Equivalent to 17.8x Forward Four Quarter EPS Estimate (\$1.01) and 223% Forward Tangible Book Value (\$8.08).

ANALYST NOTES

GBank Financial Holdings Inc. is the holding company for GBank, a two-branch commercial bank in Las Vegas. As of 3Q23, the company has total assets of \$729.3 million, net loans of \$515.4 million, and total deposits of \$593.6 million.

The company was founded in 2007 as a commercial bank offering government guaranteed loans and traditional banking services to small- to medium-sized businesses, high net worth individuals, and independent professionals. GBank has grown into a nationally recognized SBA 7(a) lender doing business in 41 states.

The company has also developed partnerships in the gaming industry to support cashless payments between gamers and game providers. GBank partner BankCard Services, which the bank plans to acquire in mid-2024, has the only patented architecture for transactions between users of gaming apps and the app providers that creates FDIC-insured bank accounts and traditional bank protections for each user. There were \$14.5 billion in cashless transactions in 2021, and the CFPB-Consumer Financial Protection Bureau recently issued a proposed rule to regulate large, non-bank players in the payments industry.

Our EPS estimates largely reflect the commercial bank where we forecast annual balance sheet growth of +20%, ROAA +1.30%, and ROAE +12.00% through 2025. GBank recently decided to refinance and portfolio previously originated SBA loans. The loans were refinanced to 5-year, fixed rates at ~100 bps less than the recent reset rate. In our opinion, the fixed rate terms could support margin in a declining rate environment, and the government guarantee improves the credit quality of the entire loan portfolio.

Admittedly, our Fair Value Estimate and ~18x Forward P/E is expensive for a commercial bank with SBA concentration. We believe the Gaming FinTech division, which includes products other than BankCard Services, could be a meaningful contributor to fee income and non-interest-bearing deposits. A nominal portion of that potential is presently reflected in our Fair Value Estimate.

Company Description

GBank Financial Holdings is the holding company for GBank, a two-branch commercial and consumer banking institution in Nevada. The company was founded as Bank of George in 2007. GBank offers traditional lending and deposit products with a focus on government guaranteed lending programs and banking services to commercial entities and high net worth individuals. GBank operates a Gaming FinTech division using a technology for cashless, mobile commerce solutions to the gaming, lottery, and sports betting ecosystems. The company has also submitted an application to acquire the owner of a patented architecture for transactions between players/consumers and gaming/payment app providers that delivers consumer banking protections to each account user. Although the company operates two commercial branches (both in Nevada), GBank makes loans in 41 states, has employees in 23 states, and has Gaming FinTech customers in all in 50 states.

Business Strategy

Operating Strategy:

GBank has three main business verticals. SBA Lending, Commercial Banking, and Gaming FinTech. SBA Lending is the biggest and most profitable of the three. Gaming FinTech is the newest and has the most promise.

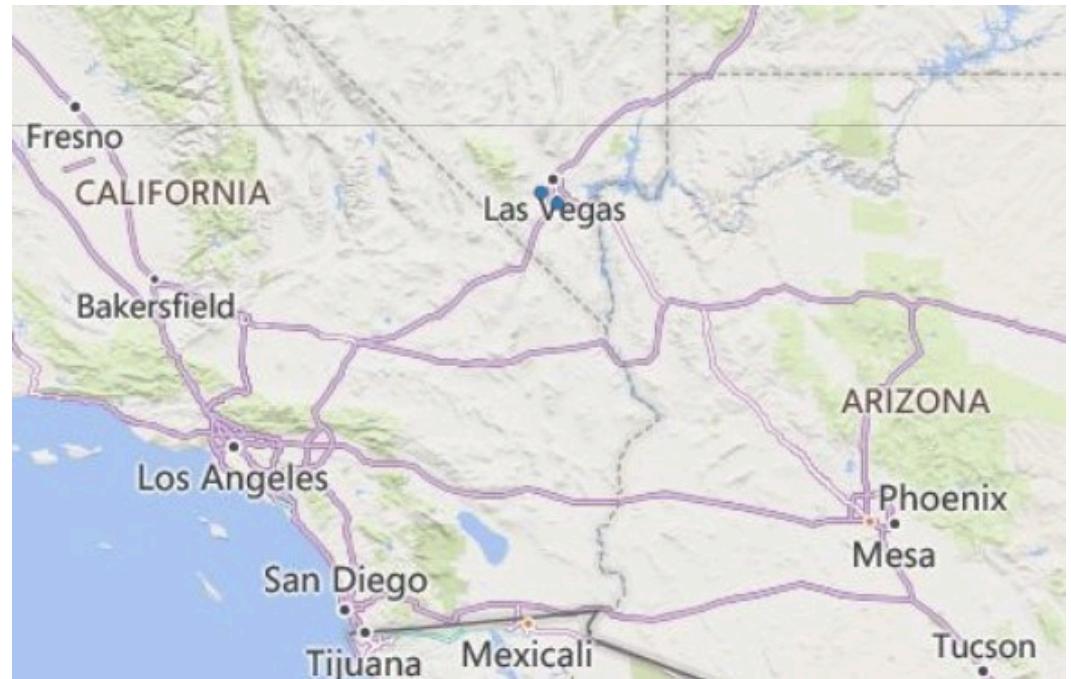
SBA Lending is separated into nationwide hospitality financing and other government guaranteed lending. The hospitality financing unit has two lead employees (one serving the East Coast and another serving the West Coast) as well as a full back office, but utilizes a nationwide system of in-market brokers to source deals. The bank has been a top national SBA 7(a) lender to hotels and motels in each of the past three (3) years. The company focuses originations on service-light models such as Quality Inn, Super 8 Motel, and Days Inn. As of 3Q23, hospitality loan balances were \$301 Million with 52% located in the Southeast and 36% in the Midwest.

In 3Q23, GBank announced a pivot towards adding to balance sheet more SBA originations versus the prior strategy of origination for sale. The company is targeting SBA loans that are three (3) years in vintage (when most refinancing occurs) and offering 5-year, fixed rate terms priced at least 100bps below the most recent rate. In current terms, that changes a floating loan priced at 9.50% to a fixed rate loan yielding 8.50%. GBank added \$21 Mil of those loans to the balance sheet in 3Q23 and plans to add another \$140 Mil through 1Q24. That ~\$160 Mil represents the amount of outstanding guaranteed loans originated by GBank (and which it is buying back from partners at par). Management is likely to seek out similar loan originated by others to add to portfolio in 2024.

Commercial lending, excluding SBA hotel lending and additional accommodation loans, accounted for ~36% of \$471.3 Mil in loans held for investment, as of 3Q23. GBank focuses commercial banking activities on small- and medium-sized businesses, high net worth individuals, professionals, and investors.

Gaming FinTech division, launched in 2016, has three (3) primary product lines. The first is a partnership with Sightline Payments, which provides secure pay and play prepaid cards for cashless, mobile commerce solutions for gaming, lottery, and sports betting ecosystems. Recently, Sightline has experienced declining market share in the sports betting. This has resulted in a drop in average deposits associated with Sightline and revision of the partnership agreement to increase fee sharing with GBank if average deposits fall below \$30 Mil. The second product line is a partnership with BankCard Services, the owner of intellectual property that provides users of prepaid program accounts with gaming and consumer digital wallet/app providers the traditional consumer protections offered by banks and credit unions (such as FDIC insurance and compliance with Red E).

GBFH Branch Map



Source: S&P Capital IQ

The market penetration of the BCS partnership could accelerate if a proposed rule by the CFPB to regulate non-bank providers of digital payments. In December, GBank agreed to acquire BCS for \$10 Mil in stock. The transaction is expected to close in 2Q24.

The third product in the Gaming FinTech division is a credit card program that GBank launched in September 2023. The small rollout of the credit card was marketed to gamers after management discovered 85% of volume in beta testing was done by gamers versus non-gamers. The company is marketing the card to Prime and Super Prime borrowers and could scale use by co-marketing the card with different gaming apps.

Acquisition Strategy:

GBank recurring operational goals are to grow 30% organically every year and generate +2% ROA-Return on Assets. Those goals are not often conducive with growth through acquisition given typical up-front dilution to earnings power and uneven recognition of synergies. As a result, the company has not announced nor completed a whole bank acquisition in its history.

However, GBank has an agreement to acquire BankCard Services, a partner to the bank in Gaming FinTech. BCS also owns the intellectual property underpinning the Pooled Player Accounts and Pooled Customer Accounts. The companies agreed to merge for \$10 Mil in stock (or 701,754 shares of GBank). The acquisition is expected to close in 2Q24 and could be accretive to earnings starting in 3Q24. BCS has revenue of \$80,000 to \$90,000 per month and the partnership with GBank has resulted in non-interest bearing deposits of \$30 Mil. If the deal closes, we anticipate both revenues and non-interest bearing deposit balances could increase in the future.

Capital Strategy:

As shown in the table below, GBank has maintained substantial capital ratio for several years. The company does not presently pay a dividend nor does it have a stock repurchase plan currently in place. The capital structure is relatively straightforward. In addition to shareholders' equity of \$94.6 Million, the company has a pair of subordinate notes outstanding. One of the notes is \$6.5 Mil of 4.50% fixed to floating due in 2031 that was issued in 2020. The other is \$20 Mil of 3.875% fixed to floating due 2031 that was issued in 2021. The capital structure also includes restricted stock awards of 217,000 and warrants of 199,000, all of which are in the money and included in average diluted shares for EPS purposes.

Other sources of liquidity include \$66.2 Mil in cash or deposits at other institutions and ~\$400 Mil in secondary liquidity sources and borrowings, none of which had outstanding balances as of Sept. 30.

