



1st Capital Bank Announces Third Quarter 2020 Financial Results

Salinas, California – October 30, 2020. **1st Capital Bank** (OTC Pink: FISB) reported unaudited net income of \$953 thousand for the three months ended September 30, 2020, a decrease of 29.4% compared to net income of \$1.35 million in the second quarter of 2020 and a decrease of 50.8% compared to net income of \$1.94 million in the third quarter of 2019. Earnings per share were \$0.17 (diluted) for the third quarter of 2020, compared to \$0.24 (diluted) for the prior quarter, and \$0.35 (diluted) for the third quarter of 2019.

Unaudited net income for the nine-month period ended September 30, 2020 was \$2.91 million, a decrease of 45.6% compared to net income of \$5.35 million for the nine-month period ended September 30, 2019. Year-to-date earnings per share were \$0.52 (diluted) and \$0.96 (diluted) for the nine-month periods ended September 30, 2020 and 2019, respectively.

“The economic effects of the global pandemic continued to impact the Bank’s operating results in the third quarter of 2020,” said Samuel D. Jimenez, chief executive officer. “Repricing and prepaying assets have depressed our asset yields and compressed our net interest margin by 0.20% to 3.45%. In addition, an overall downward migration of loan risk ratings with a modest increase in non-performing loans resulted in continuing loan loss provisions. On an optimistic note, we filled out our executive team during the quarter and opportunistically strengthened our lending team in San Luis Obispo County, adding three experienced local lenders to the team. While the future remains uncertain, we believe we are taking appropriate steps to position the Bank for future success.”

Operating results reflect a provision for loan losses of \$650 thousand in the third quarter of 2020, compared to provisions of \$825 thousand and \$650 thousand in the first and second quarters of 2020, respectively, 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 third quarter of 2019.

As of September 30, 2020, the Bank’s allowance for loan and lease losses was \$8.8 million, or 1.40% percent of loans held for investment, compared to \$8.1 million, or 1.30% of loans held for investment, as of June 30, 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 September 30, 2020 was 1.69% of loans held for investment excluding its net investment of \$106.6 million in loans insured under the U.S. Small Business Administration’s (“SBA”) Paycheck Protection Program (“PPP”). As of June 30, 2020, the allowance was 1.55% of loans not insured under the PPP. The Bank recognized net recoveries of \$61 thousand, \$12 thousand, and \$9 thousand in the third quarter of 2020, the

second quarter of 2020, and the third quarter of 2019, respectively, and recognized no loan or lease charge-offs in such periods.

“In the third quarter, it became increasingly apparent that the economy’s recovery from the effects of the COVID-19 pandemic will take longer than previously estimated,” said Dale R. Diederick, chief credit officer. “The trend in coronavirus cases is again increasing, creating continued uncertainty regarding the speed of the recovery and volatility in the value and market absorption of commercial real estate. The Bank also has seen a downward migration in loan risk ratings. These trends caused management to determine that continuing to provide for credit losses in the third quarter was prudent.”

Total assets increased \$12.3 million in the third quarter, from \$736.7 million at June 30, 2020 to \$749.0 million at September 30, 2020, an increase of 1.7%. Net loans held for investment increased \$3.8 million, or 0.6%, during the third quarter, from \$615.6 million at June 30, 2020 to \$619.4 million at September 30, 2020.

In the third quarter, PPP loans outstanding increased \$5.9 million, or 5.9%. Single-family loans purchased by the Bank in prior quarters declined \$11.1 million, or 10.6%, while the portfolio of loans originated by the Bank increased \$15.6 million, or 3.0%. Growth in the core loan portfolio was concentrated in multi-family loans, which increased \$7.9 million, or 11.0%. Commercial and industrial loans increased \$1.1 million, or 2.3%, and commercial real estate loans increased \$1.8 million, or 0.7%. Undrawn, available credit increased \$21.3 million, from \$67.0 million at June 30, 2020 to \$88.3 million at September 30, 2020.

“In the third quarter of 2020, the Bank continued to source new business opportunities as competing banks withdrew from the market,” said Jon D. Ditlevsen, president. “Our new lenders in San Luis Obispo already have contributed to the Bank’s success in building market share in that attractive market. At the same time, Santa Cruz, Monterey, and the Salinas Valley continue to provide numerous opportunities to extend credit well within our credit risk acceptance criteria. During the third quarter we funded \$40.9 million in core commercial and industrial and commercial real estate loans, as well as \$6.0 million in PPP fundings, compared to \$33.2 million in non-PPP core production in the prior quarter.”

