1st Capital Bank Announces Second Quarter 2020 Financial Results

Salinas, California – July 30, 2020. **1st Capital Bank** (OTC Pink: FISB) reported unaudited net income of $1.35 million for the three months ended June 30, 2020, an increase of 122.1% compared to net income of $608 thousand in the first quarter of 2020 and a decrease of 17.6% compared to net income of $1.64 million in the second quarter of 2019. Earnings per share were $0.24 (diluted) for the second quarter of 2020, compared to $0.11 (diluted) for the prior quarter, and $0.29 (diluted) for the second quarter of 2019.

Unaudited net income for the six-month period ended June 30, 2020 was $1.96 million, a decrease of 42.7% compared to net income of $3.41 million for the six-month period ended June 30, 2019. Year-to-date earnings per share were $0.35 (diluted) and $0.61 (diluted) for the six-month periods ended June 30, 2020 and 2019, respectively.

"The Bank's operating results for the second quarter were driven by the effects of the global pandemic," said Samuel D. Jimenez, chief executive officer. "Our lenders worked tirelessly during the second quarter to fund more than 400 loans totaling more than $100 million to businesses in our community under the U.S. Small Business Administration's Paycheck Protection Program. As we entered the third quarter, we made key hires to address the asset quality issues the current economic situation presents while continuing to actively expand our business and fill out our geographic footprint. We believe the steps we are taking now will position the Bank to proactively address the challenges ahead."

Operating results reflect a provision for loan losses of $650 thousand in the second quarter of 2020, compared to $825 thousand in the first quarter of 2020, to recognize incurred losses in the Bank's loan portfolio, which are attributable primarily to the COVID-19 outbreak and consequent action taken by governmental officials to curtail the operations of businesses deemed nonessential. The Bank did not record a provision for loan losses in the second quarter of 2019.

As of June 30, 2020, the Bank's allowance for loan and lease losses was $8.1 million, or 1.30% percent of loans held for investment, compared to $7.4 million, or 1.40% of loans held for investment, as of March 31, 2020 and $6.6 million, or 1.29% of loans held for investment, as of December 31, 2019. The Bank's allowance for loan losses as of June 30, 2020 was 1.55% of loans held for investment excluding its net investment of $100.7 million in loans insured under the U.S. Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). The Bank recognized net recoveries of $12 thousand, $12 thousand, and $13 thousand in the second quarter of 2020, the first quarter of 2020, and the second quarter of 2019, respectively, and recognized no loan or lease charge-offs in such periods.

"We believe it was prudent to continue to provide for credit losses in the second quarter, as the potential for a V-shaped recovery faded" said Dale R. Diederick, chief credit officer. "While recent unemployment levels and jobless claims are lower than initially projected, the level and trend of coronavirus cases has increased, raising the potential for a prolonged recession, with adverse consequences for the value and market absorption of commercial real estate. The Bank also has seen a downward migration in loan risk ratings, an increase in the level of 30- to 89-day delinquencies, and an increase in forbearance requests, primarily on single-family residential loans. All of these factors point to the need for an increased allowance for loan and lease losses."

Total assets increased $90.9 million in the second quarter, from $645.8 million at March 31, 2020 to $736.7 million at June 30, 2020, an increase of 14.1%. Net loans held for investment increased $92.5 million, or 17.7%, during the second quarter, from $523.1 million at March 31, 2020 to $615.6 million at June 30, 2020.

PPP loans totaled $100.7 million at June 30, 2020. Single-family loans purchased by the Bank in prior quarters declined $13.6 million, or 11.5%, while the portfolio of loans originated by the Bank increased $6.7 million, or 1.6%, in the second quarter of 2020. Growth in the core loan portfolio was concentrated in multi-family loans, which increased $13.9 million, or 24.0%, while commercial real estate loans decreased $2.1 million, or 0.8%, and commercial and industrial loans decreased $2.8 million, or 5.5%. Undrawn, available credit decreased $951 thousand, from $68.0 million at March 31, 2020 to $67.0 million at June 30, 2020.