GBFH Deposit Market Share

Las Vegas-Henderson-North Las Vegas MSA

2023 Rank	2022 Rank	Institution	Number of Branches	Total Deposits (\$000)	Deposits/Branch (\$000)	2023 Market Share (%)	2022 Market Share (%)
1	1	Wells Fargo & Co.	62	29,777,331	480,280	38.14	39.19
2	2	Bank of America Corporation	43	18,729,681	435,574	23.99	22.26
3	3	JPMorgan Chase & Co.	44	8,039,155	182,708	10.30	9.33
4	5	U.S. Bancorp	30	4,847,890	161,596	6.21	6.65
5	4	Western Alliance Bancorp	10	4,776,122	477,612	6.12	7.28
6	6	Zions Bancorp. NA	25	4,601,932	184,077	5.89	5.69
7	7	Citigroup Inc.	8	1,930,000	241,250	2.47	1.97
8	8	Royal Bank of Canada	3	953,977	317,992	1.22	1.59
9	9	Meadows Bank	2	730,811	365,406	0.94	1.01
10	10	GBank Financial Holdings Inc.	2	562,620	281,310	0.72	0.60
In Market Totals:			270	78,069,727	289,147		

Source: S&P Capital IQ

GBFH Capital Ratio Trends

Capital Ratios	2019	2020	2021	2022	3Q-23
Total Equity to Assets	12.4%	13.7%	12.3%	12.8%	13.0%
Tangible Common Equity Ratio	12.4%	13.7%	12.3%	12.8%	13.0%
Bank-Level Leverage Ratio	12.2%	14.0%	15.7%	14.7%	16.2%

Source: Research by Janney (FIG Group), Company Filings

Pooled Accounts, BCS Intellectual Property, and CFPB Proposal to Regulate Providers of Digital Wallets

The Pooled Player Account (PPA) and the Pooled Consumer Account (PCA) are patented program architectures for transactions between players/consumers and gaming app/payment app providers. The patent for the architecture called Player and Consumer Information Management System is owned by BCS, which GBank has an agreement to acquire for \$10 Million. The transaction is expected to close in 2Q24.

Under the Pooled Account architecture, each user has an FDIC-insured deposit account to hold funds for use. Transactional records are maintained on a bank-owned ledger that is settled daily. This structure provides consumer banking protections to each subledger accountholder that includes Regulation E, bankruptcy, and FDIC protections.

This is a significant departure from common-use architecture in which consumer funds are co-mingled in an omnibus account owned by the operator. For example, all users of a gaming operator or payment app provider are pooled into a single account under the operator's tax identification number. There is no segregation by user, nor identifying the individual user and the user's balance. This can create a number of potential issues including insurance coverage that is limited to \$250,000 for the entire pool of funds (if funds are held in a bank account). Users are also exposed to loss of funds if operator incurs financial distress/bankruptcy.

The market for digital payments and wallets is substantial. The CFPB-Consumer Financial Protection Bureau estimates the number of digital payments is equal to the number of transactions via credit cards and debit cards and the dollar value of transaction exceeded \$14.5 Billion in 2021. The CFPB in recent releases is proposing to supervise larger non-bank digital wallet and payment app providers and has proposed a new rule to oversee the non-bank payments industry. The proposed rule includes applying consumer protections applied to banks and credit unions to the 15 largest non-bank payment companies. A final decision on the proposed rule could occur in 1Q24.

In our opinion, CFPB oversight of the non-bank payments industry could provide substantial revenue opportunities for GBank. While the company has submitted an application to the FDIC to acquire BCS and its patented architecture, GBank has periodically made presentations regarding the BCS architecture to banking regulators in the past.

We believe the most significant revenue opportunity for BCS could be licensing the intellectual property to payment app providers, non-banks, and other financial institutions. Revenue from licensing fees, in addition to deposit growth opportunities, are difficult to quantify and we do not believe BCS has a single licensing contract in place. Currently, BCS generates revenues of approximately \$80,000 to \$90,000 per month and has average deposits of \$30 Mil. A build-out of existing relationships and addition of new customers could increase GBank's fee income and non-interest-bearing deposits regardless of any licensing contacts.

Governance, Directors, and Management

GBFH currently has 10 directors, including seven independent directors. The Board is consisted of four committees: Nominating, Gaming FinTech, Audit, and Compensation Committees. All members of the Board of Directors bring in a variety of professional skills, leadership, experience, and industry backgrounds, and they each serve on at least one committee. Specific to GBFH's three-fold banking business, the members' diverse backgrounds, ranging from banking, real estate, investment, legal, to entertainment industries, are valuable for the corporate governance as well as the strategic decision-making. The Board's Executive Chairman is Edward M. Nigro and President/CEO is T. Ryan Sullivan.

The Company's executive management team is highly experienced, with over 200 years of combined banking experience. Each executive enjoys extensive experience in the field of their current positions.

Select Executives Officers:

Edward M. Nigro: Current Executive Chairman of GBank Financial Holdings Inc. and G-Bank. Nigro has been actively engaged in the development, ownership, and operation of real estate in Las Vegas since 1979 and as an investor and manager in healthcare and diversified business enterprises since 1984. Nigro Associates, his construction firm, has developed and constructed commercial and residential projects in Nevada, Arizona, Louisiana, Oregon, and California. Nigro is the President of Omega Industries, Inc., an investment management firm.

T.Ryan Sullivan: President/CEO of GBank Financial Holdings Inc. and G-Bank. Sullivan has 23 years of commercial banking experience. He was the Bank's original CFO and served in that capacity from inception in September 2007 through July 2013, when he was named President/CEO. Previously, Sullivan served as the CFO of Alliance Bank of Arizona since its inception in 2003. Prior to that, he worked with Bank of Nevada (formerly BankWest of Nevada). Sullivan currently serves on the Board of the Nevada Bankers Association and the Community Banker's Council of the American Bankers Association. He also currently serves on the Board of Trustees for SafeNest. Sullivan attained his Bachelors of Science degree in Finance from UNLV and was also an honors graduate of Pacific Coast Banking School at University of Washington.

Jeffery E. Whicker: Executive Vice President and CFO of G-Bank. Having over 20 years of banking experience, Whicker has overseen the operations of all corporate financial systems, including mergers and acquisitions, SBA, mortgage and general accounting, profitability measurement, internal auditing, and risk management. Whicker began his career working in assurance services with Deloitte and Touche. Prior to joining G-Bank Whicker also served as the CFO of several different banks from across the country and has led finance teams in organizations from start-up to \$14 Billion in net assets. He served as a founding member of the Board of Directors of the South East Bankers Affinity Group where he also served two terms as President of the organization. He holds a Bachelor of Science Degree in Accounting and an MBA from the University of Utah. He is also a CPA in the state of Utah.

Tara A. Campbell: Executive Vice President and Chief Operating Officer responsible for management of deposit and branch operations, treasury management, online banking, commercial business development, Gaming FinTech, and payment operations. She has more than 24 years of experience in banking and was previously director of operations at Dallas Capital Bank. Campbell has an MBA degree and BS degree in finance from the University of Texas at Dallas.

Notable Board Members:

William (Bill) J. Hornbuckle: CEO and President of MGM Resorts International (NYSE: MGM). MGM Resorts' portfolio includes some of the most recognizable resort brands in the industry, such as Bellagio, MGM Grand, ARIA, Mandalay Bay, and Borgata. Hornbuckle served as President of MGM Resorts since 2012 and became COO in 2019. Hornbuckle has been with MGM Resorts for more than two decades and served several senior positions at MGM Resorts and its subsidiaries. Hornbuckle started and built his career at Mirage Resorts. Hornbuckle is a member of MGM Resorts' Board of Directors and serves as the Chairman of the Board of Directors of MGM China Holdings. He is Chairman of the Board of Directors for CityCenter JV (a joint venture with Dubai World). He is a board member of T-Mobile Arena (a joint venture with AEG) and of the Las Vegas Stadium Authority. He serves on the Board of Trustees for Three Square Food Bank and is President of the Fulfillment Fund. Hornbuckle holds a Bachelor of Science degree in Hotel Administration from the University of Nevada, Las Vegas.

Charles (Chuck) Grieger Jr: Founding partner and chief investment officer at Blue Lion Capital. Grieger has more than 30 years of experience in the capital markets and has been a Bank stock investor since 1986. Prior to founding Blue Lion, he was a partner at Atlas Capital Management where he helped the company grow from \$50 Million in assets to \$650 Mil. Grieger has previously worked as an investment banker with Soundview Technology Group and at the Federal Home Loan Bank of Dallas. He has an MBA from Columbia Business School and a BA from Vanderbilt University.

Michael (Mike) Voinovich: An investment banker for 19 years representing financial institutions and their holding companies. Most recently he was Managing Director at Philadelphia-based investment banking firm of Boening & Scattergood, Inc. Voinovich currently serves as a member of the boards of The Middlefield Banking Company and RSI, LLC, a highly specialized employment search firm. Voinovich is also a director of the Positive Education Program, Greater Cleveland's largest non-profit agency serving the developmental needs of children. Mr. Voinovich is a graduate of John Carroll University with a B.S. in Business Administration.

Loan Portfolio

GBank's loan portfolio composition reflects its operating strategy for SBA lending and commercial banking. The company was the 22nd most active lender for SBA 7(a) loans with \$223.9 Million in originations year-to-date through Sept. 30. The commercial banking operations focus on small- and medium-sized businesses, high net worth individuals, professionals, and investors.

The company's SBA lending focuses almost exclusively on hotels and motels, but does include other government guaranteed loan programs. Government guaranteed hospitality loans were \$299 Mil as of Sept. 30. The balance of the CRE-Commercial Real Estate loans shown in the chart to the right included non-owner occupied CRE and multifamily loans.

