



1st Capital Bancorp Announces Second Quarter 2021 Results

Salinas, California – July 30, 2021. **1st Capital Bancorp** (the “Company”), (OTCQX: FISB), the \$951 million asset bank holding company and parent company of 1st Capital Bank (the “Bank”), today reported unaudited net income of \$1.95 million for the three months ended June 30, 2021, an increase of 26.8% compared to net income of \$1.54 million in the first quarter of 2021, and an increase of 44.4% compared to net income of \$1.35 million in the second quarter of 2020. Earnings per share were \$0.34 (diluted) for the second quarter of 2021, compared to \$0.27 (diluted) for the prior quarter, and \$0.24 (diluted) for the second quarter of 2020.

Financial Highlights

Performance highlights for the quarter ended June 30, 2021, as compared to quarter ending June 30, 2020, and the quarter ending March 31, 2021:

- For the quarter ended June 30, 2021, the Company's return on average equity was 10.36%, as compared to 7.74% and 8.29% for the quarter ended June 30, 2020 and March 31, 2021, respectively.
- For the quarter ended June 30, 2021, the Company's return on average assets was 0.89%, as compared to 0.75% and 0.77% for the quarter ended June 30, 2020 and March 31, 2021, respectively.
- For the quarter ended June 30, 2021, the Company's net interest margin was 3.54%, as compared to 3.65% and 3.55% for the three months ended June 30, 2020 and March 31, 2021, respectively.
- For the quarter ended June 30, 2021, the Company's efficiency ratio was 64.79%, as compared to 60.79% and 69.69% for the three months ended June 30, 2020 and March 31, 2021, respectively.
- For the quarter ended June 30, 2021, the Company's provision expense for loan losses was \$0, as compared to \$650 thousand and \$0 for the three months ended June 30, 2020 and March 31, 2021, respectively.
- As of June 30, 2021, the Company's nonperforming assets to total assets was 0.23%, as compared to 0.07% and 0.35% for the three months ended June 30, 2020 and March 31, 2021, respectively.

- As of June 30, 2021, the Company reported total assets, total deposits, and total loans of \$950.7 million, \$853.6 million, and \$608.1 million, respectively.

“We are pleased to report solid second quarter results” said Samuel D. Jimenez, chief executive officer. “The quarter can be characterized by continuing core deposit growth in conjunction with substantial inflows from Paycheck Protection Program (PPP) forgiveness, and prepaying residential mortgage loans. While organic core loan demand remains solid, we strategically invested the majority of these inflows in bond purchases and a consumer loan pool. With these balance sheet actions along with the previously announced subordinated debt issuance, we are well positioned for continued growth for the remainder of 2021 and beyond.”

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

Operating Results Data	For the Three Months Ended			For the Six Months Ended		
	6/30/2021	6/30/2020	Change	6/30/2021	6/30/2020	Change
Interest income	\$ 7,800	\$ 6,562	\$ 1,238	\$ 14,908	\$ 12,750	\$ 2,158
Interest expense	295	240	55	537	563	(26)
Net interest income	7,505	6,322	1,183	14,371	12,187	2,184
Provision for loan losses	-	650	(650)	-	1,475	(1,475)
Noninterest income	191	181	10	381	469	(88)
Noninterest expenses	4,986	3,953	1,033	9,902	8,448	1,454
Income before provision for income taxes	2,710	1,900	810	4,850	2,733	2,117
Provision for income taxes	760	550	210	1,363	775	588
Net income	\$ 1,950	\$ 1,350	\$ 600	\$ 3,487	\$ 1,958	\$ 1,529