Third Quarter Highlights:

- Return on average equity was 5.26%, compared to 7.74% for the second quarter of 2020 and 11.79% for the third quarter of 2019.
- Return on average assets was 0.51%, compared to 0.75% for the second quarter of 2020 and 1.25% for the third quarter of 2019.
- Gross loans held for investment increased \$4.5 million, or 0.7%, during the third quarter of 2020, from \$623.7 million at June 30, 2020 to \$628.2 million at September 30, 2020.
- Non-accrual loans were \$1.5 million, or 0.24% of loans outstanding, at September 30, 2020, compared to \$490 thousand at June 30, 2020 and \$492 thousand at 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 and \$8.0 million at September 30, 2020.

- The Bank's net loans to deposits ratio decreased from 94.6% at June 30, 2020 to 93.6% at September 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 \$283.9 million at September 30, 2020. \$25.0 million of additional liquidity under Federal funds facilities also was available.
- Deposits totaled \$661.6 million at September 30, 2020, compared to \$650.8 million at June 30, 2020, an increase of \$10.8 million, or 1.7%.
- Demand deposits increased \$13.7 million, or 4.0%, from \$343.0 million at June 30, 2020 to \$356.7 million at September 30, 2020 and made up 53.9% of total deposits at September 30, 2020.
- The Bank's cost of funds decreased from 0.15% in the second quarter of 2020 to 0.13% in the third quarter of 2020.
- Non-interest income increased from \$181 thousand in the second quarter of 2020 to \$326 thousand in the third quarter of 2020.
- Non-interest expenses increased from \$3.95 million in the second quarter of 2020 to \$4.58 million in the third quarter of 2020, primarily because of increased headcount and legal and recruiting fees, as well as reduced absorption of direct loan origination costs.
- The Bank's common equity Tier 1 ("CET1") risk-based capital ratio was 14.16%, and its Tier 1 leverage ratio was 9.58% at September 30, 2020, compared to 14.12% and 9.66%, respectively, at June 30, 2020.
- Net interest margin decreased from 3.65% in the second quarter of 2020 to 3.45% in the third quarter of 2020.
- Deferred loan origination fees (net of unamortized direct loan origination costs) on PPP loans totaled \$2.49 million at September 30, 2020.

Throughout the third 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. Seven of the Bank's 94 employees have tested positive for the coronavirus, and all have recovered and returned to work after quarantine periods.

NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES

Net interest income before provision for credit losses was \$6.22 million in the third quarter of 2020, a decrease of \$97 thousand, or 1.5%, compared to \$6.32 million in the second quarter of 2020 and an increase of \$234 thousand, or 3.9%, compared to \$5.99 million in the third quarter of 2019.

Average earning assets were \$718.6 million during the third quarter of 2020, an increase of 3.1% compared to \$697.2 million in the second quarter of 2020. The yield on earning assets was 3.55% in the third quarter of 2020, compared to 3.78% in the second quarter of 2020. The decrease in yield reflected lower yields on both the loan and investment portfolios and the absence of \$100 thousand of deferred SBA fees on PPP loans recognized in connection with loan payoffs in the second quarter of 2020.

The average balance of the investment portfolio decreased \$1.7 million, from \$63.0 million in the second quarter of 2020 to \$61.3 million in the third quarter of 2020, and the tax-equivalent yield decreased from 2.03% in the second quarter of 2020 to 1.78% in the third quarter of 2020, as variable rate instruments with annual resets repriced downward.

The yields on non-PPP commercial and industrial and commercial real estate loans in the third quarter of 2020 were 4.16% and 4.72% on average balances of \$48.7 million and \$243.7 million, respectively, compared to 4.46% and 4.74% on average balances of \$50.5 million and \$242.2 million in the second quarter of 2020. The average balance of multi-family residential loans increased to \$76.1 million in the third quarter of 2020 from \$64.9 million in the second quarter of 2020, while the respective yields were 4.21% and 4.42%. The portfolio of single-family residential first liens yielded 3.24% and 3.48% on average balances of \$121.3 million and \$128.3 million in the third quarter of 2020 and the second quarter of 2020, 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 third quarter totaled \$693 thousand, compared to \$608 thousand in the second quarter. Second quarter income included \$100 thousand of deferred fees recognized as income in connection with loan payoffs; no such income was recognized in the third quarter. During the third quarter, the average balance of PPP loans was \$105.7 million, with a yield of 2.66%, compared to \$77.6 million, with a yield of 3.18%, in the second quarter.