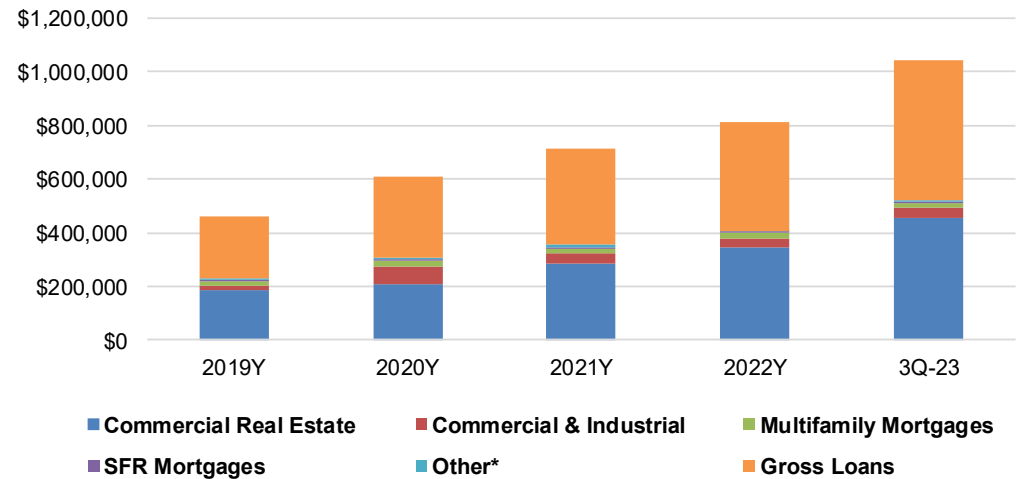
GBank's loan portfolio included low office exposure with less than \$28 Mil outstanding and C&D Construction & Development loans of less than \$400,000, both as of Sept. 30.

Recent growth in CRE loans reflects the pivot in strategy to portfolio government guaranteed hospitality loans that were previously originated for sale. GBank is targeting SBA loans that are three (3) years in vintage (when most refinancing occurs) and offering 5-year, fixed-rate terms priced at least 100bps below the most recent rate. In current terms, that changes a floating loan priced at 9.50% to a fixed-rate loan yielding 8.50%. GBank added \$21 Mil of those loans to the balance sheet in 3Q23 and plans to add another \$140 Mil through 1Q24. That ~\$160 Mil represents the amount of outstanding guaranteed loans originated by GBank (and which it is buying back from partners at par). Management is likely to seek out similar loans originated by others to add to the portfolio in 2024.

Going forward, we believe hospitality loans originated in the SBA wrapper are likely to represent a substantial portfolio of total loans with other real estate and non-real estate government guaranteed loans accounting for smaller percentages of the loan portfolio. We also believe credit card loans could become a bigger part of the loan portfolio, but that real traction in that category is unlikely until 2025, at the earliest.

GBFH Loan Portfolio Composition

Loans and Leases HFI (000)	2019Y	2020Y	2021Y	2022Y	3Q-23
Commercial Real Estate	\$186,085	\$210,425	\$282,991	\$347,589	\$457,294
Commercial & Industrial	\$17,287	\$63,048	\$39,684	\$33,044	\$36,020
Multifamily Mortgages	\$14,160	\$20,212	\$17,277	\$16,704	\$17,122
SFR Mortgages	\$4,988	\$6,045	\$6,626	\$5,676	\$4,907
Other*	\$7,356	\$5,587	\$9,654	\$2,433	\$6,682
Gross Loans	\$229,876	\$305,318	\$356,233	\$405,446	\$522,025
Loan Yields	7.10%	5.51%	5.99%	7.40%	8.72%
Earning Asset Yields	5.84%	3.93%	3.82%	6.07%	7.77%
Avg. Loans/ Avg. Earning Assets	75.91%	69.55%	62.67%	62.21%	73.54%



* Includes Construction & Development Loans and HELOCs.

Source: Research by Janney (FIG Group), S&P Market Intelligence

Asset Quality

GBank's credit quality has been exceptionally strong for many years — a function of stringent underwriting, originating government guaranteed loans, and, until recently, selling those originations. The company has charged off less than \$1.5 Million in loans since 2020.

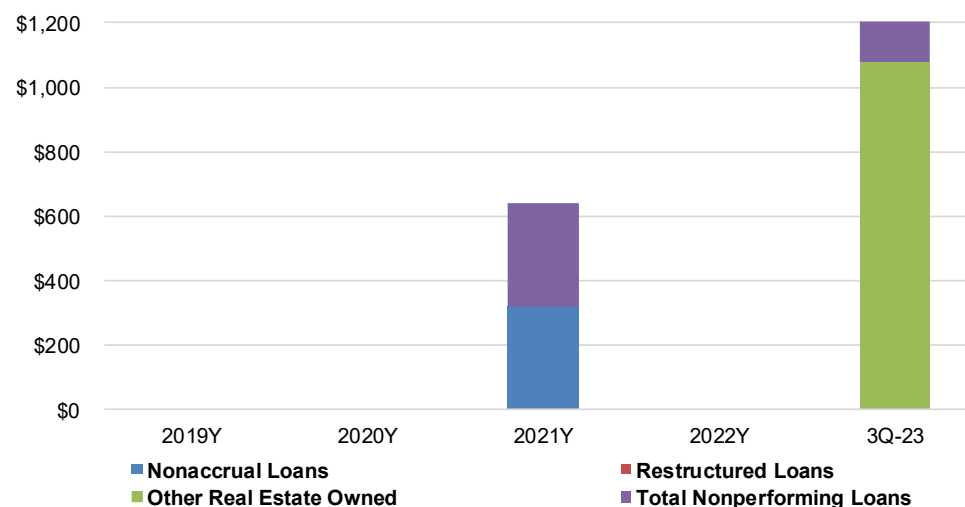
The pivot to adding more government guaranteed loans to the balance sheet is likely to further insulate the loan portfolio from credit losses. As of Sept. 30, \$200 Mil in loans were government guaranteed. The company plans to add more than \$160 Mil in similar loans to the balance sheet by 1Q24.

As a result of the pivot, GBank's allowance for loan losses (the company adopted CECL in 1Q23) has trended lower from a high of 1.94% in 2021. The allowance to loans held for investment was 1.41% in 3Q23, while the allowance to loans excluding government guaranteed loans was a higher 1.54%. We anticipate nominal provision expenses relative to balance sheet growth in the near-term.

More recent credit costs were the result of the resolution of a pair of SBA loans with real estate collateral. GBank charged off \$762,000 in 3Q23 and since quarter-end sold \$1.1 Mil in OREO. We anticipate credit quality metrics could be better than peers going forward due to the inclusion of government guaranteed loans.

Trends in Nonperforming Loans and Allowance

Nonperforming Loans (000)	2019Y	2020Y	2021Y	2022Y	3Q-23
Nonaccrual Loans	\$0	\$0	\$321	\$0	\$0
Restructured Loans	\$0	\$0	\$0	\$0	\$0
Other Real Estate Owned	\$0	\$0	\$0	\$0	\$1,080
Total Nonperforming Loans	\$0	\$0	\$321	\$0	\$1,080
As % of Loans+OREO	0.00%	0.00%	0.09%	0.00%	0.21%
Allowance for Loan Losses/Loans HFI	1.57%	1.74%	1.94%	1.86%	1.41%
Reserves/Non-Performing Assets	NM	NM	NM	NM	613.89%
Net Charge-Offs/Avg. Loans	0.33%	0.00%	0.00%	0.17%	0.25%*



* Year-to-date Net Charge-Offs

Source: Research by Janney (FIG Group), S&P Market Intelligence

Earning Asset Mix and Interest Sensitivity

GBank's earning asset mix has increasingly become centered in average loans over the last 24 months with average loans to earning assets growing to 73.5% in 3Q23 from 62.7% in 4Q21.

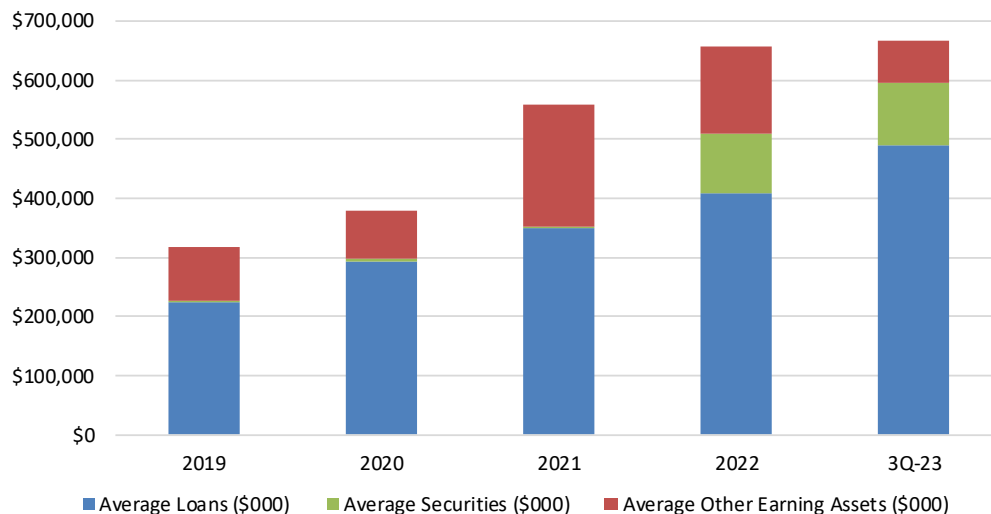
Yet, the biggest change has been a substantial reduction in other earning assets (essentially cash), which was used to support on-balance sheet loan growth. The refinancing of variable rate SBA loans into fixed rate loans (generally 100bps lower than the most recent reset rate) has increased both loan yields and earning asset yields, as shown in the table to the right.

GBank has historically been asset sensitive, but the recent pivot to fixed rate loans has, in our opinion, made the company more liability sensitive. We anticipate that trend in sensitivity to lower rates to accelerate as the company adds fixed rate loans to the balance sheet. Additionally, deposit growth from the Gaming FinTech division could be in the form of non-interest bearing deposits and potentially in volume to reduce funding from brokered deposits.

