Company Release – 04/25/2023

GBank Financial Holdings Inc Announces First Quarter 2023 Financial Results

LAS VEGAS, NV, April 25, 2023 -- GBank Financial Holdings Inc. (the "Company") (OTCQX: GBFH), the parent company for GBank (the "Bank") today reported net income of $3.3 million, or $0.26 per diluted share, for the quarter ended March 31, 2023, compared to $3.3 million, or $0.25 per diluted share, during the fourth quarter of 2022, and $3.2 million, or $0.25 per diluted share, for the quarter-to-date period ended March 31, 2022.

Quarterly Earnings Report – Q1 2023

A copy of the Quarterly Earnings Report published with OTC Markets can be found in the link below:

GBank Financial Holdings Inc. – Quarterly Earnings Report – Q1 2023

First Quarter Financial Highlights (for the year-over-year and linked quarterly periods ended March 31, 2023)

Year-over-year comparisons:

- Year-to-date net income increased 2% to $3.3 million, compared to $3.2 million for the same period in 2022.
- Year-to-date net revenues (net interest income plus noninterest income) increased 19% to $12.2 million, compared to $10.3 million for the same period in 2022.
- Year-to-date net interest income increased 110% to $9.2 million, compared to $4.4 million for the same period in 2022.
- Net interest margin (bank-level) increased to 6.08%, compared to 3.12% for the same period in 2022.
- Net interest margin (consolidated) increased to 5.89%, compared to 2.97% for the same period in 2022.
- Noninterest income decreased 48% to $3.1 million, compared to $5.9 million for 2022.
- Noninterest expense increased 39% to $8.3 million, compared to $6.0 million for 2022.
- Year-to-date SBA Division loan originations increased 30% to $70.9 million, compared to $54.4 million for 2022.
- Total assets increased 9% to $685.2 million, compared to $626.4 million as of March 31, 2022.
- Total deposits increased 10% to $556.7 million, compared to $507.6 million as of March 31, 2022.
- Return on average assets was 2.01%, compared to 2.11% for the same period in 2022.
- Return on average equity was 15.21%, compared to 16.93% for the same period in 2022.
- Book value increased to $7.10 per share, compared to $6.45 per share as of March 31, 2022.

Linked quarter comparisons:

- Net income was $3.3 million for both Q1 2023 and Q4 2022.

- Total net revenues (net interest income plus noninterest income) increased 8% to $12.2 million, compared to $11.3 million for Q4 2022.
- Net interest income increased 7% to $9.2 million, compared to $8.6 million for Q4 2022.
- Net interest margin (bank-level) increased to 6.08%, compared to 5.45% for Q4 2022.
- Net interest margin (consolidated) increased to 5.89%, compared to 5.29% for Q4 2022.
- Noninterest income increased 15% to $3.1 million, compared to $2.7 million for Q4 2022.
- Noninterest expense increased 18% to $8.3 million, compared to $7.1 million for Q4 2022.
- Total assets increased 1% to $685.2 million, compared to $678.7 million at December 31, 2022.
- Total deposits increased to $556.7 million, compared to $555.4 million at December 31, 2022.
- Return on average assets was 2.01%, compared to 1.89% for Q4 2022.
- Return on average equity was 15.21%, compared to 15.22% for Q4 2022.
- Book value increased to $7.10 per share, compared to $6.84 per share at December 31, 2022.

Edward M. Nigro, Executive Chairman, stated "Our financial results reflect our ability to invest in the future, through extraordinary staff and technology, while sustaining strong revenue and earnings. SBA originations for the quarter were $70.9 million compared to $54.4 million for the first quarter of 2022 - Gaming FinTech deposits reached a high of $59 million during the quarter with our new PPA deposits exceeding all existing prepaid programs. Our VISA Signature Credit Card launches in May - created to successfully load gaming apps and wallets. With direct marketing to over 350,000 of our prepaid card and PPA clients, we should increase load and deposit activity to all Gaming FinTech programs."