Assets	6/30/2021	3/31/2021	12/31/2020	9/30/2020
Cash and due from banks	\$ 17,876	\$ 11,497	\$ 9,304	\$ 6,966
Funds held at the Federal Reserve Bank	43,615	47,158	97,462	38,715
Available-for-sale securities, at fair value	264,572	181,201	106,214	59,649
Loans	608,101	619,436	605,154	628,640
Allowance for loan losses	(8,840)	(8,828)	(8,816)	(8,804)
Net loans	599,261	610,608	596,338	619,836
Other Assets	25,379	24,003	23,233	23,856
Total assets	\$ 950,703	\$ 874,467	\$ 832,551	\$ 749,022
Liabilities and Shareholders' Equity	6/30/2021	3/31/2021	12/31/2020	9/30/2020
Noninterest bearing demand deposits	\$ 412,108	\$ 401,123	\$ 386,711	\$ 356,730
Interest bearing checking accounts	57,421	58,612	65,686	54,228
Money market	241,164	185,841	159,509	128,039
Savings	129,176	127,940	121,148	105,431
Time	13,761	14,317	15,284	17,147
Interest bearing deposits	441,522	386,710	361,627	304,845
Total deposits	853,630	787,833	748,338	661,575
Other liabilities	19,779	12,249	9,880	15,059
Shareholders' equity	77,294	74,385	74,333	72,388
Total liabilities and shareholders' equity	\$ 950,703	\$ 874,467	\$ 832,551	\$ 749,022
Shares outstanding	5,581,848	5,571,545	5,570,021	5,543,393
Earnings per share basic	\$0.35	\$0.28	\$0.29	\$0.17
Earnings per share diluted	\$0.34	\$0.27	\$0.28	\$0.17
Nominal and tangible book value per share	\$13.85	\$13.35	\$13.35	\$13.06

Net Interest Income and Net Interest Margin

The Company's second quarter 2021 net interest income increased \$1.18 million or 18.71% as compared with the quarter ending June 30, 2020 and \$639 thousand or 9.31%, compared with the quarter ending March 31, 2021. The increase from the same period a year ago was driven by higher investment income, income generated by a \$25 million consumer loan purchase, and increased revenue recognition from the Paycheck Protection Program (PPP) loans. The increase over the trailing quarter was primarily driven by income generated by the \$25 million consumer loan purchase, and by higher investment income.

The Company's net interest margin decreased by 11 basis points (bps) or 3.01% when compared to the quarter ending June 30, 2020, and was generally flat relative to the quarter ending March 31, 2021. The 11 bps decrease compared to the same period a year ago was driven by the Company's rate and mix of its earning assets.

In general terms, prepaying and repricing higher yielding loans have been substantially replaced and supplemented with lower yielding investment securities purchased in the current year. The negative impact has been partially offset by higher yields resulting from fee recognition on PPP loan forgiveness, and to a lesser extent, the impact of the higher yielding consumer loans purchased during the recent quarter.

Provision for Loan Losses

The Company did not make any provisions for loan losses in the quarter ending June 30, 2021, as compared to \$650 thousand and \$0 in the quarter ending June 30, 2020, and March 31, 2021, respectively. Uncertainty surrounding COVID-19, and the potential negative impact on our clients and asset quality dictated the provisions made in the same period a year ago. Improving economic conditions and diminished concern with the Company's asset quality eliminated the need for any additional loan loss provisions for the previous sequential four quarters.

Noninterest Expenses

The Company's second quarter 2021 non-interest expenses increased \$1.03 million, or 26.1%, to \$4.99 million in the second quarter of 2021, compared to \$3.95 million for the second quarter of 2020, and increased \$68 thousand, or 1.4%, compared to \$4.92 million recognized in the first quarter of 2021.

The increase, as compared to the prior year comparative period is centered in salaries and benefits. In regards to the same period ending June 30, 2020, the addition of 11 employees, including a team of Relationship Managers in our San Luis Obispo market, and the opening of our Santa Cruz branch largely accounted for the increased level. In addition, severance costs associated with the departure of two senior officers materially contributed to the comparative period increase. Absent the severance costs, the Company's Efficiency Ratio would have been reported at 62.33% for the three months ended June 30, 2021.

Balance Sheet Summary

The Company's total assets increased \$76.2 million or 8.72% to \$950.7 million as compared to \$874.5 million at March 31, 2021.

Total loans outstanding were \$608.1 million as of June 30, 2021. This represents an \$16.1 million decrease or 2.58% from the June 30, 2020 outstanding balance of \$624.2 million. The decrease in loan level reflected payoff activity in the purchased residential loan portfolio and PPP loan forgiveness, offset by higher originated commercial real estate core loans, and the purchase of a \$25 million consumer loan pool on May 12, 2021.

The pool purchase represents approximately 1,600 unsecured personal loans, primarily debt consolidation, with an average FICO of 709, an average interest rate of approximately 16%, and an average remaining life of approximately 40 months.