GBank has augmented growth in fixed rate loans with purchases of short duration securities. Nearly 90% of securities are GNMA-Ginnie Mae floaters and US Treasury securities that mature in less than 2 years. The yield on the investment portfolio was 4.25% in 3Q23.

Historical Earnings Asset Mix

	2019	2020	2021	2022	3Q-23
Average Loans (\$000)	\$223,891	\$292,862	\$349,598	\$407,975	\$489,552
Average Securities (\$000)	\$3,533	\$4,389	\$2,440	\$101,058	\$104,761
Average Other Earning Assets (\$000)	\$89,143	\$82,995	\$205,792	\$146,737	\$71,410
Average Earning Assets (\$000)	\$316,567	\$380,246	\$557,830	\$655,770	\$665,723
Loan Yields	7.10%	5.51%	5.66%	6.36%	8.67%
Earning Asset Yields	5.84%	3.93%	3.65%	4.63%	7.69%



Source: Research by Janney (FIG Group), S&P Capital IQ

Noninterest Income

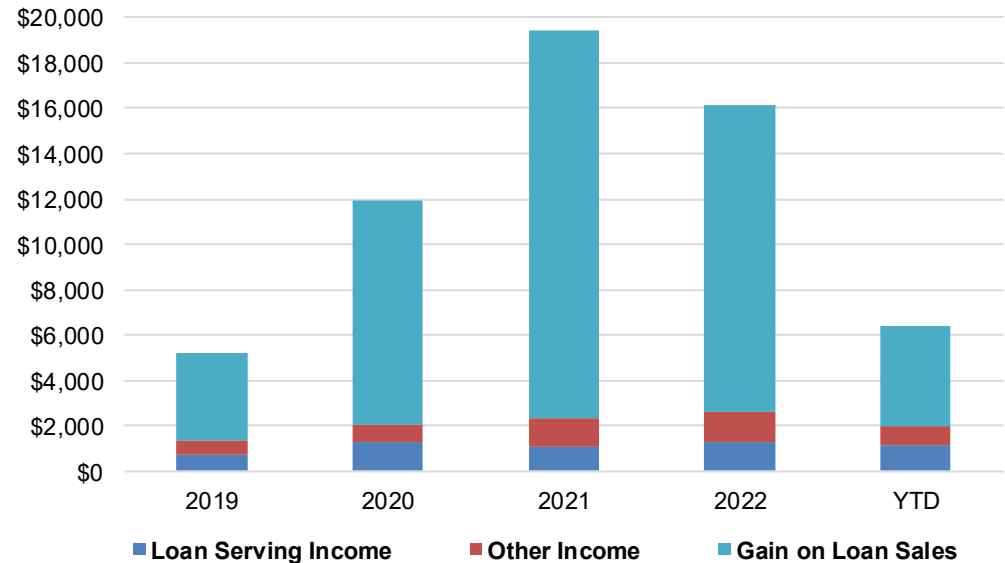
The pivot to adding more government guaranteed loans to the balance sheet will come at the expense of non-interest income. GBank had historically balanced spread income and gain on sale revenues from SBA production. However, the gap between yields on those loans (~10%) and the premium to sell the loans in the secondary market (~5.0%) became too wide for the company to not hold the loans on the balance sheet. As a result, gain on sale revenues have declined materially and are expected to remain relatively low through 2H24, at least.

We anticipate a portion of the lost gain on sale revenues could be offset by the BCS acquisition expected to close in 2Q24. BCS currently generates revenues of \$80,000 to \$90,000 per month and has average deposits of \$30 Mil. A build-out of existing relationships and addition of new customers could increase GBank's fee income and non-interest-bearing deposits. A partial list of GBank's Gaming FinTech clients is located at the bottom of the page.

An additional source of fee income could come from a recently launched credit card product. GBank launched a small rollout of the card in September. The rollout primarily targeted gamers and those with Prime and Super Prime credit ratings. Management is looking to increase users by possibly co-marketing the card with different gaming apps.

Noninterest Income Trends

Non-Interest Income (000)	2019	2020	2021	2022	YTD
Loan Serving Income	\$706	\$1,304	\$1,091	\$1,295	\$1,169
Other Income	\$636	\$787	\$1,219	\$1,290	\$823
Recurring Income	\$1,342	\$2,091	\$2,310	\$2,585	\$1,992
Gain on Loan Sales	\$3,873	\$9,860	\$17,097	\$13,546	\$4,392
Total Non-Interest Income	\$5,215	\$11,951	\$19,407	\$16,131	\$6,384
<i>Recurring Nil/Avg. Assets</i>	<i>0.40%</i>	<i>0.46%</i>	<i>0.40%</i>	<i>0.38%</i>	<i>0.28%</i>



Source: Research by Janney (FIG Group), S&P Market Intelligence

GBank/BCS Gaming Clients



Source: Company Investor Presentation

Deposit Base

GBank derives deposits from a variety of sources such as traditional commercial banking, the Gaming FinTech division, and, more recently, brokered deposits.

As shown in the table to the right, non-interest bearing deposits are the most significant component of total deposits at 36% of deposits as of 3Q23. Non-interest bearing deposits have averaged 46% of total deposits since 2019. A key source of low cost deposits is are small and medium-sized business relationships.

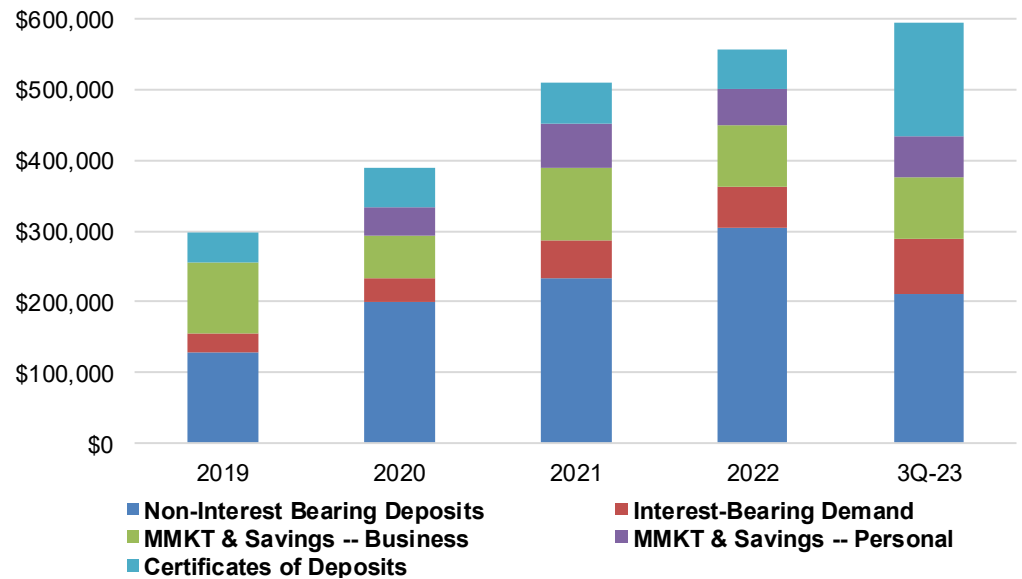
Similar to most Banks, GBank has experienced disintermediation of non-time deposits with non-CD balances down \$67 Million year-to-date. Time deposits are up \$105 Mil and total deposits are up \$38 Mil year-to-date.

The pivot in 3Q23 to portfolio more loans did accelerate the use of time deposits (which were up \$52 Mil in the most recent quarter). We view this growth in time deposits as bridge funding.

We believe the longer-term plan is to grow non-interest bearing and low cost deposits through user account balances and potential partnerships in the Gaming FinTech/BCS ecosystems. Those deposits could be very sticky and highly predictable. The growth in those deposits could also determine future loan growth for GBank.

Total Deposit Trends

Total Deposits (000)	2019	2020	2021	2022	3Q-23
Non-Interest Bearing Deposits	\$128,248	\$199,413	\$233,267	\$304,950	\$211,919
Interest-Bearing Demand	\$25,976	\$32,984	\$53,890	\$56,995	\$76,811
MMKT & Savings -- Business	\$102,098	\$61,235	\$102,814	\$87,440	\$86,617
MMKT & Savings -- Personal	\$0	\$38,841	\$61,472	\$52,286	\$59,336
Certificates of Deposits	\$40,519	\$56,827	\$58,119	\$53,761	\$158,961
Total Deposits	\$296,841	\$389,300	\$509,562	\$555,432	\$593,644
Core Deposit Ratio	86.9%	85.8%	88.9%	90.7%	84.1%
Cost of Total Deposits	0.85%	0.46%	0.23%	0.43%	2.17%
Cost of Int-Bearing Deposits	1.54%	0.89%	0.46%	0.85%	3.50%



Source: Research by Janney (FIG Group), S&P Market Intelligence

Most Recent Quarter Results

Overview: GBFH reported 3Q23 EPS of \$0.14, compared to \$0.18 the previous quarter and \$0.20 in the year-ago quarter. Earnings in the quarter were highly impacted by the decision to portfolio SBA loans originated to sell and repurchase the guaranteed portion of previously sold SBA originations and then refinance those loans into 5-year, fixed rate terms. As a result, gain on sale revenue compressed 50% sequentially and gross loans increased 15% from the previous quarter. We estimated Core Pre-Tax, Pre-Provision EPS of \$0.19 and Pre-Pre ROAA of 1.44%, compared to \$0.26 and 2.00% the previous quarter. Tangible book value increased 2.1% sequentially to \$7.44 and TCE-Tangible Common Equity ended the quarter at 12.97% of tangible assets.

