



1st Capital Bancorp Announces Third Quarter 2023 Financial Results

Salinas, California – October 30, 2023. **1st Capital Bancorp** (the “Company”), (OTCQX: FISB), the \$984.1 million asset bank holding company and parent company of 1st Capital Bank (the “Bank”), today reported unaudited net income of \$1.19 million for the quarter ended September 30, 2023, an increase of 96.2% compared to net income of \$609 thousand for the quarter ended June 30, 2023, and a decrease of 55.1% compared to net income of \$2.66 million for the quarter ended September 30, 2022.

Deposit balances have increased \$26.7 million, or 3.0%, in the quarter ended September 30, 2023 compared to June 30, 2023. Loan demand remained strong in the third quarter as the Company’s core loans increased \$21.6 million, or 3.7%, at September 30, 2023 compared to June 30, 2023. This growth was partially offset by a \$5.8 million decline in wholesale loan balances. Loan yields expanded 12 basis points (bps) to 5.07% for the quarter ended September 30, 2023 compared to 4.95% for the quarter ended June 30, 2023. Nonperforming assets to total assets was 0.22% as of September 30, 2023 versus 0.07% for the period ending June 30, 2023, with the increase being centered in the wholesale loan portfolio.

"We remain highly focused on leveraging the strength of our balance sheet and our exceptional team of bankers to continue serving our clients along the Central Coast," said Sam Jimenez, Chief Executive Officer. This quarter's results highlighted by healthy organic growth in our loan and deposit portfolios reflects those efforts and positions us to improve our net interest margin and equity returns going forward."

Financial Highlights

Performance highlights for the quarter ended September 30, 2023, as compared to the quarter ended June 30, 2023, and the quarter ended September 30, 2022:

- Earnings per share (diluted) were \$0.22 for the third quarter of 2023, as compared to \$0.11 and \$0.48 for the quarters ended June 30, 2023, and September 30, 2022, respectively.
- Pretax, pre-provision income for the quarter ended September 30, 2023 totaled \$2.8 million, as compared to \$1.8 million and \$3.7 million for the quarters ended June 30, 2023, and September 30, 2022, respectively.
- For the quarter ended September 30, 2023, the Company's return on average equity was 8.06%, as compared to 4.13% and 16.44% for the quarters ended June 30, 2023, and September 30, 2022, respectively.
- For the quarter ended September 30, 2023, the Company’s return on average assets was 0.48% as compared to 0.25% and 1.04% for the quarters ended June 30, 2023, and September 30, 2022, respectively.
- For the quarter ended September 30, 2023, the Company’s net interest margin was 3.37% as compared to 3.20% and 3.46% for the quarters ended June 30, 2023, and September 30, 2022, respectively.
- For the quarter ended September 30, 2023, the Company’s efficiency ratio was 67.77%, as compared to 77.32% and 59.54% for the quarters ended June 30, 2023 and September 30, 2022, respectively.
- The Company recorded provision for loan loss expense of \$1.16 million and \$1.05 million respectively for the quarters ended September 30, 2023, and June 30, 2023. There was no provision expense recorded for the quarter ended September 30, 2022.

- As of September 30, 2023, the Company's nonperforming assets to total assets was 0.22%, as compared to 0.07% and 0.04% for June 30, 2023, and September 30, 2022, respectively.
- As of September 30, 2023, the Company reported total assets, total deposits, and total loans of \$984.1 million, \$906.1 million, and \$600.9 million, respectively.
- Federal regulatory capital ratios for the quarters ended September 30, 2023, June 30, 2023, and September 30, 2022, exceed well capitalized thresholds.
- At September 30, 2023, the Company has \$395.1 million in available liquidity from secured and unsecured borrowing lines, which represents 40.2% of total assets.

Net Interest Income and Net Interest Margin

The Company's third quarter 2023 net interest income increased \$607 thousand, or 8.0%, to \$8.24 million as compared with \$7.63 million for the quarter ended June 30, 2023, as earning asset yields outpaced expansion in funding costs. Loan interest income increased \$316 thousand, or 4.4%, to \$7.54 million for the quarter ended September 30, 2023, compared to \$7.22 million for the quarter ended June 30, 2023. Interest income on investment securities remained stable at \$1.94 million and \$1.93 million, respectively, for the quarters ended September 30, 2023 and June 30, 2023. Other interest income increased \$235 thousand, or 53.2%, to \$677 thousand for the quarter ended September 30, 2023 compared to \$442 thousand for the quarter ended June 30, 2023, due to higher yields on higher average cash balances. Interest expense declined \$34 thousand, or 1.7%, to \$2.01 million for the quarter ended September 30, 2023, compared to \$2.04 million for the quarter ended June 30, 2023, due to the retirement of wholesale borrowings and brokered CDs in the third quarter. Interest expense for each of the quarters presented includes \$169 thousand related to subordinated debt.