The cost of interest-bearing liabilities was 0.28% in the third quarter of 2020, compared to 0.30% in the second quarter of 2020, while the average balance of interest-bearing liabilities decreased 6.1% from \$317.1 million in the second quarter of 2020 to \$297.6 million in the third quarter of 2020. The average balance of reciprocal deposits, all of which are money market deposits, decreased 79.6% from \$29.7 million in the second quarter of 2020 to \$6.1 million in the third quarter of 2020 at a cost of 0.09% and 0.05%, respectively. Reciprocal deposits totaled \$15.3 million as of June 30, 2020; there were no reciprocal deposits on the Bank's balance sheet as of September 30, 2020.

The Bank's portfolio of certificates of deposit had average balances of \$19.2 million in the second quarter of 2020 and \$17.7 million in the third quarter of 2020, and an average cost of funds of 1.12% and 0.79%, respectively. As of September 30, 2020, \$14.9 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 0.15% in the second quarter of 2020 to 0.13% in the third 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 September 30, 2020, approximately \$58.4 million, or 82.5%, of owner-occupied commercial real estate loans, \$238.5 million, or 94.8%, of investor real estate loans, \$26.1 million, or 21.4%, 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 \$15.6 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.

As of October 29, 2020, the State of California had assigned a "widespread" pandemic risk rating (the most severe of four ratings) to Monterey County, a "substantial" risk rating (the second most severe) to San Luis Obispo County, and a "moderate" risk rating (the third most severe) to Santa Cruz County. The State of California has indicated that under a "widespread" risk rating, many non-essential business operations (including shopping malls, retailers not offering merchandise deemed essential, bars, restaurants not offering take-out and/or outdoor dining, and most personal services) are closed, under a "substantial" risk rating, some non-essential indoor business operations are closed, and under a "moderate" risk rating, some indoor business operations are open with modifications.

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

Single-family mortgages totaling \$93.4 million as of September 30, 2020 are serviced by the Bank's outside single-family loan servicers 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.

As of September 30, 2020, the Bank had forbearance agreements as defined by the CARES Act in effect on seven non-conforming single-family mortgages serviced by the Bank's outside servicers totaling \$5.9 million. Such forbearance agreements call for the deferral of payments for 90 days, with a 30-day catch-up period and allow for one extension of the 90-day term. In addition, as of September 30, 2020, the Bank had in effect deferment agreements with three borrowers with loans aggregating \$1.9 million, comprising one \$1.2 million nonowner-occupied commercial real estate loan and two owner-occupied commercial real estate loans totaling \$713 thousand. Loans on forbearance or deferment plans totaled \$53.9 million as of June 30, 2020.

At September 30, 2020, non-accrual loans totaled \$1.5 million or 0.24% of the Bank's loans held for investment, compared with \$490 thousand, or 0.08%, at June 30, 2020, and \$492 thousand, or 0.10%, at December 31, 2019.

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 third quarter of 2020, compared to \$650 thousand in the second quarter of 2020 and no provision in the third 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, which drove an increase in the quantitative factors within the Bank's allowance for loan and leases model. In addition, during the third quarter it became apparent that economic conditions would continue to be affected by the COVID-19 pandemic longer than originally anticipated. 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 and the level of and trend in classified loans, as well as general economic conditions. Impaired loans totaled \$836 thousand at September 30, 2020, compared to \$891 thousand at June 30, 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 \$481 thousand at September 30, 2020, compared to \$501 thousand at June 30, 2020 and \$326 thousand at December 31, 2019.

