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

(Formerly West Town Bancorp, Inc.)

John A. (Buddy) Howard, CFA
August 4, 2021

Price:	$27.50	**EPS ***	**2019A:**	$ 2.41	**P/E**	**2019A:**	11.4 x
52 Wk. Range:	$14.76 - $27.50	(FY: DEC)	**2020A:**	$ 4.01		**2020A:**	6.9 x
Div/Div Yld:	$0.00 / 0.0%		**TTM 6/30/21A:**	$5.39		**TTM 6/30/21A:**	5.1 x
Shrs/Mkt Cap:	2.2 mm / $61 mm	**Book Value: ****		$ 38.32	**Price/Book Value:**		0.72 x

* 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 $29.29 per share; price to tangible book value is 0.94x.

ASSETS: $440 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 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.

2ND QUARTER HIGHLIGHTS:

EPS: $2.07 VS. $2.84

EARNINGS COMPARISONS WERE AFFECTED BY THE YEAR-AGO SURGE IN WINDSOR'S BUSINESS RELATED TO THE FIRST ROUND OF PPP

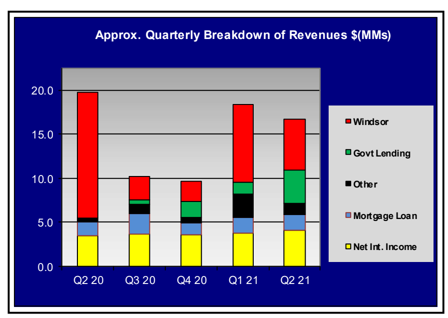
EARNINGS WERE ALSO AFFECTED BY A LOWER PROVISION FOR LOAN LOSSES, REFLECTING IMPROVING ASSET QUALITY

AVERAGE EARNING ASSET GROWTH OF 31% OFFSET A 22 BASIS POINT DECLINE IN MARGINS

NET INTEREST INCOME INCREASED 18%

Second Quarter Results Reflected Strong Growth in GGL, Mortgage

Integrated Financial Holdings reported solid results in the second quarter of 2021. Although earnings declined relative to the year-ago quarter, that shortfall was principally related to the large amount of Windsor business in last year's second quarter when it was processing the first round of PPP. Moreover, 2021's second quarter posted strong comparisons in several key areas, most notably the Government Guaranteed Lending ("GGL") area (shown in green in the chart), as well as the Mortgage operation. Bottom line, the Company was able to earn impressive returns as a result of the diversity of the scalable and highly profitable service areas it has built. We continue to view Integrated Financial Holdings' strategy as being particular intriguing from a long-term investors' standpoint. While some of "siloes" lead to higher-than-normal volatility in earnings, they collectively tend to smooth out over time and the earnings power associated with them is quite high, as evidenced by the profitability metrics discussed later.



Net income attributable to IFH, Inc. was $4,582,000, or $2.07 per diluted share, in the second quarter of 2021, as compared to $6,258,000, or $2.84 per diluted share, in the year-ago quarter. Net interest income was up 18% to $4,120,000 in 2021's second quarter from $3,486,000 in the year-ago quarter, with the growth due to a strong increase (+31%) in average earning assets, which more than offset a lower net interest margin (it was 4.48% in 2021's second quarter, versus 4.70% in the year-ago quarter). Earnings also benefitted from a lower provision for loan losses ($50,000 in 2021's second quarter versus $665,000 in the year-ago quarter), reflecting improvement in asset quality and a strong reserve position. Noninterest income totaled $12,580,000 in the second quarter of 2021, a decrease of

22% from $16,208,000 in the year-ago quarter. As was stated above, the decline was mostly related to the drop in fees at Windsor, which were $5,765,000 in 2021's second quarter, versus $14,186,000 in the year-ago quarter. One encouraging note was that PPP related fee income in those periods was roughly $3.5 million and $13.0 million, respectively, so if we exclude PPP related income, the "core" income of the Windsor division nearly doubled. Two other key areas of strength were the Mortgage Division, which had revenues of $1,773,000 in 2021's second quarter, versus $1,573,000 in the year-ago quarter, and GGL, which had revenues of $3,812,000, up from $37,000 in the same respective periods. Finally, noninterest expense was $10,617,000 in the second quarter of 2021, which was down 2% from $10,847,000 in the second quarter of 2020, with the decrease reflecting lower costs of software needed to process PPP loans. The Company's key profitability metrics were impressive for the quarter, as can be seen in the adjacent table.