Operating Results

Operating Highlights

T. Ryan Sullivan, President and CEO, stated “As challenges manifested in March, resulting from uncertainty in the banking industry, we are proud to report another quarter of strong performance by GBank. The Company is reporting record revenues driven by significant expansion of our interest income, which was more than $11 million for the quarter compared to $4.9 million a year ago. These results continue to demonstrate the effectiveness and resiliency of our earnings and growth strategies. Our disciplined yet forward-thinking approach has placed us in a truly unique position to continue providing the highest level of service to our customers while preparing for significant growth in the months and years ahead.”

Loan originations by the Bank's SBA Lending Division were $70.9 million year-to-date through March 31, 2023, a 30% increase compared to $54.4 million in originations for the same period in 2022. Gain on sale of loans increased $352 thousand, or 20%, when compared to the prior linked quarter. Gain on sale of loans decreased $3.0 million, or 58%, when comparing the quarter ended March 31, 2023, to the same quarter in 2022. The year-over-year decrease is the result of both (i) a reduction in the sale price of U.S. Small Business Administration (SBA) loans that has resulted from the interest rate increases from the Federal Reserve Bank and from changing market conditions, and (ii) a decrease in overall loan sales volume. Average pretax GAAP gain on loan sale prices decreased to 4.17% in the first quarter of 2023 from 8.42% for the same period in 2022. Loan sale volume also decreased to $48.2 million during the first quarter of 2023 from $60.6 million of loans sold during the first quarter of 2022. Prior years gain on sale of loans benefitted from the Economic Aid Act, which temporarily increased standard SBA 7(a) guaranties from 75% to 90%.

Total loan originations, including SBA and non-SBA commercial loans, were $86.9 million year-to-date through March 31, 2023, a 45% increase compared to $59.7 million in originations for the same period in 2022.

Net Interest Income and Net Interest Margin

For the quarter ended March 31, 2023, net interest income was $9.2 million. This was an increase of $4.8 million, or 110%, as compared to $4.4 million for the same period in 2022. The favorable increase in net interest income was driven by short-term adjustable-rate loans totaling approximately $285.7 million at March 31, 2023, which repriced as a result of the increases in the Wall Street Journal prime rate over the past twelve months. Market rate increases also contributed to higher interest income on other liquid assets, including cash balances held at the Federal Reserve, as well as volume and rate-related growth within GBank's securities portfolio, which grew from $18.2 million at March 31, 2022, to $112.5 million at March 31, 2023. Yield on the investment securities portfolio increased from 1.21% during the quarter ended March 31, 2022, to 4.05% for the quarter ended March 31, 2023. These positive increases were partially offset by an increase in interest expense primarily driven by higher rates paid on interest-bearing deposits to maintain competitive pricing.

Net interest margin for the Bank for the quarter ended March 31, 2023, was 6.08%, compared to 3.12% for the quarter ended March 31, 2022. The Company's consolidated net interest margin for the quarter was 5.89%, compared to 2.97% for the quarter ended March 31, 2022. The increase in net interest margin, when compared to the same quarter in 2022, was driven by higher loan yields due to increases in the federal funds rate initiated by the Federal Reserve Bank of (i) 50 basis points during the first quarter of 2023, and (ii) 450 basis points during the twelve months ended March 31, 2023.

Noninterest Income

Noninterest income for the quarter totaled $3.1 million, an increase of $388 thousand, or 15%, for the quarter ended March 31, 2023, as compared to noninterest income of $2.7 million for the quarter ended December 31, 2022. On a year-over-year basis, quarterly noninterest income decreased $2.9 million, or 48%, compared to noninterest income of $5.9 million for the same period in 2022. The year-over-year decrease in quarterly noninterest income is mainly related to a decrease in gain on sales of SBA 7(a) loans.