"Despite the devastating effects the pandemic has had on certain sectors of the economy, the Bank was able to continue to actively develop new business opportunities in the second quarter of 2020," said Jon D. Ditlevsen, president. "While a number of our competitors have scaled back their lending operations to focus solely on loss mitigation, 1st Capital has continued to source new loans to businesses that are less exposed to the effects of the pandemic and related government actions. This new business meets the credit risk acceptance criteria that we historically have had in place for our core loan portfolio, and we have remained mindful of the effects the pandemic has had on industries that are prominent in our market area, such as hospitality, tourism, and retail trade. We funded $33.2 million in commercial and industrial and commercial real estate loans in the second quarter, compared to $37.2 million in the first quarter of 2020."

Second Quarter Highlights:

- Return on average equity was 7.74%, compared to 3.53% for the first quarter of 2020 and 10.47% for the second quarter of 2019.
- Return on average assets was 0.75%, compared to 0.38% for the first quarter of 2020 and 1.08% for the second quarter of 2019.
- Gross loans held for investment increased $93.2 million, or 17.7%, during the second quarter of 2020, from $530.5 million at March 31, 2020 to $623.7 million at June 30, 2020.
- Non-accrual loans were $490 thousand, or 0.08% of loans outstanding, at June 30, 2020, compared to $492 thousand at March 31, 2020 and December 31, 2019. Loans 30 to 89 days delinquent increased from $856 thousand at March 31, 2020 to $2.3 million at June 30, 2020.

- The Bank's net loans to deposits ratio increased from 91.4% at March 31, 2020 to 94.6% at June 30, 2020.
- Sources of liquidity comprising secured borrowing capacity with the Federal Home Loan Bank of San Francisco and deposits eligible to be moved onto the Bank's balance sheet in the form of reciprocal deposits totaled $226.5 million at June 30, 2020. $25.0 million of additional liquidity under Federal funds facilities also was available.
- Deposits totaled $650.8 million at June 30, 2020, compared to $572.0 million at March 31, 2020, an increase of $78.8 million, or 13.8%.
- Demand deposits increased $90.3 million, or 35.7%, from $252.8 million at March 31, 2020 to $343.0 million at June 30, 2020 and made up 52.7% of total deposits at June 30, 2020.
- The Bank's cost of funds decreased from 0.23% in the first quarter of 2020 to 0.15% in the second quarter of 2020.
- Non-interest income declined from $288 thousand in the first quarter of 2020 to $181 thousand in the second quarter of 2020.
- Non-interest expenses decreased from $4.49 million in the first quarter of 2020 to $3.95 million in the second quarter of 2020.
- The Bank's common equity Tier 1 ("CET1") risked-based capital ratio was 14.12%, and its Tier 1 leverage ratio was 9.66% at June 30, 2020, compared to 13.66 % and 10.77%, respectively, at March 31, 2020.
- Net interest margin decreased from 3.87% in the first quarter of 2020 to 3.65% in the second quarter of 2020. The ratio of net interest income before provision for loan losses less interest on PPP loans to average earning assets less the average net investment in PPP loans was 3.74% in the second quarter of 2020.

Throughout the second quarter of 2020, all branch offices of the Bank, other than the limited service branch at the Bank's headquarters office, which historically has had very limited transaction activity, remained open. Approximately 65% of Bank employees were working remotely, and no employees have tested positive for the coronavirus.

NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES

Net interest income before provision for credit losses was $6.32 million in the second quarter of 2020, an increase of $457 thousand, or 7.8%, compared to $5.86 million in the first quarter of 2020 and an increase of $351 thousand, or 5.9%, compared to $5.97 million in the second quarter of 2019.

Average earning assets were $697.2 million during the second quarter of 2020, an increase of 14.4% compared to $609.6 million in the first quarter of 2020. The yield on earning assets was 3.78% in the second quarter of 2020, compared to 4.12% in the first quarter of 2020, primarily due to reduced yields on commercial and industrial loans and the investment portfolio as a result of the 1.50% decrease in the Federal funds target rate in March 2020, as well as the effect of the funding of $100.7 of PPP loans at yields substantially below the Bank's first quarter 2020 yield on earning assets.

The average balance of the investment portfolio decreased $2.1 million, from $65.2 million in the first quarter of 2020 to $63.0 million in the second quarter of 2020, and the yield on the investment portfolio decreased from 2.33% in the first quarter of 2020 to 1.88% in the second quarter of 2020, as yields on floating rate securities decreased. The yield on the investment portfolio in June 2020 was 1.78%.