At September 30, 2020, the allowance for loan losses was 1.40% of outstanding loans held for investment, compared to 1.30% at June 30, 2020 and 1.33% at September 30, 2019, respectively. The ratio of the allowance for loan and lease losses to loans not guaranteed by the SBA under the PPP was 1.69% as of September 30, 2020, compared to 1.55% as of June 30, 2020. The Bank recorded net recoveries of \$61 thousand in the third quarter of 2020, compared to \$12 thousand in the second quarter of 2020 and \$9 thousand in the third quarter of 2019. The Bank did not record any charge-offs during such periods.

NON-INTEREST INCOME

Non-interest income recognized in the third quarter of 2020 was \$326 thousand, compared to \$181 thousand in the second quarter of 2020. A \$52 thousand increase in gain on sale of loans and a \$72 thousand increase in mortgage referral fees were the primary causes of the increase.

NON-INTEREST EXPENSES

Non-interest expenses increased \$625 thousand, or 15.8%, to \$4.58 million in the third quarter of 2020, compared to \$3.95 million for the second quarter of 2020, and increased \$618 thousand, or 15.6%, compared to \$3.96 million recognized in the third quarter of 2019.

Salaries and benefits increased \$311 thousand, or 13.0%, to \$2.70 million in the third quarter of 2020 from \$2.39 million in the second quarter of 2020, and increased \$252 thousand, or 10.3%, compared to \$2.45 million in the third quarter of 2019. Employee salaries increased \$109 thousand, or 5.4%, sequentially and \$91 thousand, or 4.5%, year over year. In addition, the absorption of direct loan origination costs decreased \$190 thousand sequentially and \$38 thousand year over year, reflecting the origination of 413 PPP loans at a standard cost of \$750 per loan in the second quarter of 2020.

Professional fees increased \$183 thousand, or 111.0%, to \$350 thousand in the third quarter of 2020 from \$167 thousand in the second quarter of 2020, and increased \$207 thousand, or 145.8%, compared to \$143 thousand in the third quarter of 2019. The increase is attributable to a \$125 thousand sequential increase in legal fees and a sequential increase of \$50 thousand in executive recruiting fees.

The efficiency ratio (non-interest expenses divided by the sum of net interest income before provision for loan losses and non-interest income) was 69.9% for the third quarter of 2020, compared to 60.8% for the second quarter of 2020 and 60.0% for the third quarter of 2019. Annualized non-interest expenses as a percent of average total assets were 2.45%, 2.20%, and 2.56% for the third quarter of 2020, the second quarter of 2020, and the third quarter of 2019, respectively, reflecting the sequential increase in non-interest expenses and the increase in earning assets in the second quarter of 2020 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.

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

<u>Financial Condition Data</u> ¹	September 30, <u>2020</u>	June 30, <u>2020</u>	March 31, <u>2020</u>	September 30, <u>2019</u>
Assets				
Cash and due from banks	\$ 6,966	\$ 6,719	\$ 6,582	\$ 5,947
Funds held at the Federal Reserve Bank ²	38,715	29,056	30,071	47,529
Available-for-sale securities, at fair value	59,649	62,473	63,728	68,386
Loans held for sale	442	488	-	-
Loans receivable held for investment:				
Construction / land (including farmland)	15,850	16,372	21,193	18,602
Residential 1 to 4 units	115,881	127,192	136,014	141,907
Home equity lines of credit	6,034	6,630	7,656	7,158
Multifamily	79,693	71,795	57,900	54,324
Owner occupied commercial real estate	70,935	70,478	73,488	63,587
Investor commercial real estate	173,557	172,219	171,266	153,849
Commercial and industrial	48,812	47,717	50,460	38,801
Paycheck Protection Program	106,559	100,652	-	-
Other loans	10,877	10,638	12,510	16,042
Total loans	<u>628,198</u>	<u>623,693</u>	<u>530,487</u>	<u>494,270</u>
Allowance for loan losses	<u>(8,804)</u>	<u>(8,093)</u>	<u>(7,431)</u>	<u>(6,582)</u>
Net loans	619,394	615,600	523,056	487,688
Premises and equipment, net	3,034	2,541	2,189	2,131
Bank owned life insurance	8,215	8,167	8,119	8,020
Investment in FHLB ³ stock, at cost	3,534	3,534	3,501	3,501
Accrued interest receivable and other assets	9,073	8,113	8,514	14,254
Total assets	<u>\$ 749,022</u>	<u>\$ 736,691</u>	<u>\$ 645,760</u>	<u>\$ 637,456</u>
Liabilities and shareholders' equity				
Deposits:				
Noninterest-bearing demand deposits	\$ 356,730	\$ 343,042	\$ 252,760	\$ 255,369
Interest-bearing checking accounts	54,228	46,774	41,857	47,148
Money market deposits	128,039	138,796	158,178	140,515
Savings deposits	105,431	103,152	99,789	103,224
Time deposits	17,147	19,031	19,400	19,399
Total deposits	<u>661,575</u>	<u>650,795</u>	<u>571,984</u>	<u>565,655</u>
Borrowings	10,000	10,000	-	-
Accrued interest payable and other liabilities	5,059	4,856	4,961	5,466
Shareholders' equity	<u>72,388</u>	<u>71,040</u>	<u>68,815</u>	<u>66,335</u>
Total liabilities and shareholders' equity	<u>\$ 749,022</u>	<u>\$ 736,691</u>	<u>\$ 645,760</u>	<u>\$ 637,456</u>
Shares outstanding	5,543,393	5,535,804	5,528,218	5,502,514
Nominal and tangible book value per share	\$13.06	\$12.83	\$12.45	\$12.06
Ratio of net loans to total deposits	93.62%	94.59%	91.45%	86.22%