Spread Income and Margin: NII-Net Interest Income increased 9.7% sequentially to \$9.5 Million and NIM-Net Interest Margin expanded 32bps to 5.69% due to higher loan balances and better loan yields. Gross loans, excluding PPP loans of \$120,000, increased \$66.0 Mil, or 14.4% sequentially, to \$523.9 Mil with notable growth in CRE-Commercial Real Estate loans (up \$54.6 Mil), miscellaneous loans (up \$6.2 Mil), and SBA loans held for sale (up \$5.3 Mil). Average loans were \$489.6

Mil, or 73.5% of average earning assets, up from 70.0% the previous quarter. Loan yields expanded 62bps to 8.79% and earning asset yields expanded 66bps to 7.77%.

Funding Sources and Costs: Total deposits increased \$41.2 Mil, or 7.5% sequentially, to \$593.6 Mil. Non-interest-bearing deposits declined 2.9% to \$211.9.6 Mil, or 35.7% of total deposits, and non-CD deposits declined 2.3% sequentially to \$434.7 Mil, or 73.2% of total deposits. Average borrowings and debt were \$30.4 Mil, or 8.0% of average interest-bearing liabilities, down from 8.7% the previous quarter. Cost of total deposits expanded 35bps to 2.17% and cost of total funds expanded 33bps to 2.28%.

Credit Quality: GBFH booked a provision of \$226,000 compared to \$408,000 the previous quarter. NCO-Net Charge-Offs were \$764,000, or 0.62% of average loans, during the quarter, compared to \$100,000, or 0.09%, the previous quarter, due a loan resolution in the September quarter. NPA-Non-Performing Assets, excluding government guaranteed loan balances, were \$1.1 Mil, or 0.21% of Loans+OREO, with almost all the NPAs in OREO. Since quarter end, GPFH sold the OREO with no losses expected. Reserves ended the quarter at \$6.6 Mil, or 1.54% of non-PPP loans and government guaranteed loans.

Non-Interest Items and Efficiency Ratio: Core non-interest income declined 36.4% sequentially to \$444,000, or 0.25% of average assets, compared to the trailing four quarter average of 0.43%. The decline resulted from lower loan servicing income (down \$180,000) and miscellaneous fees (down \$74,000). The company also booked gains on sale of SBA loans of \$763,000, compared to \$1.6 Mil the previous quarter. Non-interest expenses increased 8.6% sequentially to \$8.2 Mil, or 4.69% of average assets, down from the trailing average of 4.56%. The increase was driven by compensation costs (up \$511,000) and miscellaneous expenses (up \$133,000). We estimated the company's efficiency ratio was 76.6% compared to 68.8% the previous quarter.

GBFH (Las Vegas, NV--\$203 Mil. Mkt. Cap, \$729 Mil. Assets, \$15.90, 0% Yld)

	2Q-2023	Δ	3Q-2023	Consensus	Variance Per Share
EPS	\$0.18	-	\$0.14	NA	NA
Operating/Core EPS*	\$0.17	-	\$0.13		
Janney Estimate (Core)	NA	-	NA		
Net Interest Income	8.7	9.7%	9.5	NA	NA
Loan Loss Provision	0.4	(51.0%)	0.2	NA	NA
Core Non-Interest Income (ex. sec.)	2.3	(48.2%)	1.2	NA	NA
Core Non-Interest Expense	7.6	8.6%	8.2	NA	NA
Net Charge-Offs	0.1	664%	0.8		
NCOs % of Avg Total Loans (bps)	9	53bps	62	NA	NA
Tangible Book Per Share	\$7.29	2.0%	\$7.44	NA	NA
Net Interest Margin	5.37%	32bps	5.69%	NA	NA
Gross Loans (\$Mil.)	454.0	15.0%	522.0	NA	
TCE Ratio (TCE/TA)	13.52%	(55)bps	12.97%		
NPAs to Loans/REO	0.41%	(20)bps	0.21%		

*Core EPS exclude various one-time items.

Source: Janney Research (FIG Group), S&P Capital IQ

Forward Earnings Outlook

We are estimating EPS for GBFH of \$0.22 in 3Q23, \$0.83 for 2023, \$1.10 for 2024, and \$1.35 for 2025. Our estimates reflect growth in NII-Net Interest Income and only modest contraction in NIM-Net Interest Margin as GBFH increases balances of fixed-rate loans priced well-above Fed Funds through the acquisition of SBA loans. We believe these top-line trends could be on full display in 2024. We also anticipate the nascent credit card product could contribute in 2025. While our estimates do not significantly rely on growth in Gaming FinTech fee income nor non-interest deposit balances, we do see meaningful growth in ROAA and ROTCE to ~1.50% and ~15.00% by year-end 2025.

- **Net Interest Income and Margin:** We forecast NII growth of +52% in 2023 and 28% in 2024 due to the pivot to add more fixed rate loans to loans held for investment. Currently, the company is funding the loan growth at the market and, while management's plan is replace that funding with low-cost, core deposits, we adopted a wait and see mode. We do have high confidence in the company's near-term growth trends and model for loan growth of 32% in 2024 and 23% in 2025.
- **Credit Costs:** While GBFH's historical credit costs reflect stringent underwriting, we believe provision expenses could still increase in 2024 and 2025 due to further rollout of the credit card program. However, actual losses, if any, in the card program might not appear for several years after the program reaches scale. Loan portfolio losses could also be low due to the large composition of government guaranteed loans.
- **Non-Interest Income:** In our opinion, total non-interest income, which includes SBA gain on sale, could be modest in 2024 relative to prior years. Gain on sale revenues could start to improve by 2H24 if interest rates are lower and secondary market prices for SBA loans return to a more normalized premium in the high single digits on a percentage basis. Fee income from BCS could add \$250,000 non-interest income on a conservative basis. The contribution is expected to increase as BCS adds more clients and wallet share of existing clients.
- **Non-Interest Expenses:** GBFH does not need sizable new investments to achieve our growth targets and estimate for nominal growth in non-interest expenses of 4% in 2024 before increasing to 11% in 2025. Still, we model for annual improvements in efficiency ratio through 2025.

GBank Financial Holdings Inc. (GBFH)

Updated on 1/22/2024

Janney Research Rating: "Buy"

	2023Q4	2023Y	2024Y	2025Y
	Janney Estimate	Janney Estimate	Janney Estimate	Janney Estimate
Income Statement				
Net Interest Income (000)	\$10,861	\$25,232	\$48,973	\$56,362
Net Interest Margin	5.67%	4.06%	5.19%	4.91%
Loan Loss Provision (000)	\$423	\$1,347	\$2,047	\$2,210
Non-Interest Income (000)	\$1,248	\$16,462	\$6,463	\$8,087
Non-Interest Expense (000)	\$7,996	\$26,283	\$33,451	\$37,247
Pre-Tax Income (000)	\$3,689	\$14,064	\$19,937	\$24,993
Net Income (000)	\$2,841	\$10,899	\$15,152	\$18,861
Diluted Shares Outstanding (M)	13.2	13.1	13.7	14.0
Earnings Per Share	\$0.22	\$0.83	\$1.10	\$1.35
Fair Value Ratios				
Fair Value	\$18.00	\$18.00	\$18.00	\$18.00
Fair Value/EPS	20.9x	21.6x	16.3x	13.3x
Fair Value/Tangible Book Value	235%	263%	214%	184%
Implied Dividend Yield	0.00%	0.00%	0.00%	0.00%
Per Share				
Tangible Book Value	\$7.65	\$6.84	\$8.40	\$9.78
Book Value	\$7.65	\$6.84	\$8.99	\$10.35
Dividends Per Share	\$0.00	\$0.00	\$0.00	\$0.00
Ratios				
Return on Assets	1.30%	1.59%	1.30%	1.33%
Return on Equity	11.83%	12.88%	12.74%	13.73%
Efficiency Ratio	66.04%	63.04%	60.18%	57.52%
NPAs/Assets	0.00%	0.00%	0.06%	0.06%
NCO/Avg. Loans	0.05%	0.16%	0.05%	0.05%

Source: Janney Research (FIG Group), S&P Capital IQ

GBFH Valuation and Fundamental Performance Relative to Comparable Western Region Banks