The yields on non-PPP commercial and industrial and commercial real estate loans in the second quarter of 2020 were 4.46% and 4.74% on average balances of $50.5 million and $242.2 million, respectively, compared to 4.66% and 4.83% on average balances of $43.8 million and $237.6 million in the first quarter of 2020. The average balance of multi-family residential loans increased to $64.9 million in the second quarter of 2020 from $58.9 million in the first quarter of 2020, while the respective yields were 4.42% and 4.65%. The portfolio of single-family residential first liens yielded 3.48% and 3.38% on average balances of $128.3 million and $136.2 million in the second quarter of 2020 and the first quarter of 2020, respectively. The yields on the Bank's non-PPP commercial and industrial, commercial real estate, multi-family residential, and single-family residential first lien portfolios in June 2020 were 4.57%, 4.74%, 4.28%, and 3.52%, respectively.

The Bank recognizes income on its net investment in PPP loans (outstanding principal plus direct loan origination costs less deferred loan fees paid by the SBA) based on the amortization schedule of the underlying loan. Unamortized loan fees are taken into income at the time a loan is paid off. Interest income on PPP loans in the second quarter totaled $608 thousand, including $100 thousand of deferred fees recognized as income in connection with loan payoffs. During the second quarter, the average balance of PPP loans outstanding was $77.6 million, with a yield of 3.18%. The yield on the PPP portfolio in June 2020, which included no income related to loan payoffs, was 2.64%.

The cost of interest-bearing liabilities was 0.30% in the second quarter of 2020, compared to 0.44% in the first quarter of 2020, while the average balance of interest-bearing liabilities increased 6.8% from $297.0 million in the first quarter of 2020 to $317.1 million in the second quarter of 2020. The average balance of reciprocal deposits, all of which are money market deposits, increased 40.7% from $21.1 million in the first quarter of 2020 to $29.7 million in the second quarter of 2020 at a cost of 0.80% and 0.09%, respectively. Reciprocal deposits totaled $15.3 million as of June 30, 2020, compared to $42.7 million as of March 31, 2020.

The average balance of noninterest-bearing demand deposit accounts increased 24.3% from $262.4 million, or 46.9% of total deposits, in the first quarter of 2020 to $326.2 million, or 50.7% of total deposits, in the second quarter of 2020. The Bank funded 413 PPP loans with loan principal totaling $103.5 million in the second quarter of 2020 and placed $84.5 million of the loan proceeds in deposit accounts with the Bank.

The Bank's portfolio of certificates of deposit had average balances of $19.4 million in the first quarter of 2020 and $19.2 million in the second quarter of 2020, and an average cost of funds of 1.15% and 1.12%, respectively. As of June 30, 2020, $17.5 million of certificates of deposit had maturities of one year or less.

On May 28, 2020, the Bank drew down $10.0 million under the Federal Home Loan Bank of San Francisco's zero interest rate Recovery Advance program. $5.0 million of this amount is payable November 27, 2020, and the remaining $5.0 million is payable May 27, 2021.

The Bank's overall cost of funds decreased from 0.23% in the first quarter of 2020 to 0.15% in the second quarter of 2020.

CREDIT QUALITY AND PROVISION FOR CREDIT LOSSES

The Bank's core market comprises Monterey, San Luis Obispo, and Santa Cruz Counties, all of which are located along California's Central Coast. As of June 30, 2020, approximately $58.1 million, or $82.5%, of owner-occupied commercial real estate loans, $229.2 million, or $94.6%, of investor real estate loans, $28.2 million, or 21.1%, of single-family residential loans, and substantially all multi-family, construction, and farmland loans, as well as all home equity lines of credit, were collateralized by properties located within the Bank's market area. An additional $15.8 million of commercial real estate loans was collateralized by properties located in neighboring San Benito and Santa Clara Counties. All single-family residential loans were collateralized by properties located in California, and substantially all commercial and industrial loans were to businesses operating within the Bank's market area or San Benito County.