The Company's net interest margin increased 17 basis points (bps) to 3.37% for the quarter ended September 30, 2023 from 3.20% when compared to the quarter ended June 30, 2023. This increase was primarily driven by the increase in earning asset yields. The 12 bps expansion of loan yields from 4.95% for the quarter ended June 30, 2023 to 5.07% for the quarter ended September 30, 2023 outpaced funding costs. The Company's cost of funds declined 5 bps from 0.92% for the quarter ended June 30, 2023 to 0.87% for the quarter ended September 30, 2023.

Allowance for Credit Losses

The Company adopted Accounting Standards Update (ASU) 2016-13, more commonly referred to as the Current Expected Credit Loss (CECL) method on January 1, 2023, using the modified retrospective method with no adjustments to prior period comparative financial statements for all financial assets measured at amortized cost and off-balance sheet credit exposure as well as held to maturity securities, which resulted in a \$127 thousand increase to the allowance for credit losses, a \$3 thousand reserve for held-to-maturity securities and a \$26 thousand increase to the reserve for unfunded commitments. The impact to retained earnings, net of taxes, was \$111 thousand. Reporting periods beginning after January 1, 2023 are presented under ASU 2016-13 while prior period amounts continue to be reported in accordance with previously applicable Generally Accepted Accounting Principles in the United States.

Provision expense of \$1.16 million was recorded in the quarter ended September 30, 2023, compared to \$1.05 million in the quarter ended June 30, 2023. The provision expense was driven by overall loan growth and charge offs within the wholesale loan pool portfolios.

Noninterest Expenses

The Company's total non-interest expense decreased \$334 thousand, or 5.50%, to \$5.8 million in the quarter ended September 30, 2023, compared to \$6.1 million for the quarter ended June 30, 2023. This decrease is primarily due to a decline in Salaries & Benefits expense during the period.

Balance Sheet Summary

The Company's total assets at September 30, 2023 increased \$23.2 million, or 2.4%, to \$984.1 million as compared to \$960.9 million at June 30, 2023.

Cash and due from banks increased \$14.5 million, or 32.7%, to \$58.8 million at September 30, 2023 compared to \$44.3 million at June 30, 2023.

Total loans outstanding were \$600.9 million as of September 30, 2023, representing a \$15.8 million, or 2.7%, increase from the June 30, 2023 outstanding balance of \$585.1 million. Growth was balanced across all core loan sectors, with Residential 1-4 units and Investor CRE experiencing the greatest dollar growth within the quarterly period. This growth was partially offset by declines in wholesale consumer and lease pools which continue to pay down.

<u>Loan type (dollars in thousands)</u>	<u>9/30/2023</u>	<u>% of Total Loans</u>	<u>6/30/2023</u>	<u>% of Total Loans</u>	<u>9/30/2022</u>	<u>% of Total Loans</u>
Construction / land (including farmland)	\$ 27,671	4.6%	\$ 24,212	4.1%	\$ 12,403	2.1%
Residential 1 to 4 units	63,038	10.5%	58,952	10.1%	56,592	9.7%
Home equity lines of credit	3,535	0.6%	3,643	0.6%	4,909	0.8%
Multifamily	84,157	14.0%	80,796	13.8%	82,936	14.1%
Owner occupied commercial real estate	125,664	20.9%	123,545	21.1%	111,097	18.9%
Investor commercial real estate	194,087	32.3%	189,216	32.3%	188,930	32.2%
Commercial and industrial	46,743	7.8%	42,949	7.4%	39,804	6.8%
Paycheck Protection Program	--	0.0%	--	0.0%	--	0.0%
Leases	30,113	5.0%	33,618	5.8%	45,049	7.7%
Consumer	15,837	2.6%	18,882	3.2%	30,902	5.3%
Other loans	10,030	1.7%	9,258	1.6%	14,176	2.4%
Total loans	600,875	100.0%	585,071	100.0%	586,798	100.0%
Allowance for credit losses	(6,918)		(6,746)		(7,560)	
Net loans held for investment	<u>\$ 593,957</u>		<u>\$ 578,325</u>		<u>\$ 579,238</u>	

The investment portfolio decreased \$10.3 million to \$282.8 million from a balance of \$293.1 million at June 30, 2023. The decline is reflective of paydowns and a \$7.1 million increase in unrealized losses associated with the Company's available-for-sale investment security portfolio; unrealized losses totaled \$45.7 million at September 30, 2023 compared to \$38.6 million at June 30, 2023. The increase in unrealized losses was driven by changes in the treasury yield curve that negatively impacted the portfolio's valuation. At September 30, 2023 and June 30, 2023, \$70.8 million and \$70.5 million, respectively, of the investment portfolio were classified as held-to-maturity. As of September 30, 2023, investments classified as held-to-maturity comprise approximately 25% of the portfolio.