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			
	September 30, <u>2020</u>	June 30, <u>2020</u>	March 31, <u>2020</u>	September 30, <u>2019</u>
<u>Operating Results Data</u>¹				
Interest and dividend income				
Loans	\$ 6,133	\$ 6,234	\$ 5,683	\$ 5,578
Investment securities	253	296	375	442
Other	51	32	130	249
Total interest and dividend income	<u>6,437</u>	<u>6,562</u>	<u>6,188</u>	<u>6,269</u>
Interest expense				
Interest-bearing checking	3	3	3	3
Money market deposits	101	116	175	125
Savings deposits	72	68	89	88
Time deposits	36	53	56	62
Total interest expense	<u>212</u>	<u>240</u>	<u>323</u>	<u>278</u>
Net interest income	6,225	6,322	5,865	5,991
Provision for loan losses	650	650	825	-
Net interest income after provision for loan losses	<u>5,575</u>	<u>5,672</u>	<u>5,040</u>	<u>5,991</u>
Noninterest income				
Service charges on deposits	73	64	94	88
BOLI dividend income	48	48	48	52
Gain on sale of loans	52	-	-	33
Gain on sale of investments	-	-	-	60
Other	153	69	146	372
Total noninterest income	<u>326</u>	<u>181</u>	<u>288</u>	<u>605</u>

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

	Three Months Ended			
	September 30, <u>2020</u>	June 30, <u>2020</u>	March 30, <u>2020</u>	September 30, <u>2019</u>
Noninterest expenses				
Salaries and benefits	2,704	2,393	2,824	2,452
Occupancy	390	353	363	372
Data and item processing	225	206	221	220
Furniture and equipment	127	189	191	150
Professional services	350	167	161	143
Provision for unfunded loan commitments	41	-	(17)	(7)
Other	741	645	752	630
Total noninterest expenses	<u>4,578</u>	<u>3,953</u>	<u>4,495</u>	<u>3,960</u>
Income before provision for income taxes	1,323	1,900	833	2,636
Provision for income taxes	370	550	225	698
Net income	<u>\$ 953</u>	<u>\$ 1,350</u>	<u>\$ 608</u>	<u>\$ 1,938</u>
<u>Common Share Data</u>¹				
Earnings per common share				
Basic	\$0.17	\$0.24	\$0.11	\$0.35
Diluted	\$0.17	\$0.24	\$0.11	\$0.35
Weighted average common shares outstanding				
Basic	5,540,643	5,531,341	5,521,518	5,492,657
Diluted	5,575,971	5,563,391	5,582,687	5,578,507

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)

	Nine Months Ended	
	September 30, 2020	September 30, 2019
<u>Operating Results Data</u>¹		
Interest and dividend income		
Loans	\$ 18,050	\$ 16,829
Investment securities	924	1,355
Other	213	789
Total interest and dividend income	19,187	18,973
Interest expense		
Interest-bearing checking	9	9
Money market deposits	392	394
Savings deposits	229	264
Time deposits	145	165
Total interest expense	775	832
Net interest income	18,412	18,141
Provision for loan losses	2,125	-
Net interest income after provision for loan losses	16,287	18,141
Noninterest income		
Service charges on deposits	231	246
BOLI dividend income	144	155
Gain on sale of loans	52	41
Gain on sale of investments	-	60
Other	368	1,105
Total noninterest income	795	1,607