As previously reported, gain on sale of loans increased by $352 thousand, or 20%, on a linked quarter basis and decreased $3.0 million, or 58%, on a year-over-year basis. The year-over-year decrease is the result of both (i) a reduction in the sale price of SBA loans that has resulted from the interest rate increases from the Federal Reserve Bank and from changing market conditions, and (ii) a reduction in volume of loans sold. Average pretax GAAP gain on loan sale prices decreased to 4.17% in the first quarter of 2023 from 8.42% during the first quarter of 2022. Loan sale volume also decreased to $48.2 million during the first quarter of 2023 from $60.6 million of loans sold during the first quarter of 2022. While the reduction in loan sale pricing has impacted the Bank, the natural hedge of retaining significant levels of variable rate loans as well as the Company's considerable liquidity position have supported earnings during the period.

Loan servicing income increased $114 thousand, or 28%, compared to the quarter ended December 31, 2022, and increased $234 thousand, or 82%, compared to the quarter ended March 31, 2022. The favorable increase was driven by a 26% increase in loans serviced for others during the year-over-year period, which increased from $561.7 million at March 31, 2022, to $708.6 million at March 31, 2023.

Other noninterest income decreased $78 thousand for the quarter, or 16%, compared to the quarter ended December 31, 2022, and decreased $129 thousand, or 25%, compared to the quarter ended March 31, 2022. This decrease was primarily driven by a decrease in non-recurring Gaming FinTech revenues that were recognized during 2022 and related to the previously announced termination of the Oregon State Lottery Program ("OSL") sports wagering accounts.

Noninterest Expense

For the quarter ended March 31, 2023, noninterest expense totaled $8.3 million, an increase of $1.2 million, or 18%, compared to noninterest expense of $7.1 million for the prior linked quarter. Noninterest expenses for the quarter also increased $2.3 million, or 39%, on a year-over-year basis compared to the quarter ended March 31, 2022. The increases are primarily driven by employee growth, higher salaries, employee benefits, and increases within other expenses. The components of noninterest expense are discussed in more detail below.

Salaries and other compensation expenses increased $818 thousand, or 18%, for the quarter ended March 31, 2023, compared to the prior linked quarter. Year-over-year, salaries and other compensation expenses for the quarter increased $1.7 million, or 44%, compared to the quarter ended March 31, 2022. This increase has been primarily driven by an increase in full-time equivalent employees from 118 at March 31, 2022, to 151 at March 31, 2023. Staff additions were made to support the Company's future growth in both existing business lines as well as the development and launch of new business lines. Employee growth has been primarily in the following: (i) SBA team staff additions to support continued loan growth, (ii) addition of commercial bankers to drive expansion within our conventional lending and deposit portfolios, (iii) staff additions to support the pending launch of the Bank's credit card program, and (iv) technology employees added to facilitate and maintain technology upgrades implemented in the past twelve months.

Other operating expenses for the quarter increased $402 thousand, or 19%, when compared to the prior linked quarter. Quarterly other operating expenses increased $720 thousand, or 40%, compared on a year-over-year basis to the quarter ended March 31, 2022. These increases are the result of growth within the organization and are reflected across several categories of expense, including: data processing, legal and professional, supplies, insurance, marketing, audit, and other costs.

Balance Sheet Review

The Company's consolidated liquidity and capital positions continue to perform well compared to its relative peers. Total assets increased to $685.2 million, compared to $678.7 million at December 31, 2022, and $626.4 million at March 31, 2022.

Total gross loans as of March 31, 2023, were $444.9 million, compared to $409.7 million at December 31, 2022, and $337.0 million as of March 31, 2022. The increase of $35.2 million in gross loans since December 31, 2022, was driven by substantial loan production in both government guaranteed and conventional loan products. Gross loans have increased by $107.8 million, or 32%, since March 31, 2022, which is net of loan sales totaling $222.7 million over the preceding twelvemonth period.