According to statistics appearing in the *Los Angeles Times'* website, through July 28, 2020, 7,028 coronavirus cases had been identified in the Bank's market area, including 4,288 cases in Monterey County, 1,710 cases in San Luis Obispo County, and 1,030 cases in Santa Cruz County. Within Monterey County, 2,491 cases had been identified in Salinas and 1,067 cases in South Monterey County, where King City is located; agriculture is the primary basic industry in these areas. 373 cases had been identified in the Big Sur and Monterey Peninsula region, where tourism is more prominent. Coronavirus cases were more evenly distributed across San Luis Obispo and Santa Cruz Counties.

As of July 28, 2020, businesses not deemed essential by the State of California (including shopping malls, retailers not offering merchandise deemed essential, bars, restaurants not offering take-out and/or outdoor dining, and most personal services) in Monterey and San Luis Obispo Counties were under closure orders, which are subject to change on a daily basis. Similar restrictions were in place in Santa Cruz County, except retailers generally were able to operate, but could become subject to closure orders immediately should conditions deteriorate.

A summary of loans outstanding by industry sector as of June 30, 2020 is provided within the disclosure of Condensed Financial Data.

Single-family mortgages totaling $105.0 million as of June 30, 2020 are serviced by the Bank's outside single-family loan servicer in conformity with guidance issued by the Government-Sponsored Entities, including forbearance under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Bank services all other loans (including all home equity lines of credit) in its portfolio.

The Bank has entered into loan forbearance agreements as defined by the CARES Act on fourteen non-conforming single-family mortgages serviced by the Bank's outside servicer totaling $12.6 million. Such forbearance agreements call for the deferral of payments for 90 days, with a 30-day catch-up period. In addition, the Bank has entered into deferment agreements with 41 borrowers with loans aggregating $42.3 million, comprising seven nonowner-occupied commercial real estate loans totaling $16.6 million, sixteen owner-occupied commercial real estate loans totaling $14.1 million, thirteen commercial and industrial loans totaling $6.3 million, two multi-family loans totaling $3.4 million, and three non-conforming single-family residential loans serviced by the Bank totaling $1.8 million. Deferral agreements on loans serviced by the Bank call for the deferral of principal payments, but require ongoing payments of monthly accrued interest.

Loans 30 to 89 days delinquent, all which were single-family mortgages, totaled $2.3 million as of June 30, 2020, compared to $858 thousand as of March 31, 2020.

At June 30, 2020, non-accrual loans totaled $490 thousand, or 0.08% of the Bank's loan portfolio, compared with $492 thousand, or 0.09% at March 31, 2020, and $492 thousand, or 0.10% at December 31, 2019. All such loans are commercial loans to the retail sector.

The provision for credit losses is a charge against current earnings in an amount determined by management to be necessary to maintain the allowance for loan losses at a level sufficient to absorb estimated probable losses inherent in the loan portfolio in light of losses historically incurred by the Bank and adjusted for qualitative factors associated with the loan portfolio.

The Bank recorded a provision for loan losses of $650 thousand in the second quarter of 2020, compared to $825 thousand in the first quarter of 2020 and no provision in the second quarter of 2019. Although the mix of loan types within the portfolio (excluding PPP loans) and their respective historical loss rates were largely unchanged, management recognized that loan risk ratings had migrated downward and economic conditions had continued to deteriorate in the second quarter. Therefore, the qualitative factors used to compute the allowance for loan and lease losses were adjusted upward. In particular, management made upward adjustments to the qualitative factors for portfolio concentrations in commercial real estate and related collateral values, as well as general economic conditions. The provision also reflects an increase in the loans identified as impaired. Impaired loans totaled $891 thousand at June 30, 2020, compared to $630 thousand at March 31, 2020 and $652 thousand at December 31, 2019 and were extended to borrowers engaged in manufacturing, retail trade, and business services. The amount of impairment was $501 thousand at June 30, 2020, compared to $326 thousand at March 31, 2020 and December 31, 2019.

At June 30, 2020, the allowance for loan losses was 1.30% of outstanding loans, compared to 1.40% at March 31, 2020 and 1.36% at June 30, 2019, respectively. The ratio of the allowance for loan and lease losses to loans not guaranteed by the SBA under the PPP was 1.55% as of June 30, 2020. The Bank recorded net recoveries of $12 thousand in each of the second quarter of 2020, the first quarter of 2020, and the second quarter of 2019. The Bank did not record any charge-offs during such periods.