Total deposits were \$906.1 million at September 30, 2023 representing a \$26.7 million, or 3.0%, increase compared to total deposits of \$879.4 million at June 30, 2023. Third quarter deposit growth originated from both new and existing relationships. Noninterest-bearing balances continue to comprise nearly half of total deposits at September 30, 2023 (45.7%).

<u>Deposit type (dollars in thousands)</u>	<u>9/30/2023</u>	<u>% of Total Deposits</u>	<u>6/30/2023</u>	<u>% of Total Deposits</u>	<u>9/30/2022</u>	<u>% of Total Deposits</u>
Interest-bearing checking accounts	\$ 56,535	6.2%	\$ 47,483	5.4%	\$ 69,258	7.5%
Money market	289,700	32.0%	287,148	32.6%	308,722	33.5%
Savings	115,583	12.8%	116,582	13.3%	109,653	11.9%
Time	29,775	3.3%	33,044	3.8%	10,256	1.1%
Total interest-bearing deposits	491,593	54.3%	484,257	55.1%	497,889	54.0%
Noninterest-bearing	414,470	45.7%	395,132	44.9%	424,312	46.0%
Total deposits	<u>\$ 906,063</u>	100.0%	<u>\$ 879,389</u>	100.0%	<u>\$ 922,201</u>	100.0%

Uninsured deposits represent \$355.3 million, or 49%, of total deposits at September 30, 2023. The Company maintains borrowing capacity of \$395.1 million in secured and unsecured funding sources at September 30, 2023 covering 111.2% of uninsured balances.

Subordinated debt balances totaled \$14.8 million at September 30, 2023 and June 30, 2023. No other borrowings were outstanding at September 30, 2023 and June 30, 2023, as deposit growth and cash flows generated by the loan and bond portfolios provided sufficient liquidity for operations.

Shareholder's equity totaled \$54.1 million at September 30, 2023, a decrease of \$3.7 million, or 6.4%, compared to \$57.8 million at June 30, 2023. The decrease is reflective of the increase in unrealized losses on the available-for-sale investment security portfolio, the impact of which flows through accumulated other comprehensive income (AOCI), a component of equity, partially offset by an increase in the fair value of the cap corridor and fair value hedges which positively impacted AOCI. The negative AOCI impact in the third quarter was partially offset by \$1.2 million in net income contribution. The unrealized loss position on the held-to-maturity investment securities was captured at the date of transfer and amortizes over the remaining life of the bonds with market value movements having no future impact on the unrealized loss position of these bonds.

Asset Quality

At September 30, 2023, nonperforming assets were 0.22% of the Company's total assets, compared with 0.07% at June 30, 2023. The allowance for credit losses was 1.15% of outstanding loans at September 30, 2023, unchanged from 1.15% at June 30, 2023. The Company had \$138 thousand in nonaccrual loans at both September 30, 2023 and June 30, 2023, representing 0.02% of total loans in each period. The Company recorded net charge-offs of \$992 thousand in the quarter ended September 30, 2023, compared to \$1.7 million in the quarter ended June 30, 2023. Charge-offs for the periods ended September 30, 2023 and June 30, 2023 were all within the purchased consumer and lease pools, with the exception of a \$46 thousand charge off of the unguaranteed portion of an SBA loan in the second quarter.

Asset Quality (dollars in thousands)	9/30/2023	6/30/2023	9/30/2022
Loans past due 90 days or more and accruing interest	\$ 2,069	\$ 487	\$ 409
Other nonaccrual loans	138	138	--
Other real estate owned	--	--	--
Total nonperforming assets	\$ 2,207	\$ 625	\$ 409
Allowance for credit losses to total loans	1.15%	1.15%	1.29%
Allowance for credit losses to nonperforming loans	313.46%	1079.36%	1848.34%
Nonaccrual loans to total loans	0.02%	0.02%	0.00%
Nonperforming assets to total assets	0.22%	0.07%	0.04%

1ST CAPITAL BANCORP
CONDENSED FINANCIAL DATA – UNAUDITED
(\$ in 000s, except per share data)