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

	Nine Months Ended	
	September 30, 2020	September 30, 2019
Noninterest expenses		
Salaries and benefits	7,921	7,826
Occupancy	1,106	1,004
Data and item processing	652	719
Furniture and equipment	507	449
Professional services	678	381
Provision for unfunded loan commitments	24	(30)
Other	2,138	2,114
Total noninterest expenses	13,026	12,463
Income before provision for income taxes	4,056	7,285
Provision for income taxes	1,145	1,933
Net income	\$ 2,911	\$ 5,352
<u>Common Share Data</u> ¹		
Earnings per common share		
Basic	\$0.53	\$0.98
Diluted	\$0.52	\$0.96
Weighted average common shares outstanding		
Basic	5,531,202	5,479,831
Diluted	5,573,522	5,566,810

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)

	September 30, <u>2020</u>	June 30, <u>2020</u>	March 31, <u>2020</u>	September 30, <u>2019</u>
<u>Asset Quality</u>				
Loans past due 90 days or more and accruing interest	\$ -	\$ -	\$ -	\$ -
Nonaccrual restructured loans	-	-	-	-
Other nonaccrual loans	1,535	490	492	-
Other real estate owned	-	-	-	-
	<u>\$ 1,535</u>	<u>\$ 490</u>	<u>\$ 492</u>	<u>\$ -</u>

Allowance for loan losses to total loans	1.40%	1.30%	1.40%	1.33%
Allowance for loan losses to nonperforming loans	573.55%	1651.63%	1510.37%	n/a
Nonaccrual loans to total loans	0.24%	0.08%	0.09%	0.00%
Nonperforming assets to total assets	0.20%	0.07%	0.08%	0.00%

Regulatory Capital and Ratios

Common equity tier 1 capital	\$ 70,831	\$ 69,675	\$ 68,150	\$ 65,536
Tier 1 regulatory capital	\$ 70,831	\$ 69,675	\$ 68,150	\$ 65,536
Total regulatory capital	\$ 77,117	\$ 75,868	\$ 74,404	\$ 71,377
Tier 1 leverage ratio	9.58%	9.66%	10.77%	10.67%
Common equity tier 1 risk-based capital ratio	14.16%	14.12%	13.66%	14.05%
Tier 1 risk-based capital ratio	14.16%	14.12%	13.66%	14.05%
Total risk-based capital ratio	15.42%	15.37%	14.91%	15.30%

Three Months Ended

	September 30, <u>2020</u>	June 30, <u>2020</u>	March 31, <u>2020</u>	September 30, <u>2019</u>
<u>Selected Financial Ratios</u> ¹				
Return on average total assets	0.51%	0.75%	0.38%	1.25%
Return on average shareholders' equity	5.26%	7.74%	3.53%	11.79%
Net interest margin ²	3.45%	3.65%	3.87%	4.05%
Net interest income to average total assets	3.33%	3.51%	3.71%	3.87%
Efficiency ratio	69.88%	60.79%	73.06%	60.04%

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

	September 30, <u>2020</u>	June 30, <u>2020</u>	March 31, <u>2020</u>	September 30, <u>2019</u>
<u>Selected Average Balances</u>				
Gross loans	\$ 628,889	\$ 608,076	\$ 519,468	\$ 481,402
Investment securities	61,323	63,034	65,163	68,949
Other interest earning assets	28,349	26,044	24,964	38,721
Total interest earning assets	<u>\$ 718,561</u>	<u>\$ 697,154</u>	<u>\$ 609,595</u>	<u>\$ 589,072</u>
Total assets	\$ 741,263	\$ 721,907	\$ 633,623	\$ 614,674
Interest-bearing checking accounts	\$ 47,246	\$ 43,774	\$ 42,092	\$ 42,295
Money market deposits	127,094	152,748	132,363	113,151
Savings deposits	105,548	101,291	103,156	111,502
Time deposits	17,748	19,247	19,367	19,933
Total interest-bearing deposits	297,636	317,060	296,978	286,881
Noninterest-bearing demand deposits	356,738	326,152	262,416	256,989
Total deposits	<u>\$ 654,374</u>	<u>\$ 643,212</u>	<u>\$ 559,394</u>	<u>\$ 543,870</u>
Borrowings	\$ 10,000	\$ 3,736	\$ -	\$ -
Shareholders' equity	\$ 71,849	\$ 69,982	\$ 69,006	\$ 65,219