NON-INTEREST INCOME

Non-interest income recognized in the second quarter of 2020 was $181 thousand, compared to $288 thousand in the first quarter of 2020. A $35 thousand decline in mortgage referral fees and a $26 thousand decline in Insured Cash Sweep fee income were the primary causes of the decrease.

NON-INTEREST EXPENSES

Non-interest expenses decreased $541 thousand, or 12.0%, to $3.95 million in the second quarter of 2020, compared to $4.49 million for the first quarter of 2020, and decreased $309 thousand, or 7.2%, compared to $4.26 million recognized in the second quarter of 2019.

Salaries and benefits decreased $431 thousand, or 15.3%, to $2.39 million in the second quarter of 2020 from $2.82 million in the first quarter of 2020, and decreased $307 thousand, or 11.4%, compared to $2.70 million in the second quarter of 2019. Employee salaries increased $126 thousand, or 6.3%, sequentially and $50 thousand, or 2.4%, year over year. Health insurance premiums decreased $2 thousand, or 0.8%, sequentially, but increased $49 thousand, or 25.6%, year over year. The decrease in salaries and benefits also reflected payments in the first quarter of 2020 aggregating $234 thousand to the Bank's former chief executive officer in connection with his retirement and seasonal decreases in payroll taxes. In addition, the absorption of direct loan origination costs increased $305 thousand sequentially, reflecting the origination of 413 PPP loans at a standard cost of $750 per loan in the second quarter of 2020.

The efficiency ratio (non-interest expenses divided by the sum of net interest income before provision for loan losses and non-interest income) was 60.8% for the second quarter of 2020, compared to 73.1% for the first quarter of 2020 and 65.6% for the second quarter of 2019. Annualized non-interest expenses as a percent of average total assets were 2.20%, 2.85%, and 2.80% for the second quarter of 2020, the first quarter of 2020, and the second quarter of 2019, respectively, reflecting the sequential decrease in non-interest expenses and the increase in earning assets attributable to the PPP.

About 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 County. 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. The primary facsimile number is 831.264.4001. 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	***or***	Michael J. Winiarski
Chief Executive Officer		Chief Financial Officer
831.264.4057 office		831.264.4014 office
Sam.Jimenez@1stCapitalBank.com		Michael.Winiarski@1stCapitalBank.com

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1ST CAPITAL BANK
CONDENSED FINANCIAL DATA
(Unaudited)
(Dollars in thousands, except per share data)

Financial Condition Data[1]	June 30, 2020	March 31, 2020	December 31, 2019	June 30, 2019
Assets				
Cash and due from banks	$ 6,719	$ 6,582	$ 6,198	$ 5,994
Funds held at the Federal Reserve Bank[2]	29,056	30,071	46,155	56,057
Available-for-sale securities, at fair value	62,473	63,728	66,095	70,396
Loans held for sale	488	-	-	-
Loans receivable held for investment:				
Construction / land (including farmland)	16,372	21,193	19,457	18,014
Residential 1 to 4 units	127,192	136,014	140,623	144,336
Home equity lines of credit	6,630	7,656	6,964	7,920
Multifamily	71,795	57,900	59,830	53,561
Owner occupied commercial real estate	70,478	73,488	70,622	61,242
Investor commercial real estate	172,219	171,266	159,350	142,533
Commercial and industrial	47,717	50,460	41,100	39,603
Paycheck Protection Program	100,652	-	-	-
Other loans	10,638	12,510	12,943	14,468
Total loans	623,693	530,487	510,889	481,677
Allowance for loan losses	(8,093)	(7,431)	(6,594)	(6,572)
Net loans	615,600	523,056	504,295	475,105
Premises and equipment, net	2,541	2,189	2,102	2,192
Bank owned life insurance	8,167	8,119	8,071	7,968
Investment in FHLB[3] stock, at cost	3,534	3,501	3,501	3,501
Accrued interest receivable and other assets	8,113	8,514	8,930	9,577
Total assets	$ 736,691	$ 645,760	$ 645,347	$ 630,790
Liabilities and shareholders' equity				
Deposits:				
Noninterest-bearing demand deposits	$ 343,042	$ 252,760	$ 280,634	$ 270,939
Interest-bearing checking accounts	46,774	41,857	35,804	36,721
Money market deposits	138,796	158,178	128,559	134,108
Savings deposits	103,152	99,789	107,677	100,049
Time deposits	19,031	19,400	19,395	19,694
Total deposits	650,795	571,984	572,069	561,511
Borrowings	10,000	-	-	-
Accrued interest payable and other liabilities	4,856	4,961	5,263	5,305
Shareholders' equity	71,040	68,815	68,015	63,974
Total liabilities and shareholders' equity	$ 736,691	$ 645,760	$ 645,347	$ 630,790
Shares outstanding	5,535,804	5,528,218	5,520,179	5,483,634
Nominal and tangible book value per share	$12.83	$12.45	$12.32	$11.67
Ratio of net loans to total deposits	94.57%	91.45%	88.15%	84.61%

