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Integrated Financial Holdings, Inc. (IFHI - OTC Pint)

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(Formerly West Town Bancorp, Inc.)

John A. (Buddy) Howard, CFA
May 8, 2021

Price:	$26.25	**EPS ***	**2019A:**	$ 2.41	**P/E**	**2019A:**	10.9 x
52 Wk. Range:	$13.25 - $26.25	(FY: DEC)	**2020A:**	$ 4.01		**2020A:**	6.5 x
Div/Div Yld:	$0.00 / 0.0%		**TTM 3/31/21A:**	$6.14		**TTM 3/31/21A:**	4.3 x
Shrs/Mkt Cap:	2.2 mm / $59 mm	**Book Value: ****		$ 36.08	**Price/Book Value:**		0.73 x

* 2018 EPS excludes $1.15 per share in a nonrecurring gain. 2019 EPS excludes recapitalization related gains, net of merger expenses, of roughly $1.79 per share. For at least the next quarter or two, we are suspending our earnings projections given the difficulties of assessing the impact of COVID-19. We anticipate resuming earnings projections once economic conditions become clearer.

** Tangible book value is $27.16 per share; price to tangible book value is 0.97x.

ASSETS: $408 MM

CONTACT:
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PRESIDENT & CEO
(252) 482-4400

Background

Integrated Financial Holdings, Inc. ("Integrated Financial" or "IFH, Inc.") is a Raleigh, NC based financial holding company. The Company changed its name from West Town Bancorp, Inc. in the third quarter 2020 after a successful shareholder vote approving the action on July 23, 2020. The Company is the holding company for West Town Bank & Trust, an Illinois state-chartered bank. West Town Bank & Trust provides banking services through its full-service office located in the greater Chicago area. The Company is also the parent company of: Windsor Advantage, LLC, a loan servicing company; West Town Insurance Agency, Inc., an insurance agency; Patriarch, LLC, a real estate management company; SBA Loan Documentation Services, LLC, a loan documentation origination company, and Glenwood Structured Finance, LLC, a loan broker and large loan syndication company. The Company's web site is located at www.ifhinc.com.

1ST QUARTER HIGHLIGHTS:

EPS: $1.76 VS. ($0.37)

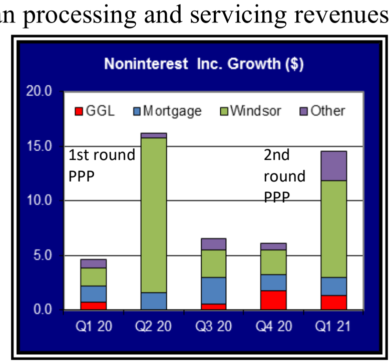
EARNINGS BENEFITTED FROM A SURGE IN LOAN PROCESSING INCOME FROM WINDSOR RELATED TO THE SECOND ROUND OF PPP

EARNINGS ALSO BENEFITTED FROM A DROP IN THE PROVISION AND A GAIN ON INVESTMENTS

DESPITE THESE WINDFALLS, THE UNDERLYING CORE EARNINGS WERE CLEARLY STRONG, REFLECTING PROGRESS IN MORTGAGE AND GOVERNMENT GUARANTEED LENDING AREAS

First Quarter EPS Reached $1.76; There Were Strong Showings from Essentially All Areas

For the first quarter of 2021, Integrated Financial Holdings reported excellent results, with earnings that swelled as a result of heavy loan processing activities relating to the second round of PPP. Specifically, the Company's loan processing subsidiary, Windsor, had another blowout quarter, as it processed nearly $1 billion in loans in the quarter and achieved loan processing and servicing revenues of $8.8 million. The surge in fees was reminiscent of the fees from the second quarter of 2020, when Windsor processed $2.3 billion in loans during the first round of PPP and booked more than $14 million in revenue. This year's first quarter also had excellent showings in several other key areas, most notably the Mortgage and Government Guaranteed divisions. As a result of this strength, noninterest income in 2021's first quarter was up three-fold from the year-ago quarter. (We would note that noninterest income in 2021's first quarter did include a large nonrecurring gain, but even excluding this, noninterest income was up dramatically.) The quarter was also encouraging in other ways. For example, balance sheet growth was also strong and asset quality improved dramatically from previous quarters.



In terms of specific results, net income attributable to IFH, Inc. for the first quarter of 2021 was $3,936,000, or $1.76 per diluted share, versus a net loss of $832,000, or $0.37 per diluted share, in the year-ago quarter. There were a couple of other factors that affected the quarterly comparisons. For example, based on the heightened economic risks from the pandemic, the year-ago quarter included a large provision for loan losses of $3,460,000, whereas an improvement in asset quality and a more sanguine economic outlook led to a drop in the provision to $622,000 in 2021's first quarter. Net

WINDSOR PROCESSED NEARLY $1.0 BILLION IN PPP LOANS DURING THE FIRST QUARTER OF 2021 AND BROUGHT IN $8.8 MILLION IN REVENUES