PPP loans outstanding were \$84.9 million as of June 30, 2021, and included a deferred fee balance of \$2.2 million. At June 30, 2020, PPP loans outstanding were \$100.7 million and included a deferred fee balance of \$2.8 million.

The investment portfolio increased \$202.1 million to \$264.6 million from an outstanding balance of \$62.5 million as of June 30, 2020. Incoming cashflows from deposit growth and prepaying earning assets were significantly deployed in bonds. The majority of the investments were made in mortgage-backed securities, floating rate securities, and municipal securities.

Total deposits were \$853.6 million as of June 30, 2021. This represents a \$202.8 million increase or 31.16% from June 30, 2020 outstanding balance of \$650.8 million. A significant portion of this growth was associated with PPP loan proceeds deposited with the Bank. Growth in noninterest-bearing demand deposit accounts accounted \$69.1 million or 34.07% of the total deposit growth over the 12 months ending on June 30, 2021. The balance of the deposit growth was distributed among interest-bearing deposit accounts with the exception of time deposits which decreased by approximately \$5.3 million to \$13.8 million.

During the quarter, the Company completed a private placement of \$15 million in fixed-to-floating rate subordinated notes due June 30, 2031 to certain qualified buyers and accredited investors. The notes carry a fixed rate of 4.0% until June 30, 2026. Thereafter, the notes will pay interest at a floating rate, reset quarterly, equal to the then current three-month SOFR plus 339 basis points. The subordinated notes are redeemable by the Company at its option, in whole or in part, on or after June 30, 2026. The Company intends to use the net proceeds to support organic growth and for general corporate purposes.

Asset Quality

At June 30, 2021, non-performing assets were 0.23% of the Company's total assets, compared with 0.35% at March 31, 2021. At June 30, 2021, the allowance for loan losses was 1.46% of outstanding loans, compared to 1.43% at March 31, 2021. The Bank recorded net recoveries of \$12 thousand in each of the two quarters of 2021.

As of June 30, 2021, the Company does not have any outstanding loan deferments or forbearances stemming from COVID-19.

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

Assets	6/30/2021	6/30/2020	3/31/2021	12/31/2020
Cash and due from banks	\$ 17,876	\$ 6,719	\$ 11,497	\$ 9,304
Funds held at the Federal Reserve Bank	43,615	29,056	47,158	97,462
Available-for-sale securities, at fair value	264,572	62,473	181,201	106,214
Loans held for sale	1,791	488	-	-
Construction/land (including farmland)	22,091	16,372	19,331	17,097
Residential 1 to 4 units	75,906	127,192	87,736	102,688
Home equity lines of credit	6,669	6,630	5,400	5,955
Multifamily	77,183	71,795	84,942	84,704
Owner occupied commercial real estate	81,972	70,478	68,189	72,427
Investor commercial real estate	172,776	172,219	176,709	174,437
Commercial and industrial	49,147	47,717	49,314	47,550
Paycheck Protection Program	84,866	100,652	118,381	90,382
Other loans	35,700	10,638	9,434	9,914
Total loans held for investment	606,310	623,693	619,436	605,154
Allowance for loan losses	(8,840)	(8,093)	(8,828)	(8,816)
Net loans held for investment	597,470	615,600	610,608	596,338
Other assets	25,379	22,355	24,003	23,233
Total assets	\$ 950,703	\$ 736,691	\$ 874,467	\$ 832,551

Liabilities and Shareholders' Equity	6/30/2021	6/30/2020	3/31/2021	12/31/2020
Noninterest bearing demand deposits	\$ 412,108	\$ 343,042	\$ 401,123	\$ 386,711
Interest bearing checking accounts	57,421	46,774	58,612	65,686
Money market	241,164	138,796	185,841	159,509
Savings	129,176	103,152	127,940	121,148
Time	13,761	19,031	14,317	15,284
Interest bearing deposits	441,522	307,753	386,710	361,627
Total deposits	853,630	650,795	787,833	748,338
Other liabilities	19,779	14,856	12,249	9,880
Shareholders' equity	77,294	71,040	74,385	74,333
Total liabilities and shareholders' equity	\$ 950,703	\$ 736,691	\$ 874,467	\$ 832,551

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CONDENSED FINANCIAL DATA - UNAUDITED
(\$ in 000s)