Total deposits were $556.7 million as of March 31, 2023, compared to $555.4 million at December 31, 2022, and $507.6 million at March 31, 2022. Decreases in noninterest bearing deposits, money market, and savings deposits were offset by increases in interest bearing demand deposits and certificates of deposit. The increase in certificates of deposit reflects the addition of approximately $20 million in brokered deposits during the first quarter of 2023.

Shareholders' equity totaled $90.2 million as of March 31, 2023, compared to $86.8 million at December 31, 2022, and $79.0 million at March 31, 2022. The increase in shareholders equity when compared to both the prior linked quarter and the previous year-end was driven by an increase in retained earnings resulting from strong earnings results.

SBA Division

Year-to-date loan originations by the Bank's SBA Lending Division were $70.9 million through March 31, 2023, a 30% increase compared to $54.4 million in originations for the same period in 2022. Gains on sale of loans were $2.1 million for the quarter ended March 31, 2023, a decrease of $3.0 million when compared to the same period in 2022. The gain on sales of SBA loans has been impacted by the interest rate increases from the Federal Reserve Bank and changing market conditions.

Gaming FinTech Division

Overall, the Bank's Gaming FinTech Division experienced total load volume of $125.4 million for the quarter ended March 31, 2023, compared to $206.9 million for the same period in 2022. This decline was primarily the result of the winddown of the OSL sports wagering accounts and reduced levels of transaction volume in Sightline Play+ loads. The decline in Play+ load volume has been primarily due to card networks' application of a gaming transaction code (code 7801) to all credit and debit card loads to the GBank-issued Play+ debit card, which has resulted in an elevated denial rate. Among other Gaming FinTech initiatives, the Bank also announced its launch of the GBank Credit Card, which will be readily available to nearly 1,000,000 consumer records held by the Bank – see Credit Card Press Release.

GBank's strategic partner, BankCard Services, LLC, supported Gaming FinTech deposits of $48.1 million as of March 31, 2023, an increase of 9% during the quarter. Gaming FinTech fees for the first quarter of 2023 increased to $137 thousand from $101 thousand for the same period of 2022. Resorts World in Las Vegas is the first casino to commence cashless gaming. Resorts World player load activity is now solely with GBank.

Subordinated Note Offerings

On December 30, 2020, the Company completed its private placement of $6.5 million of 4.5% fixed-to-floating rate subordinated notes due 2031 (the "Notes") to certain qualified institutional buyers and accredited investors. The Notes have been structured to qualify as Tier 2 capital for regulatory capital purposes. The Company intends to use the net proceeds of the offering for general corporate operating purposes, to support organic growth, and to fund potential acquisitions.

On December 14, 2021, the Company completed its private placement of $20 million of 3.875% fixed-to-floating rate subordinated notes due 2031 (the "Notes") to certain qualified institutional buyers and accredited investors. The Notes have been structured to qualify as Tier 2 capital for regulatory capital purposes. The Company intends to use the net proceeds of the offering for general corporate operating purposes, to support organic growth, and to fund potential acquisitions.

Credit Quality

During the first quarter of 2023, the Bank adopted ASU 2016-13 *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the Allowance for Credit Losses (ACL) methodology (also known as the Current Expected Credit Losses methodology or "CECL"). The measurement of expected credit losses under the ACL methodology is applicable to financial assets measured at amortized cost, including loan receivables, held-to-maturity debt securities, and off-balance sheet credit exposures. Results for reporting periods beginning after January 1, 2023, are presented under ASC 326, while prior period amounts continue to be reported in accordance with previously applicable GAAP.