MORTGAGE REVENUES WERE UP 20% AND GOVERNMENT GUARANTEED LENDING REVENUES INCREASED 76%

FROM 3/31/20 TO 3/31/21:

NET LOANS GREW 29%
DEPOSITS WERE UP 41%
TOTAL ASSETS GREW 31%

interest income was up marginally at $3,823,000 in 2021's first quarter from $3,776,000 in the year-ago quarter, with higher average earning assets more than offsetting lower margins. As was stated earlier, noninterest income was the real driver of the results. In total, noninterest income was $14,556,000 in 2021's first quarter, as compared to $4,641,000 in the year-ago quarter. Over half (61%) was due to Windsor, which had revenues of $8,838,000 in 2021's first quarter, versus $1,713,000 in the year-ago quarter. Also contributing to the noninterest income strength were mortgage revenues, which made up 12% of total noninterest income, and were up 20% to $1,706,000 from $1,418,000 in the year-ago quarter, while Government Guaranteed lending (9% of the total) increased to $1,325,000 from $755,000 in the year-ago quarter. There was also a $2.0 million gain on the value of the Company's investment in Dogwood State Bank due to a capital raise at Dogwood. Noninterest expense, which included higher software expense relating to the PPP loan processing, totaled $12,659,000 in 2021's first quarter, up from $6,030,000 in the year-ago quarter. As was stated earlier, balance sheet growth was also excellent over the past year, led by 41% growth in deposits. Total assets were up 31% and net loans grew 29% from March 31, 2020 to March 31, 2021. Finally, we would note that the Company remains well capitalized, with shareholders' equity of $80.7 million, or 19.8% of total assets, at March 31, 2021.

STOCK BUYBACK AUTHORIZATION APPROVED

A STOCK BUYBACK AT THE CURRENT PRICE WOULD BE ACCRETIVE TO BOOK VALUE AND TANGIBLE BOOK VALUE, AS WELL AS EPS

IT WOULD ALSO BOOST ROAE AND BETTER LEVERAGE CAPITAL

Stock Buyback Authorization Approved

On March 15, 2021, Integrated Financial Holdings' Board approved a new stock repurchase program whereby the Company can buy back up to 9.99% of its common stock. We applaud this authorization for several reasons. First, the shares are currently trading at a steep discount to book value and a modest discount to tangible book value. Therefore, any purchases below those values would be accretive. The shares also trade at a discount to most comparably sized banks in NC. Additionally, we believe the Company, on a normalized basis, should earn at least $2.50 per share to $3.00 per share (it earned $0.75 in the each of the third and fourth quarters of 2020, neither of which had huge Windsor windfalls). Even using a lower estimate of earnings at $2.50 per share implies that a stock buyback would be accretive to EPS unless the alternative use of funds exceeded 9.5% *after tax* ($2.50 EPS divided by the $26.25 price of the stock). A stock buyback also sends a message of confidence to the market, boosts return on equity and better leverages capital. Any stock that was bought back could be retired or could be reissued as part of an acquisition or as part of a stock compensation plan.

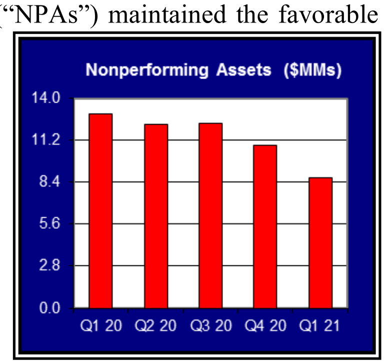
NPAS WERE DOWN 33% FROM THE YEAR-AGO DATE AND 20% FROM 12/31/20

NPAS/ASSETS: 2.14%, VERSUS 4.16% AT 3/31/20

RESERVES/LOANS HFI: 2.02%

Nonperforming Assets Were Down 33% from March 31, 2020

As can be seen from the chart to the right, nonperforming assets ("NPAs") maintained the favorable trend that has been in place over the past year. NPAs (including nonaccruing loans, accruing loans more than 90 days past due and OREO) were $8.7 million, or 2.14% of total assets, at March 31, 2021, versus $10.9 million, or 2.74% of total assets, at December 31, 2020, and $13.0 million, or 4.16% of total assets, at the year-ago date. In terms of COVID-related deferrals, there were 27 loans in deferral status with net exposure of roughly $19 million at March 31, 2021. The allowance for loan losses was up 14% to $5.6 million, or 2.02% of loans held for investment, at March 31, 2021, from $4.9 million, or 2.27% of loans held for investment, at the year-ago date.



EPS:*
2019A: $2.41
2020A: $4.01
TTM 3/31/21: $6.14

*** 2019E EPS EXCLUDES $1.79 PER SHARE IN RECAPITALIZATION GAINS, NET OF MERGER EXPENSES**

Projections Suspended Due to COVID-19

For at least the next few quarters, we are suspending our earnings projections given the difficulties of assessing the impact of COVID-19. We anticipate resuming earnings projections once economic conditions become clearer.

ADDITIONAL INFORMATION UPON REQUEST