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

	Nine Months Ended	
	September 30, 2020	September 30, 2019
<u>Selected Financial Ratios</u>		
Return on average total assets	0.55%	1.16%
Return on average shareholders' equity	5.52%	11.40%
Net interest margin ²	3.64%	4.08%
Net interest income to average total assets	3.51%	3.93%
Efficiency ratio	67.82%	63.11%

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.

	Nine Months Ended	
	September 30, 2020	September 30, 2019
<u>Selected Average Balances</u>		
Gross loans	\$ 585,636	\$ 484,615
Investment securities	63,167	69,510
Other interest earning assets	26,459	43,381
Total interest earning assets	\$ 675,262	\$ 597,506
Total assets	\$ 699,085	\$ 617,766
Interest-bearing checking accounts	\$ 44,381	\$ 37,740
Money market deposits	137,364	122,094
Savings deposits	103,340	106,075
Time deposits	18,784	18,937
Total interest-bearing deposits	303,869	284,846
Noninterest-bearing demand deposits	315,254	264,987
Total deposits	\$ 619,123	\$ 549,833
Borrowings	\$ 4,599	\$ -
Shareholders' equity	\$ 70,285	\$ 62,767

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

September 30, 2020:

	<u>Original Loan-to-Value Ratio</u>		
	<u>Average</u>	<u>Median</u>	<u>Maximum</u>
Construction/land	25.85%	28.36%	65.93%
Residential 1 to 4 units	52.27%	53.33%	78.32%
Home equity lines of credit	23.54%	32.46%	75.00%
Multifamily	43.71%	45.81%	71.81%
Owner-occupied CRE	47.77%	48.24%	84.94%
Investor CRE	41.37%	42.25%	77.85%

September 30, 2020:

	<u>Original Loan-to-Value Ratio</u>						<u>Total</u>
	<u>Under 50%</u>	<u>50%-60%</u>	<u>60%-70%</u>	<u>70%-75%</u>	<u>75%-80%</u>	<u>Over 80%</u>	
Construction/land	\$ 12,511	\$ -	\$ 3,339	\$ -	\$ -	\$ -	\$ 15,850
Residential 1 to 4 units	42,608	31,186	25,989	11,692	4,406	-	115,881
Home equity lines of credit	5,541	282	209	2	-	-	6,034
Multifamily	34,303	21,446	19,471	4,473	-	-	79,693
Owner-occupied CRE	26,874	19,960	15,285	7,940	180	696	70,935
Investor CRE	104,851	45,722	16,388	3,441	3,155	-	173,557
	<u>\$ 226,688</u>	<u>\$ 118,596</u>	<u>\$ 80,681</u>	<u>\$ 27,548</u>	<u>\$ 7,741</u>	<u>\$ 696</u>	<u>\$ 461,950</u>

September 30, 2020:

	<u>Commercial Real Estate Loans</u>	
	<u>Investor</u>	<u>Owner-Occupied</u>
Office	\$ 31,309	\$ 19,197
Industrial and warehouse	28,013	22,658
Hotels and motels	27,440	-
Retail	21,712	6,743
Mini storage	13,387	-
Health care	12,637	8,097
Mixed use	32,188	4,873
Other	6,871	9,367
	<u>173,557</u>	<u>70,935</u>
Multifamily residential	79,693	-
Single-family residential	30,909	91,006
	<u>\$ 284,159</u>	<u>\$ 161,941</u>

September 30, 2020:

	<u>Commercial and Industrial</u>
Health care	\$ 27,336
Agricultural	22,419
Manufacturing	20,392
Wholesale trade	17,294
Construction	17,291
Real estate rental/leasing	10,313
Professional services	9,867
Retail trade	5,589
Other	36,189
	<u>\$ 166,690</u>