Company Name	Ticker	State	Price/			Assets (\$M)	ROAA (%)	ROAE (%)	NIM (%)	% of Deposits		Nonint. Income/Op Rev (%)	Cost of Funds (%)	Eff. Ratio (%)	Lns/Dep (%)	Inv CRE + C&D/ RBC (%)	Tang. Comm. Equity (%)	NPAs/ Lns + OREO (%)	Rsvs/ Lns (%)	Mkt. Cap (\$M)	Div. Yld. (%)
			LTM EPS (x)	Book Val (%)	Tang Book (%)					Nonint. Bear. (%)	Core Dep (%)										
Mission Bancorp	MSBC	CA	7.4	152.3	152.4	1,615.1	1.98	22.31	4.67	46.83	97.49	7.43	0.83	40.92	82.55	NA	8.96	0.00	1.53	220.4	NA
Riverview Bancorp	RVSB	WA	9.3	81.3	99.2	1,583.7	0.63	6.36	2.63	30.75	96.10	25.70	0.86	73.01	81.92	257.96	8.01	0.02	1.51	123.5	4.11
Plumas Bancorp	PLBC	NV	7.7	154.9	162.1	1,610.4	1.89	24.11	4.74	52.64	97.68	11.70	0.33	45.45	72.09	167.99	8.78	NA	1.34	228.2	2.85
Malaga Financial Corp.	MLGF	CA	9.0	NA	NA	1,554.0	1.48	NA	NA	19.13	75.70	1.86	1.78	29.42	128.39	21.67	NA	NA	0.31	207.3	4.12
First Financial Northwest	FFNW	WA	23.3	120.8	121.8	1,525.6	0.39	3.75	2.69	9.39	72.88	6.52	2.97	78.77	97.77	241.53	10.36	0.02	1.29	191.7	2.48
Provident Financial	PROV	CA	11.8	74.6	74.6	1,313.1	0.54	5.40	2.88	11.82	85.25	7.59	1.45	66.75	115.97	61.53	9.84	0.13	0.71	96.1	4.22
Communities First Financial	FFBB	CA	7.2	216.0	216.0	1,308.9	2.74	31.82	5.21	65.22	93.91	28.76	0.52	43.81	78.99	99.15	8.63	0.75	1.11	243.4	NA
United Security Bancshares	UBFO	CA	6.9	118.9	123.7	1,273.1	1.22	13.13	4.05	39.30	97.93	1.70	1.12	48.92	98.51	NA	8.71	1.92	1.61	136.7	6.17
American Riviera Bank	ARBV	CA	7.7	103.1	108.9	1,268.8	0.83	11.44	3.47	42.08	96.89	5.98	1.00	64.88	85.44	319.55	6.92	NA	1.24	95.1	NA
US Metro Bank	USMT	CA	4.1	59.5	NA	1,199.6	0.78	10.18	NA	19.25	66.30	NA	3.38	66.33	91.72	355.97	NA	NA	1.37	54.1	3.64
Pacific Financial Corp	PFLC	WA	7.0	106.1	121.4	1,182.0	1.22	13.27	4.37	41.13	96.95	11.59	0.65	63.75	63.84	142.75	7.97	NA	1.24	112.7	5.17
Summit State Bank	SSBI	CA	5.8	85.4	93.5	1,142.2	0.63	7.65	2.80	20.40	89.31	15.87	2.67	73.25	91.91	430.47	7.52	3.72	1.61	79.8	4.01
Summit Bank	SBKO	OR	8.2	98.3	98.3	1,066.1	0.93	10.70	NA	20.19	98.35	1.69	2.01	53.06	97.75	NA	8.68	NA	1.36	90.9	NA
Bay Community Bancorp	CBOB.A	CA	7.2	95.2	NA	1,065.9	1.18	6.63	3.15	27.18	79.95	28.88	1.91	54.85	94.67	151.85	NA	1.07	0.93	68.1	2.58
CW Bancorp	CWBK	CA	5.4	130.5	136.2	1,061.3	1.83	27.89	3.90	59.47	89.42	15.25	0.79	51.00	79.39	176.54	6.61	NA	1.57	92.9	3.02
Bank of Idaho Holding Co	BOID	ID	14.0	114.8	122.8	1,057.0	0.98	9.38	4.82	35.94	94.62	9.70	1.25	65.73	92.04	192.38	9.78	NA	1.17	99.8	NA
Citizens Bancorp	CZBC	OR	9.8	NA	NA	1,035.7	0.63	10.67	NA	50.40	99.66	8.51	1.05	77.23	51.43	86.30	5.49	0.00	1.40	66.3	2.95
Sound Financial Bancorp	SFBC	WA	11.3	101.2	102.0	1,030.2	0.47	4.63	3.38	18.18	89.89	11.69	2.01	79.95	101.69	NA	9.66	0.27	0.96	100.8	1.91
1st Capital Bank	FISB	CA	15.5	120.5	120.5	984.1	0.49	8.13	3.37	45.75	98.78	3.67	0.81	65.49	66.32	NA	5.50	NA	1.15	65.7	NA
Pinnacle Bank	PBNK	CA	6.9	96.9	96.9	843.5	1.41	14.39	NA	36.52	89.86	6.25	1.51	59.51	72.12	249.47	9.82	0.00	1.08	81.6	NA
BEO Bancorp	BEOB	OR	5.4	117.5	123.5	840.2	1.73	25.55	NA	28.21	99.32	NA	0.34	60.37	68.21	NA	NA	NA	1.16	67.3	1.79
People's Bank of Commerce	PBCO	OR	10.5	100.7	106.3	811.1	0.76	8.66	3.07	44.22	98.23	28.28	1.00	68.84	79.65	NA	8.37	NA	1.11	70.6	0.00
Community Financial Group	CFGW	WA	4.3	70.8	70.8	753.8	NA	NA	NA	45.00	93.84	NA	1.51	75.07	76.72	227.25	6.48	NA	0.92	32.1	NA
Oregon Pacific Bancorp	ORPB	OR	6.4	105.9	105.9	752.5	1.24	18.70	3.74	24.09	98.09	20.94	0.87	62.79	78.40	281.92	6.72	NA	1.31	53.6	0.00
Average:			8.8	110.2	117.8	1,161.6	1.13	13.40	3.70	34.71	91.52	12.36	1.36	61.21	85.31	203.78	8.14	0.72	1.21	111.6	3.06
Median:			7.5	104.5	114.7	1,104.1	0.98	10.68	3.47	36.23	95.36	9.70	1.09	64.32	82.23	192.38	8.50	0.13	1.24	94.0	2.98
GBank Financial Holdings	GBFH	NV	19.2	213.7	213.7	729.3	1.01	7.56	5.69	36.53	86.04	11.23	2.20	71.52	79.05	NA	12.97	0.21	1.27	202.8	NA

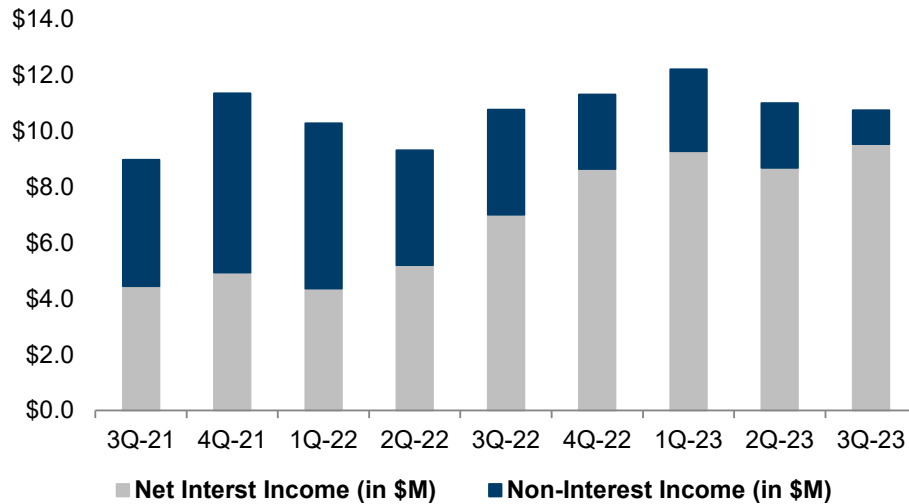
Source: Janney Research (FIG Group), S&P Capital IQ

The table above shows valuation and recent fundamental performance for GBFH relative comparable Western Region Banks. The median peer in the group has larger total assets, because GBFH has growth targets that exceed most comparable institutions and will likely be of similar size sooner rather than later.

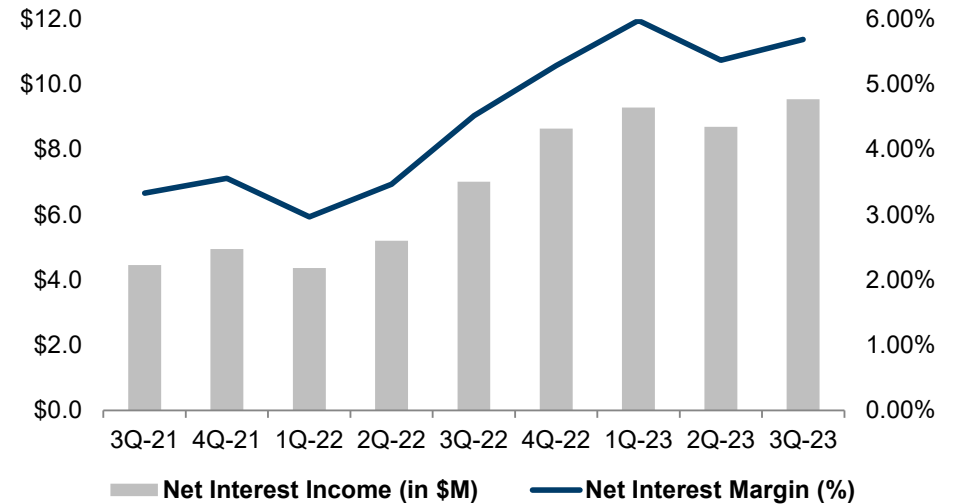
In our opinion, GBFH trades at higher multiples than peers, because of the 30% targeted growth rate as well as generally better Net Interest Margin and capital ratios. We would also note profitability in the most recent quarter was understated due to the decline in gain on sale revenues as the Bank pivoted to holding more loans on balance sheet. We estimate GBFH's forward profitability could exceed peers going forward.