1 = Loans receivable held for investment are presented according to definitions applicable to the regulatory Call Report.
2 = Includes cash letters in the process of collection settled through the Federal Reserve Bank.
3 = Federal Home Loan Bank
4 = Some items in prior periods have been reclassified to conform to the current presentation.

1ST CAPITAL BANK
CONDENSED FINANCIAL DATA
(Unaudited)
(Dollars in thousands, except per share data)

	Three Months Ended			
Operating Results Data[1]	June 30, 2020	March 31, 2020	December 31, 2019	June 30, 2019
Interest and dividend income				
Loans	$ 6,234	$ 5,683	$ 5,556	$ 5,570
Investment securities	296	375	410	457
Other	32	130	153	225
Total interest and dividend income	6,562	6,188	6,119	6,252
Interest expense				
Interest-bearing checking	3	3	3	3
Money market deposits	116	175	159	140
Savings deposits	68	89	93	85
Time deposits	53	56	55	54
Total interest expense	240	323	310	282
Net interest income	6,322	5,865	5,809	5,970
Provision for loan losses	650	825	-	-
Net interest income after provision for loan losses	5,672	5,040	5,809	5,970
Noninterest income				
Service charges on deposits	64	94	76	82
BOLI dividend income	48	48	50	52
Other	69	146	179	394
Total noninterest income	181	288	305	528

1ST CAPITAL BANK
CONDENSED FINANCIAL DATA
(Unaudited)
(Dollars in thousands, except per share data)

	Three Months Ended			
	June 30, 2020	March 31, 2020	December 31, 2019	June 30, 2019
Noninterest expenses				
Salaries and benefits	2,393	2,824	2,137	2,700
Occupancy	353	363	331	326
Data and item processing	206	221	231	284
Furniture and equipment	189	191	169	142
Professional services	167	161	235	108
Provision for unfunded loan commitments	-	(17)	12	(8)
Other	645	752	630	711
Total noninterest expenses	3,953	4,495	3,745	4,263
Income before provision for income taxes	1,900	833	2,369	2,235
Provision for income taxes	550	225	634	597
Net income	$ 1,350	$ 608	$ 1,735	$ 1,638
Common Share Data[1]				
Earnings per common share				
Basic	$0.24	$0.11	$0.32	$0.30
Diluted	$0.24	$0.11	$0.31	$0.29
Weighted average common shares outstanding				
Basic	5,531,341	5,521,518	5,506,349	5,478,457
Diluted	5,563,391	5,582,687	5,584,827	5,571,736

1 = Earnings per common share and weighted average common shares outstanding have been restated to reflect the effect of the 7% stock dividend to shareholders of record November 22, 2019 and paid December 20, 2019.