Operating Results Data	Three Months Ended		Six Months Ended	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Loans	\$ 6,976	\$ 6,234	\$ 13,577	\$ 11,917
Investment securities	750	296	1,205	671
Federal Home Loan Bank stock	66	26	110	88
Other income	8	6	16	74
Interest expense	295	240	537	563
Net interest income	7,505	6,322	14,371	12,187
Provision for loan losses	-	650	-	1,475
Noninterest income	191	181	381	469
Salaries and benefits expense	3,222	2,393	6,365	5,217
Occupancy expense	390	353	808	716
Data and item processing	265	206	515	427
Furniture and equipment	114	189	231	380
Professional services	162	167	341	328
Other	833	645	1,642	1,380
Total noninterest expenses	4,986	3,953	9,902	8,448
Income before provision for income taxes	2,710	1,900	4,850	2,733
Provision for income taxes	760	550	1,363	775
Net income	\$ 1,950	\$ 1,350	\$ 3,487	\$ 1,958

Asset Quality	6/30/2021	3/31/2021	12/31/2020	9/30/2020
Loans past due 90 days or more and accruing interest	\$ -	\$ -	\$ -	\$ -
Nonaccrual restructured loans	-	-	-	-
Other nonaccrual loans	2,161	3,100	1,299	1,535
Other real estate owned	-	-	-	-
Total nonperforming assets	\$ 2,161	\$ 3,100	\$ 1,299	\$ 1,535
Allowance for loan losses to total loans	1.46%	1.43%	1.46%	1.40%
Allowance for loan losses to nonperforming loans	409.07%	284.77%	678.68%	573.55%
Nonaccrual loans to total loans	0.36%	0.50%	0.21%	0.24%
Nonperforming assets to total assets	0.23%	0.35%	0.16%	0.20%

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(\$ in 000s)

Selected Average Balances	Three Months Ended		Six Months Ended	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Gross loans	\$ 620,093	\$ 608,076	\$617,604	\$ 563,772
Investment securities	202,246	63,034	163,658	64,099
Federal Home Loan Bank stock	3,834	3,525	3,685	3,513
Other interest earning assets	30,287	22,519	37,811	21,991
Total interest earning assets	\$ 856,460	\$ 697,154	\$ 822,758	\$ 653,375
Total assets	\$ 881,495	\$ 721,907	\$ 847,719	\$ 677,765
Interest bearing checking accounts	\$ 59,503	\$ 43,774	\$ 59,366	\$ 42,933
Money market	200,199	152,748	179,197	142,555
Savings	127,046	101,291	125,701	102,224
Time deposits	14,279	19,247	14,483	19,307
Total interest bearing deposits	401,027	317,060	378,747	307,019
Noninterest bearing demand deposits	398,007	326,152	385,085	294,284
Total deposits	\$ 799,034	\$ 643,212	\$ 763,832	\$ 601,303
Borrowings	\$ 1,641	\$ 3,736	\$ 3,311	\$ 1,869
Shareholders' equity	\$ 75,481	\$ 69,982	\$ 75,352	\$ 69,494

Selected Financial Ratios	Three Months Ended		Six Months Ended	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Return on average total assets	0.89%	0.75%	0.83%	0.58%
Return on average shareholders' equity	10.36%	7.74%	9.33%	5.65%
Net interest margin	3.54%	3.65%	3.54%	3.75%
Net interest income to average total assets	3.41%	3.51%	3.42%	3.61%
Efficiency ratio	64.79%	60.79%	67.12%	66.75%

Regulatory Capital and Ratios	6/30/2021	3/31/2021	12/31/2020	9/30/2020
Common equity tier 1 capital	\$ 76,158	\$ 74,132	\$ 72,461	\$70,831
Tier 1 regulatory capital	\$ 76,158	\$ 74,132	\$ 72,461	\$70,831
Total regulatory capital	\$ 83,518	\$ 80,863	\$ 78,957	\$77,117
Tier 1 leverage ratio	8.64%	9.14%	9.44%	9.58%
Common equity tier 1 risk based capital ratio	12.99%	13.83%	14.01%	14.16%
Tier 1 capital ratio	12.99%	13.83%	14.01%	14.16%
Total risk based capital ratio	14.24%	15.08%	15.27%	15.42%

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.

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