Charts on this page show important performance data for GBFH over the last two (2) years

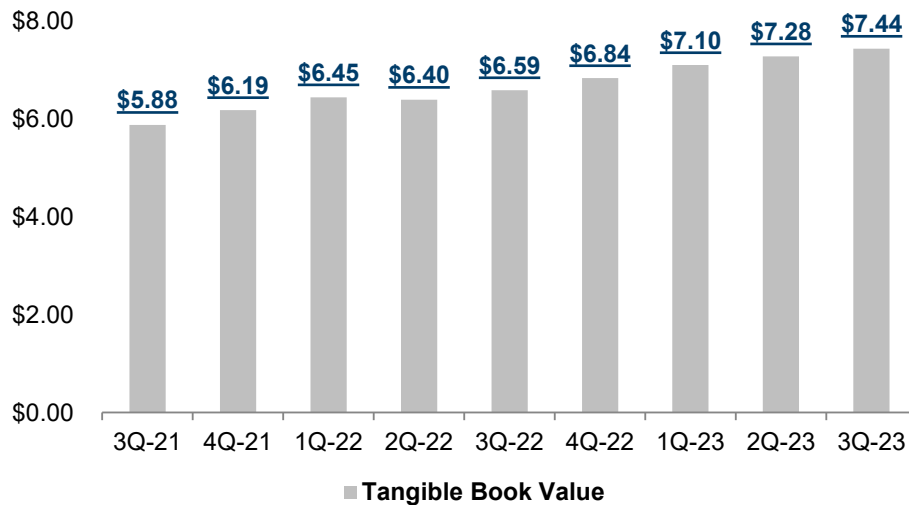
Operating Revenue Trends



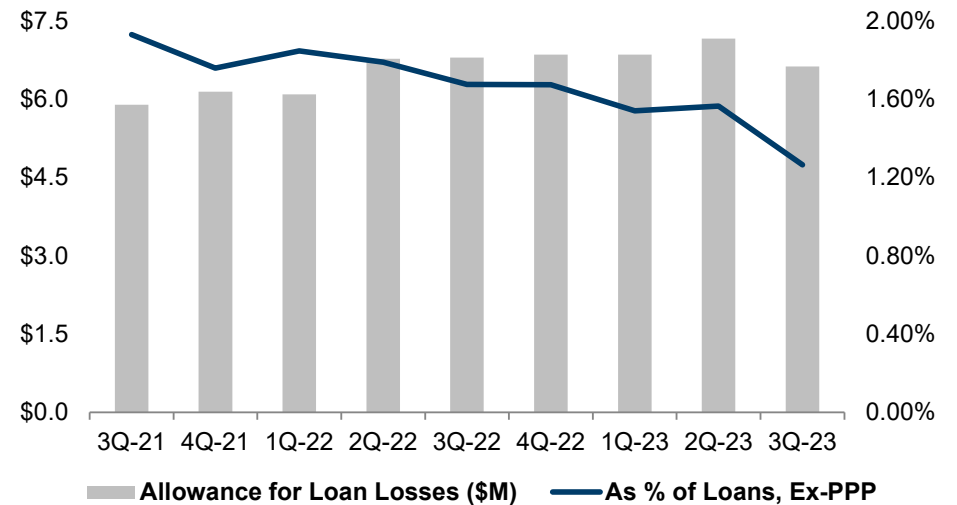
Spread Income Trends



Tangible Book Value Growth Since 3Q-21



Allowance Trends



Source: Janney Research (FIG Group), S&P Capital IQ

GBFH — GBank Financial Holdings Valuation: DCF, Takeout Value and Comparable Pricing

DCF Valuation

Inputs	
Discount Rate	10.0%
Terminal P/E	16.0x
EPS Growth Beyond 2025	10.0%
Computation	
<i>Net Income</i>	
2023E	10.2
2024E	15.2
2025E	18.9
Terminal	20.7
DCF	
2023E	9.3
2024E	12.5
2025E	14.2
Terminal	226.7
Sum of DCF	262.7
Shares Outstanding (M)	14.0
DCF Per Share	\$18.83

Source: Research by Janney (FIG Group)

Implied Takeout Valuation

	Total	Western Region
Median Deal Value/		
Assets (%)	16.1%	17.8%
Deposits (%)	19.3%	21.0%
Tangible Book (%)	163.9%	171.4%
Net Income (x)	18.5x	18.6x
GBFH (2024E)		
Assets (000)	\$1,213,658	\$1,213,658
Deposits (000)	\$955,294	\$955,294
Tangible Book (000)	\$113,191	\$113,191
Net Income (000)	\$15,152	\$15,152
Implied Price -- GBFH		
Assets (000)	\$194,974	\$215,788
Total Deposits (000)	\$184,658	\$201,042
Tangible Book (000)	\$185,549	\$194,050
Net Income (000)	\$280,620	\$282,439
Avg. Implied Price (000)		
	\$211,450	\$223,330
Implied Price/Share	\$15.69	\$16.57
<i>Implied Price to TBV</i>	<i>187%</i>	<i>197%</i>
<i>Implied Price to EPS</i>	<i>14.0x</i>	<i>14.7x</i>

Source: Research by Janney (FIG Group), S&P Capital IQ

GBFH Valuation Estimates	Weight	Value	Sum
Discounted Cash Flow	85%	\$18.83	\$16.06
Potential M&A Value (Avg)	10%	\$16.13	\$1.61
Implied Price Based on Peers	5%	\$6.60	\$0.33
Implied Fair Value: \$18.00			

Source: Research by Janney (FIG Group)

Our Fair Value estimate for GBFH of \$18.00 is a product of weighting assigned to the company's discounted earnings power, potential value as an acquisition and various fundamentals priced relative to peer trading values. As shown, we placed the highest weighting on the company's discounted earnings (85%), and less emphasis on the stock as an acquisition (10%) and peer pricing (5%).

Comparable Pricing Valuation

Ticker	Price/Total Assets	Price/Core Deposits	Price/Tangible Book Value	Price/LTM Pre-Pre EPS
MSBC	13.6%	16.3%	152%	509%
RVSB	7.8%	11.4%	99%	668%
PLBC	14.2%	18.4%	162%	577%
MLGF	13.3%	31.8%	NM	NM
FFNW	12.6%	26.6%	122%	1616%
PROV	7.3%	13.7%	75%	751%
FFBB	18.6%	23.8%	216%	483%
UBFO	10.7%	14.9%	124%	470%
ARBV	7.5%	9.3%	109%	548%
USMT	4.5%	10.1%	NM	NM
PFLC	9.5%	11.8%	121%	539%
SSBI	7.0%	12.1%	94%	445%
SBKO	8.5%	10.5%	98%	403%
CBOB.A	6.3%	14.0%	NM	491%
CWBK	8.8%	11.3%	136%	374%
BOID	9.4%	12.8%	123%	668%
CZBC	6.4%	8.7%	NM	691%
SFBC	9.8%	18.0%	102%	1023%
FISB	6.7%	7.5%	121%	647%
PBNK	9.7%	12.8%	97%	530%
BEOB	8.0%	9.4%	NM	NM
PBCO	8.9%	11.8%	106%	723%
CFGW	4.3%	5.8%	NM	373%
ORPB	7.1%	8.4%	106%	348%
Average:	9.2%	13.8%	120%	613%

	Total Assets	Core Deposits	Tangible Book	LTM Pre-Pre EPS
GBFH Per Share:	\$57.19	\$34.08	\$7.44	\$1.23
Implied Price:	\$5.26	\$4.70	\$8.94	\$7.52
Average Implied Price:	\$6.60			

Source: Research by Janney (FIG Group), S&P Capital IQ

GBank Financial Holdings Inc. (GBFH) - Fair Value Analysis

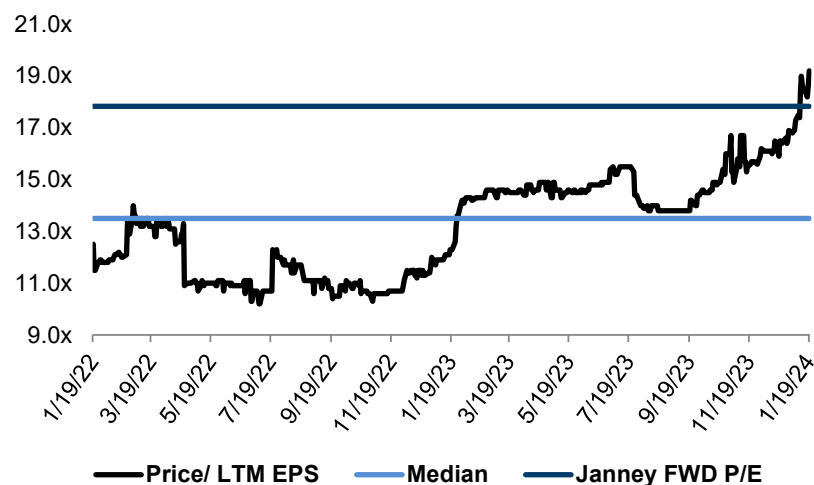
	4Q 2023	+ 1Q 2024	+ 2Q 2024	+ 3Q 2024	= 1-Year Fwd Value	x Terminal Multiple	= 1-Year Fair Value
Earnings per Share	\$0.22	\$0.24	\$0.26	\$0.29	\$1.01	17.8x	\$18.00
Pre-Pre EPS	\$0.31	\$0.36	\$0.37	\$0.42	\$1.47	12.3x	\$18.00
Core EPS	\$0.22	\$0.24	\$0.26	\$0.29	\$1.01	17.8x	\$18.00
Tangible Book				\$8.08	\$8.08	223%	\$18.00

Source: Research by Janney (FIG Group)

The charts below show GBFH's stock price relative to EPS and tangible book value over the last 2 years.

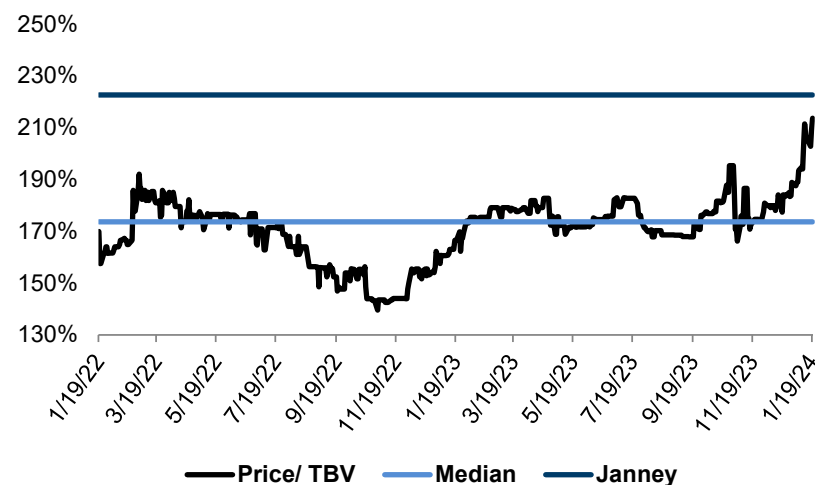
The horizontal lines show the two-year medians (light blue line) and Janney estimated forward multiples (blue).