If we exclude PPP, Windsor's revenues actually were up significantly

Mortgage revenues were up 13%

Noninterest expense was down 2%

Profitability ratios were impressive

Key Profitability Ratios (Annualized, %)

	Q2 20	Q2 21
ROAA	7.11	4.39
ROAE	35.2	22.5
ROATE	49.6	29.8

Earnings for the First Half of 2021 Increased 57%

For the first half of 2021, net income attributable to IFH, Inc. was $8,518,000, or $3.82 per diluted share, up from $5,426,000, or $2.44 per diluted share. Net interest income grew 9%, noninterest income was up 30% and noninterest expense increased 38% over this period. Much like the quarterly results, earnings benefitted from a lower provision versus the year-ago period ($672,000 versus $4,125,000). Balance sheet growth was led by deposits, which were up 27% from June 30, 2020 to June 30, 2021, while net loans increased 11% and total assets increased 24% over the same period. The Company remains well capitalized. Shareholders' equity totaled $84.0 million, or 19.1% of total assets, at June 30, 2021, while the tangible-equity-to-tangible-assets ratio was 15.2%.

First Half Highlights:

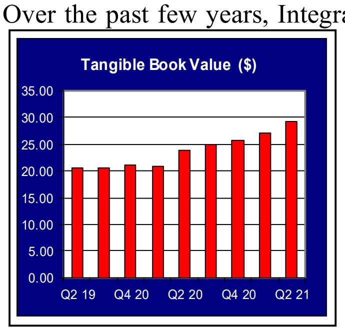
EPS: $3.82 vs. $2.44

From 6/30/20 to 6/30/21:

Net loans increased 11%
Deposits grew 27%
Total assets were up 24%

High Earnings Has Led to Consistent Growth in Tangible Book Value

Over the past few years, Integrated Financial Holdings has created a scalable infrastructure geared to support not only small business customers but also other financial institutions. The profitability of these operations is tied closely with their scalability, and is a key reason that, among others, Windsor and GGL have been such large drivers of earnings over the past year. While the market often tends to discount the multiples it will pay on "highly variable" sources of income (such as mortgage), one thing that serves as a more stable driver of long-term value is tangible book value. Thanks to the Company's high return on tangible book value (roughly 30% in the most recent quarter), tangible book value has been advancing steadily and is up 23% over the past year.

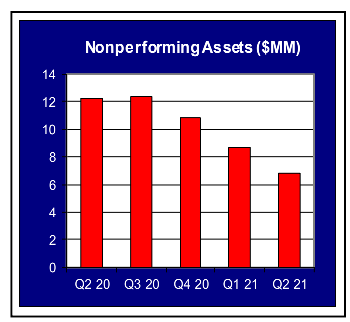


Due to the scalability of the Company's businesses, they become particularly profitable with higher volumes

This has led to strong growth in tangible book value

Nonperforming Assets Decreased 44% from the Year-Ago Date

Asset quality has been trending favorably, as can be seen in the adjacent chart. NPAs (including nonaccruing loans, accruing loans more than 90 days past due and OREO) were $6.8 million, or 1.55% of total assets, at June 30, 2021, down from $8.7 million, or 2.14% of total assets, at March 31, 2021, and $12.3 million, or 3.45% of total assets, at June 30, 2020. The allowance for loan losses grew 15% to $5.6 million, or 2.13% of loans held for investment, at June 30, 2021, from $4.9 million, or 2.05% of loans held for investment, at the year-ago date.



NPAs continue to trend downward

NPAs/Assets: 1.55%

Reserves/Loans HFI: 2.13%, which was better than the NC peer group median of 1.02%

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.

EPS:*
2019A: $2.41
2020A: $4.01
TTM 6/30/21: $5.39

*** 2019A EPS excludes $1.79 per share in recapitalization gains, net of merger expenses**

ADDITIONAL INFORMATION UPON REQUEST