1ST CAPITAL BANK
CONDENSED FINANCIAL DATA
(Unaudited)
(Dollars in thousands, except per share data)

	Six Months Ended	
Operating Results Data[1]	June 30, 2020	June 30, 2019
Interest and dividend income		
Loans	$ 11,917	$ 11,251
Investment securities	671	913
Other	162	540
Total interest and dividend income	12,750	12,704
Interest expense		
Interest-bearing checking	6	6
Money market deposits	291	269
Savings deposits	157	176
Time deposits	109	103
Total interest expense on deposits	563	554
Interest expense on borrowings	-	-
Total interest expense	563	554
Net interest income	12,187	12,150
Provision for loan losses	1,475	-
Net interest income after provision for loan losses	10,712	12,150
Noninterest income		
Service charges on deposits	158	158
BOLI dividend income	96	103
Gain on sale of loans	-	8
Other	215	773
Total noninterest income	469	1,002

1ST CAPITAL BANK
CONDENSED FINANCIAL DATA
(Unaudited)
(Dollars in thousands, except per share data)

	Six Months Ended	
	June 30, 2020	June 30, 2019
Noninterest expenses		
Salaries and benefits	5,217	5,374
Occupancy	716	632
Data and item processing	427	499
Furniture and equipment	380	299
Professional services	328	238
Provision for unfunded loan commitments	(17)	(23)
Other	1,397	1,484
Total noninterest expenses	8,448	8,503
Income before provision for income taxes	2,733	4,649
Provision for income taxes	775	1,235
Net income	$ 1,958	$ 3,414
Common Share Data[1]		
Earnings per common share		
Basic	$0.35	$0.62
Diluted	$0.35	$0.61
Weighted average common shares outstanding		
Basic	5,526,430	5,473,312
Diluted	5,573,039	5,560,864

1 = Earnings per common share and weighted average common shares outstanding have been restated to reflect the effect of the 7% stock dividend to shareholders of record November 22, 2019 and paid December 20, 2019.

1ST CAPITAL BANK
CONDENSED FINANCIAL DATA
(Unaudited)
(Dollars in thousands)

Asset Quality	June 30, 2020	March 31, 2020	December 31, 2019	June 30, 2019
Loans past due 90 days or more and accruing interest	$ -	$ -	$ -	$ -
Nonaccrual restructured loans	-	-	-	-
Other nonaccrual loans	490	492	492	-
Other real estate owned	-	-	-	-
	$ 490	$ 492	$ 492	$ -
Allowance for loan losses to total loans	1.30%	1.40%	1.29%	1.36%
Allowance for loan losses to nonperforming loans	1651.63%	1510.37%	1340.24%	n/a
Nonaccrual loans to total loans	0.08%	0.09%	0.10%	0.00%
Nonperforming assets to total assets	0.07%	0.08%	0.08%	0.00%
Regulatory Capital and Ratios				
Common equity tier 1 capital	$ 69,675	$ 68,150	$ 67,471	$ 63,446
Tier 1 regulatory capital	$ 69,675	$ 68,150	$ 67,471	$ 63,446
Total regulatory capital	$ 75,868	$ 74,404	$ 73,487	$ 69,077
Tier 1 leverage ratio	9.66%	10.77%	10.90%	10.40%
Common equity tier 1 risk-based capital ratio	14.12%	13.66%	14.04%	14.12%
Tier 1 risk-based capital ratio	14.12%	13.66%	14.04%	14.12%
Total risk-based capital ratio	15.37%	14.91%	15.29%	15.37%

	Three Months Ended			
Selected Financial Ratios[1]	June 30, 2020	March 31, 2020	December 31, 2019	June 30, 2019
Return on average total assets	0.75%	0.38%	1.11%	1.08%
Return on average shareholders' equity	7.74%	3.53%	10.21%	10.47%
Net interest margin[2]	3.65%	3.87%	3.89%	4.06%
Net interest income to average total assets	3.51%	3.71%	3.72%	3.92%
Efficiency ratio	60.79%	73.06%	61.25%	65.58%

1 = All Selected Financial Ratios are annualized other than the Efficiency Ratio.
2 = Net interest margin calculated on a tax equivalent yield basis. Prior periods have been updated to conform to current presentation.