Assets	<u>9/30/2023</u>	<u>6/30/2023</u>	<u>9/30/2022</u>
Cash and due from banks	\$ 58,826	\$ 44,320	\$ 41,842
Investment securities available-for-sale	212,075	222,662	259,472
Investment securities held-to-maturity	70,756	70,468	72,818
Loans and leases held for investment	600,875	585,071	586,798
Allowance for credit losses	(6,918)	(6,746)	(7,560)
Net loans and leases held for investment	593,957	578,325	579,238
Other Assets	48,480	45,129	41,241
Total assets	\$ 984,094	\$ 960,904	\$ 994,611
Liabilities and Shareholders' Equity			
Deposits:			
Non-interest-bearing	\$ 414,470	\$ 395,132	\$ 424,312
Interest-bearing	491,593	484,257	497,889
Total deposits	906,063	879,389	922,201
Subordinated debentures	14,795	14,776	14,719
Other borrowings	--	--	--
Other liabilities	9,099	8,915	9,415
Shareholders' equity	54,137	57,824	48,276
Total liabilities and shareholders' equity	\$ 984,094	\$ 960,904	\$ 994,611
Shares outstanding	5,529,805	5,518,996	5,476,092
Earnings per share basic	\$0.22	\$0.11	\$0.49
Earnings per share diluted	\$0.22	\$0.11	\$0.48
Nominal and tangible book value per share	\$9.79	\$10.48	\$8.82

1ST CAPITAL BANCORP
CONDENSED FINANCIAL DATA – UNAUDITED
(\$ in 000s)

Operating Results Data	Three Months Ended		
	<u>9/30/2023</u>	<u>6/30/2023</u>	<u>9/30/2022</u>
Interest and dividend income			
Loans	\$ 7,538	\$ 7,222	\$ 7,011
Investment securities	1,936	1,929	2,055
Federal Home Loan Bank stock	93	78	62
Other income	677	442	126
Total interest and dividend income	10,244	9,671	9,254
Interest expense	2,008	2,042	669
Net interest income	8,236	7,629	8,585
Provision for credit losses	1,164	1,052	--
Net interest income after provision for credit losses	7,072	6,577	8,585
Noninterest income	314	297	395
Net gain (loss) on sales/calls of investment securities	--	--	51
Noninterest expenses			
Salaries and benefits expense	3,386	3,615	3,243
Occupancy expense	459	463	451
Data and item processing	325	328	279
Furniture and equipment	113	101	127
Professional services	248	279	168
Other	1,263	1,342	1,109
Total noninterest expenses	5,794	6,128	5,377
Income before provision for income taxes	1,592	746	3,654
Provision for income taxes	398	137	992
Net income	\$ 1,194	\$ 609	\$ 2,662

Selected Average Balances	Three Months Ended		
	<u>9/30/2023</u>	<u>6/30/2023</u>	<u>9/30/2022</u>
Gross loans	\$ 590,030	\$ 584,939	\$ 594,624
Investment securities	332,185	333,844	352,564
Federal Home Loan Bank stock	4,381	4,314	4,058
Other interest earning assets	54,550	43,581	34,162
Total interest earning assets	981,146	966,678	985,408
Total assets	980,038	962,808	1,018,730
Interest-bearing checking accounts	46,713	49,082	65,171
Money market	299,139	260,482	303,802
Savings	117,881	124,088	126,511
Time deposits	30,262	28,375	12,376
Total interest-bearing deposits	493,995	462,027	507,860
Noninterest bearing demand deposits	396,871	386,503	423,166
Total deposits	890,866	848,530	931,026
Subordinated debentures and other borrowings	20,163	45,308	15,055
Shareholders' equity	\$ 58,772	\$ 59,145	\$ 64,227

1ST CAPITAL BANCORP
CONDENSED FINANCIAL DATA – UNAUDITED
(\$ in 000s)

Three Months Ended

Selected Financial Ratios	<u>9/30/2023</u>	<u>6/30/2023</u>	<u>9/30/2022</u>
Return on average total assets	0.48%	0.25%	1.04%
Return on average shareholders' equity	8.06%	4.13%	16.44%
Net interest margin	3.37%	3.20%	3.46%
Net interest income to average total assets	3.33%	3.18%	3.34%
Efficiency ratio	67.77%	77.32%	59.54%

1ST CAPITAL BANCORP
CONDENSED FINANCIAL DATA – UNAUDITED
(\$ in 000s)