The provision for loan losses during Q1 2023 reflects our current assessment of risks associated with our credit portfolios, the COVID-19 pandemic, and general economic conditions. The Company recorded no provision for credit losses during the first quarter of 2023, compared to a $60 thousand provision during the preceding linked quarter. The Company held $6.9 million in allowance for credit losses at March 31, 2023 and at December 31, 2022, and compared to $6.1 million at March 31, 2022. The allowance for credit losses to total gross loans was 1.54% as of March 31, 2023, compared to 1.67% at December 31, 2022, and 1.81% at March 31, 2022. The allowance for credit losses to total net loans, excluding PPP and guaranteed balances, was 1.73% at March 31, 2023, compared to 1.84% at December 31, 2022, and 2.18% at March 31, 2022.

The Bank holds no balances of other real estate owned, and reports loans in nonaccrual status of $715 thousand as of March 31, 2023, compared to $598 thousand in the preceding linked quarter. The Bank had no charge-offs or recoveries during the first quarter of 2023 or during the preceding linked quarter. The Bank experienced net charge-offs of $105 thousand for the quarter ended March 31, 2022.

Earnings Call

The Company will host its Q1 2023 quarterly earnings call on Wednesday, April 26, 2023, at 2:00 p.m. PST. Interested parties will be able to listen from any remote location that has Internet connectivity. There will be no physical location for interested parties to attend.

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

The ZOOM video conference ID is 826 3030 7240
Passcode: 549549

<u>Joining by ZOOM Video Conference</u>

Log in on your computer at
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or by using the Zoom app on your smartphone.

<u>Joining by Telephone</u>
Dial (408) 638-0968. The conference ID is 826 3030 7240. Passcode: 549549.

The Company

GBank Financial Holdings Inc. (the "Company") (GBFH), a bank holding company with approximately $685.2 million in assets at March 31, 2023, conducts business through its wholly owned subsidiary, GBank (formerly known as “Bank of George”) (the "Bank"). Founded in 2007, the Bank operates two full-service commercial branches in Las Vegas, Nevada, with primary lending activities focused on engaging clients in Nevada, California, Utah, and Arizona. GBank has key businesses in three prominent divisions: SBA Lending, Gaming FinTech, and Commercial Lending. The Bank conducts business nationally through its SBA lending activities (ranked 14th in the nation by the U.S. Small Business Administration for SBA 7(a) dollar loan volume through September 30, 2022) and its BankCard Services, LLC ("BCS") partnership. GBank’s Gaming Fintech Division was launched in 2016 with the GBank/BCS Agreement. BCS provides not only Sightline Payments Play+ Prepaid Card Programs for gaming operators, but also prepaid access programs granting GBank use and access to the BCS proprietary Player/Consumer Information Management System (“PIMS/CIMS”). PIMS/CIMS provides custodial accounts for the benefit of the player/consumer managed by GBank and insured by the FDIC. The Bank also provides general commercial banking services with an emphasis on serving the needs of small- and medium-sized businesses, high net worth individuals, professionals, and investors. The Bank offers a full complement of consumer deposit products and is focused on delivering a premium level of service. For more information about GBank, please visit its website at www.g.bank. The Company's Common Stock is quoted on the US OTCQX Market under the symbol GBFH.

Cautionary Notice Regarding Forward-Looking Statements

The Company has made forward-looking statements in this Press Release. These forward-looking statements are subject to risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of operations of the Company and its subsidiaries. When words such as "believes," "expects," "anticipates," or similar expressions occur in this Press Release, the Company is making forward-looking statements. Note that many factors could affect the future financial results of the Company and its subsidiaries, both individually and collectively, and could cause those results to differ materially from those expressed in the forward-looking statements contained in this Press Release. Those factors include, but are not limited to, the recent and continuing coronavirus (COVID-19) pandemic which poses risks and may harm the Company's business and results of operations in future quarters, credit risk, changes in market interest rates, inability to achieve merger-related synergies, competition, economic downturn or recession, and government regulation and supervision. The Company undertakes no obligation to update or revise any forward-looking statements.

Questions or comments concerning this Press Release should be directed to:

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GBank Financial Holdings Inc.®

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