	Three Months Ended			
Selected Average Balances	June 30, 2020	March 31, 2020	December 31, 2019	June 30, 2019
Gross loans	$ 608,076	$ 519,468	$ 501,995	$ 484,676
Investment securities	63,034	65,163	67,695	70,033
Other interest earning assets	26,044	24,964	25,572	37,648
Total interest earning assets	$ 697,154	$ 609,595	$ 595,262	$ 592,357
Total assets	$ 721,907	$ 633,623	$ 620,218	$ 610,453
Interest-bearing checking accounts	$ 43,774	$ 42,092	$ 38,440	$ 36,569
Money market deposits	152,748	132,363	113,313	125,529
Savings deposits	101,291	103,156	106,293	99,517
Time deposits	19,247	19,367	19,484	18,759
Total interest-bearing deposits	317,060	296,978	277,530	280,374
Noninterest-bearing demand deposits	326,152	262,416	269,597	262,225
Total deposits	$ 643,212	$ 559,394	$ 547,127	$ 542,599
Borrowings	$ 3,736	$ -	$ -	$ -
Shareholders' equity	$ 69,982	$ 69,006	$ 67,381	$ 62,740

1ST CAPITAL BANK
CONDENSED FINANCIAL DATA
(Unaudited)
(Dollars in thousands)

Selected Financial Ratios	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Return on average total assets	0.58%	1.11%
Return on average shareholders' equity	5.65%	11.19%
Net interest margin[2]	3.75%	4.09%
Net interest income to average total assets	3.61%	3.96%
Efficiency ratio	66.75%	64.65%

1 = All Selected Financial Ratios are annualized other than the Efficiency Ratio.
2 = Net interest margin calculated on a tax equivalent yield basis. Prior periods have been updated to conform to current presentation.

Selected Average Balances	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Gross loans	$ 563,772	$ 486,248
Investment securities	64,099	69,794
Other interest earning assets	25,504	45,750
Total interest earning assets	$ 653,375	$ 601,792
Total assets	$ 677,765	$ 619,337
Interest-bearing checking accounts	$ 42,933	$ 35,425
Money market deposits	142,555	126,638
Savings deposits	102,224	103,316
Time deposits	19,307	18,431
Total interest-bearing deposits	307,019	283,811
Noninterest-bearing demand deposits	294,284	269,053
Total deposits	$ 601,303	$ 552,864
Borrowings	$ 1,869	$ -
Shareholders' equity	$ 69,494	$ 61,520

1ST CAPITAL BANK
CONDENSED FINANCIAL DATA
(Unaudited)
(Dollars in thousands)

June 30, 2020:	Original Loan-to-Value Ratio		
	Average	Median	Maximum
Construction/land	25.88%	48.16%	56.23%
Residential 1 to 4 units	53.20%	46.46%	78.75%
Home equity lines of credit	23.78%	46.29%	75.00%
Multifamily	43.14%	46.29%	70.72%
Owner-occupied CRE	48.42%	47.71%	81.60%
Investor CRE	42.24%	47.94%	78.32%

June 30, 2020:	Original Loan-to-Value Ratio						
	Under 50%	50%-60%	60%-70%	70%-75%	75%-80%	Over 80%	Total
Construction/land	$ 12,436	$ 3,936	$ -	$ -	$ -	$ -	$ 16,372
Residential 1 to 4 units	46,458	36,143	26,871	11,190	6,530	-	127,192
Home equity lines of credit	5,099	936	211	384	-	-	6,630
Multifamily	28,595	21,036	20,871	1,293	-	-	71,795
Owner-occupied CRE	28,773	19,798	15,276	5,985	181	465	70,478
Investor CRE	104,294	43,886	17,021	3,845	3,173	-	172,219
	$ 225,655	$ 125,735	$ 80,250	$ 22,697	$ 9,884	$ 465	$ 464,686

June 30, 2020:	Commercial Real Estate Loans	
	Investor	Owner-Occupied
Office	$ 28,717	$ 21,298
Industrial and warehouse	28,203	21,619
Hotels and motels	27,609	-
Retail	21,901	6,865
Mini storage	13,486	-
Health care	12,731	6,198
Mixed use	32,557	5,005
Other	7,015	9,493
	172,219	70,478
Multifamily residential	71,795	-
Single-family residential	32,772	101,050
	$ 276,786	$ 171,528

June 30, 2020:	Commercial and Industrial Loans
Health care	$ 24,484
Agricultural	22,269
Manufacturing	21,679
Wholesale trade	15,564
Construction	15,538
Real estate rental/leasing	10,548
Professional services	10,009
Retail trade	5,758
Other	33,646
	$ 159,495