Operating Results Data	Nine Months Ended	
	<u>9/30/2023</u>	<u>9/30/2022</u>
Interest and dividend income		
Loans	\$ 21,478	\$ 21,165
Investment securities	5,809	5,650
Federal Home Loan Bank stock	241	179
Other income	1,430	195
Total interest and dividend income	28,958	27,189
Interest expense	5,238	1,772
Net interest income	23,720	25,417
Provision for credit losses	2,906	--
Net interest income after provision for credit losses	20,814	25,417
Noninterest income	984	1,003
Net gain (loss) on sales/calls of investment securities	(134)	51
Noninterest expenses		
Salaries and benefits expense	10,748	10,145
Occupancy expense	1,336	1,348
Data and item processing	962	807
Furniture and equipment	331	417
Professional services	795	451
Other	3,771	3,324
Total noninterest expenses	17,943	16,492
Income before provision for income taxes	3,721	9,979
Provision for income taxes	861	2,705
Net income	\$ 2,860	\$ 7,274

Selected Average Balances	Nine Months Ended	
	<u>9/30/2023</u>	<u>9/30/2022</u>
Gross loans	\$ 582,107	\$ 586,294
Investment securities	335,227	362,879
Federal Home Loan Bank stock	4,252	4,011
Other interest earning assets	44,447	36,790
Total interest earning assets	966,033	989,974
Total assets	963,552	1,014,291
Interest bearing checking accounts	54,019	65,302
Money market	245,187	268,143
Savings	126,592	145,024
Time deposits	23,249	12,102
Total interest-bearing deposits	449,047	490,571
Noninterest-bearing demand deposits	417,154	429,581
Total deposits	866,201	920,152
Subordinated debentures and other borrowings	28,906	15,758
Shareholders' equity	\$ 58,361	\$ 70,808

1ST CAPITAL BANCORP
CONDENSED FINANCIAL DATA – UNAUDITED
(\$ in 000s)

Nine Months Ended

Selected Financial Ratios	<u>9/30/2023</u>	<u>9/30/2022</u>
Return on average total assets	0.40%	0.96%
Return on average shareholders' equity	6.55%	13.74%
Net interest margin	3.32%	3.43%
Net interest income to average total assets	3.29%	3.35%
Efficiency ratio	73.03%	62.30%

Regulatory Capital and Ratios	<u>9/30/2023</u>	<u>6/30/2023</u>	<u>9/30/2022</u>
Common equity tier 1 capital	\$ 105,099	\$ 103,412	\$ 100,148
Tier 1 regulatory capital	\$ 105,099	\$ 103,412	\$ 100,148
Total regulatory capital	\$ 112,208	\$ 110,312	\$ 107,855
Tier 1 leverage ratio	10.32%	10.36%	10.22%
Common equity tier 1 risk-based capital ratio	15.01%	15.26%	14.44%
Tier 1 capital ratio	15.01%	15.26%	14.44%
Total risk-based capital ratio	16.03%	16.28%	15.55%

About 1st Capital Bancorp

1st Capital Bancorp is the holding company for 1st Capital Bank. The Bank's primary target markets are commercial enterprises, professionals, real estate investors, family business entities, and residents along the Central Coast region of California. The Bank provides a wide range of credit products, including loans under various government programs such as those provided through the U.S. Small Business Administration and the U.S. Department of Agriculture. A full suite of deposit accounts also is furnished, complemented by robust cash management services. The Bank operates full-service branch offices in Monterey, Salinas, King City, San Luis Obispo and Santa Cruz. The Bank's corporate offices are located at 150 Main Street, Suite 150, Salinas, California 93901. The Bank's website is www.1stCapital.bank. The main telephone number is 831.264.4000.

Member FDIC / Equal Opportunity Lender / SBA Preferred Lender

Forward-Looking Statements

Certain of the statements contained herein that are not historical facts are "forward-looking statements" within the meaning of and subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may contain words or phrases including, but not limited, to: "believe," "expect," "anticipate," "intend," "estimate," "target," "plans," "may increase," "may fluctuate," "may result in," "are projected," and variations of those words and similar expressions. All such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Factors that might cause such a difference include, among other matters, changes in interest rates; economic conditions including inflation and real estate values in California and the Bank's market areas; governmental regulation and legislation; credit quality; competition affecting the Bank's businesses generally; the risk of natural disasters and future catastrophic events including pandemics, terrorist related incidents and other factors beyond the Bank's control; and other factors. The Bank does not undertake, and specifically disclaims any obligation, to update or revise any forward-looking statements, whether to reflect new information, future events, or otherwise, except as required by law.

This news release is available at the www.1stCapital.bank internet site for no charge.

For further information, please contact:

Samuel D. Jimenez
Chief Executive Officer
831.264.4057 office
Sam.Jimenez@1stCapitalBank.com

Moritz Wohanka
Interim Chief Financial Officer
831.264.4007 office
Moritz.Wohanka@1stCapitalBank.com