GBFH: Price to LTM EPS



Source: Janney Research (FIG Group), S&P Capital IQ

GBFH: Price to Tangible Book Value



Source: Janney Research (FIG Group), S&P Capital IQ

Key Risks

Risks to our Rating, Fair Value Estimate and EPS Estimates include:

- Meaningful disruptions to government guaranteed loan programs, such as an extended government shutdown or changes in guarantee provisions;
- Material weakness in credit quality of service-light hotel and motel industry;
- Substantial competition that erodes potential market share gains for BankCard Services;
- Changes to domestic economic conditions could negatively impact US real estate values;
- Significant changes in interest rates that could disrupt business operations.

Earnings Model

	Annual			2023 Quarterly				2024 Quarterly				2025 Quarterly			
	2023E	2024E	2025E	1Q23A	2Q23A	3Q23A	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Income Data: (\$ in Millions)															
Net Interest Income (FTE)	\$38.4	\$49.0	\$56.4	\$9.3	\$8.7	\$9.5	\$10.9	\$11.7	\$12.0	\$12.4	\$12.8	\$13.2	\$13.9	\$14.4	\$15.0
Loan Loss Provision	\$1.1	\$2.0	\$2.2	\$0.0	\$0.4	\$0.2	\$0.4	\$0.5	\$0.5	\$0.5	\$0.6	\$0.5	\$0.5	\$0.6	\$0.6
Non-Interest Income	\$2.6	\$3.2	\$4.3	\$0.9	\$0.7	\$0.4	\$0.5	\$0.6	\$0.7	\$0.9	\$1.0	\$1.0	\$1.0	\$1.1	\$1.1
Gain/Loss on Loan Sales	\$5.1	\$3.3	\$3.8	\$2.0	\$1.6	\$0.8	\$0.7	\$0.7	\$0.7	\$0.9	\$1.0	\$0.8	\$0.9	\$1.0	\$1.1
Gain/Loss on Securities	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
One-Time Items	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$32.1	\$33.5	\$37.2	\$8.3	\$7.6	\$8.2	\$8.0	\$8.3	\$8.2	\$8.3	\$8.6	\$8.9	\$9.2	\$9.5	\$9.7
Pre-Tax Income	\$12.9	\$19.9	\$25.0	\$3.9	\$3.0	\$2.3	\$3.7	\$4.2	\$4.7	\$5.3	\$5.7	\$5.6	\$6.1	\$6.5	\$6.8
Taxes (w/ FTE adj.)	\$2.7	\$4.8	\$6.1	\$0.6	\$0.7	\$0.5	\$0.8	\$1.0	\$1.1	\$1.3	\$1.4	\$1.3	\$1.5	\$1.6	\$1.7
Extraordinary Items	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income	\$10.2	\$15.2	\$18.9	\$3.3	\$2.3	\$1.8	\$2.8	\$3.2	\$3.6	\$4.1	\$4.3	\$4.2	\$4.6	\$4.9	\$5.1
Preferred Dividend	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income Avail. To Common	\$10.2	\$15.2	\$18.9	\$3.3	\$2.3	\$1.8	\$2.8	\$3.2	\$3.6	\$4.1	\$4.3	\$4.2	\$4.6	\$4.9	\$5.1
Avg. Shares O/S	13.2	13.7	14.0	13.4	13.4	12.9	13.2	13.2	13.9	13.9	13.9	13.9	14.0	14.0	14.0
Earnings Per Share (EPS)	\$0.80	\$1.10	\$1.35	\$0.26	\$0.18	\$0.14	\$0.22	\$0.24	\$0.26	\$0.29	\$0.31	\$0.30	\$0.33	\$0.35	\$0.37
Per Share Data:															
Reported Book Value	\$7.65	\$8.99	\$10.35	\$7.10	\$7.29	\$7.44	\$7.65	\$7.90	\$8.38	\$8.67	\$8.99	\$9.29	\$9.63	\$9.98	\$10.35
Tangible Book Value	\$7.65	\$8.40	\$9.78	\$7.10	\$7.29	\$7.44	\$7.65	\$7.90	\$7.78	\$8.08	\$8.40	\$8.71	\$9.05	\$9.41	\$9.78
Dividends	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Pre-Tax, Pre-Provision EPS	\$1.06	\$1.60	\$1.95	\$0.29	\$0.26	\$0.20	\$0.31	\$0.36	\$0.37	\$0.42	\$0.45	\$0.44	\$0.48	\$0.50	\$0.53
CORE GAAP EPS	\$0.77	\$1.10	\$1.35	\$0.25	\$0.17	\$0.14	\$0.22	\$0.24	\$0.26	\$0.29	\$0.31	\$0.30	\$0.33	\$0.35	\$0.37
KEY Ratios:															
Net Interest Margin	5.68%	5.19%	4.91%	5.98%	5.37%	5.69%	5.67%	5.39%	5.22%	5.11%	5.04%	4.99%	4.94%	4.88%	4.83%
Return on Avg Assets	1.17%	1.30%	1.33%	1.99%	1.34%	1.01%	1.30%	1.28%	1.35%	1.46%	1.47%	1.39%	1.44%	1.44%	1.45%
Return on Avg Equity	10.65%	12.74%	13.73%	15.00%	10.02%	7.56%	11.83%	12.98%	13.43%	14.15%	14.44%	13.78%	14.50%	14.66%	14.95%
Pre-Tax Pre-Provision ROA	1.59%	1.88%	1.92%	2.34%	2.00%	1.44%	1.88%	1.87%	1.97%	2.11%	2.13%	1.99%	2.06%	2.09%	2.10%
Return on Tang. Comm. Equity	10.50%	13.39%	14.26%	14.71%	9.92%	7.51%	11.66%	12.77%	13.68%	14.92%	15.18%	14.45%	15.16%	15.28%	15.53%
Efficiency Ratio	69.69%	60.18%	57.52%	68.02%	68.84%	76.56%	66.04%	63.84%	61.16%	58.38%	57.80%	59.06%	57.73%	57.04%	56.44%
TCE/TA	10.69%	9.39%	9.01%	13.16%	13.52%	12.97%	10.69%	9.60%	9.59%	9.48%	9.39%	9.28%	9.18%	9.09%	9.01%
Period-End Balances: (\$ in Millions)															
Total Assets	\$912	\$1,214	\$1,475	\$685	\$685	\$729	\$912	\$1,048	\$1,101	\$1,156	\$1,214	\$1,274	\$1,338	\$1,405	\$1,475
Net Loans	\$593	\$783	\$959	\$434	\$447	\$515	\$593	\$654	\$694	\$737	\$783	\$822	\$865	\$911	\$959
Total Deposits	\$698	\$955	\$1,167	\$557	\$552	\$594	\$698	\$811	\$860	\$908	\$955	\$1,004	\$1,055	\$1,109	\$1,167
Intangibles	\$0	\$8	\$8	\$0	\$0	\$0	\$0	\$0	\$8	\$8	\$8	\$8	\$8	\$8	\$8
Total Common Equity	\$97	\$121	\$140	\$90	\$93	\$95	\$97	\$101	\$113	\$117	\$121	\$125	\$130	\$135	\$140

Source: Research by Janney (FIG Group), S&P Capital IQ

IMPORTANT DISCLOSURES

Valuation and Risks

GBFH

Valuation methodology focuses on weightings related to Discounted Cash Flow, Valuation Comparable to Peers, and Value on Acquisition.

Risks to GBFH's forward EPS and FVE include meaningful disruptions to government guaranteed loan programs, such as extended government shutdown or changes in guarantee provisions; material weakness in credit quality of service-light hotel and motel industry; substantial competition that erodes potential market share gains for BankCard Services; changes to domestic economy conditions could negatively impact U.S. real estate values; and significant changes in interest rates that could disrupt business operations.

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Definition of Ratings

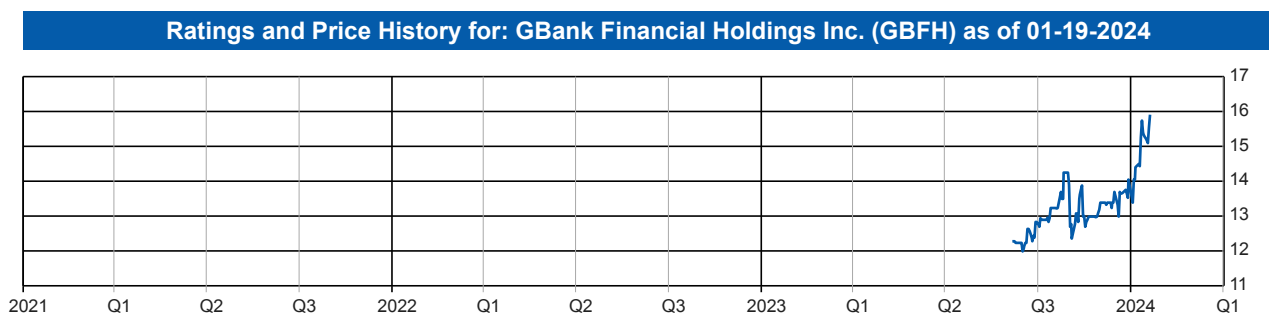
BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

NEUTRAL: Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

SELL: Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

EXTENDED REVIEW: Janney's rating and/or fair value estimate have been temporarily suspended due to applicable regulations and/or Janney management discretion. Previously published research reports, including ratings, fair values, and estimates, should no longer be relied upon when making investment decisions.

Price Charts



Created by: BlueMatrix

Janney Montgomery Scott Ratings Distribution as of 12-31-2023

IB Serv./Past 12 Mos.*

Rating	Count	Percent	Count	Percent
BUY [B]	143	56.52	19	13.29
NEUTRAL [N]	110	43.48	10	9.09
SELL [S]	0	0.00	0	0.00
EXTENDED REVIEW [EXTRE]	0	0.00	0	0.00

*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

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