



## 1st Capital Bancorp Announces Second Quarter 2022 Financial Results

Salinas, California – July 29, 2022. **1st Capital Bancorp** (the “Company”), (OTCQX: FISB), the \$990.1 million asset bank holding company and parent company of 1st Capital Bank (the “Bank”), today reported unaudited net income of \$2.52 million for the quarter ended June 30, 2022, an increase of 20.49% compared to net income of \$2.09 million for the quarter ended March 31, 2022, and an increase of 29.25% compared to net income of \$1.95 million for the quarter ended June 30, 2021.

### **Financial Highlights**

Performance highlights for the quarter ended June 30, 2022, as compared to the quarter ended June 30, 2021 and the quarter ended March 31, 2022:

- Earnings per share (diluted) were \$0.45 for the second quarter of 2022, as compared to \$0.34 and \$0.37 for the quarters ended June 30, 2021 and March 31, 2022, respectively.
- For the quarter ended June 30, 2022, the Company's return on average equity was 14.82%, as compared to 10.36% and 10.59% for the quarters ended June 30, 2021 and March 31, 2022, respectively.
- For the quarter ended June 30, 2022, the Company's return on average assets was 0.98%, as compared to 0.89% and 0.85% for the quarters ended June 30, 2021 and March 31, 2022, respectively.
- For the quarter ended June 30, 2022, the Company's net interest margin was 3.58%, as compared to 3.54% and 3.40% for the quarters ended June 30, 2021 and March 31, 2022, respectively.
- Pre-tax, pre-provision income for the quarter ended June 30, 2022 totaled \$3.5 million, as compared to \$2.7 million and \$2.8 million for the quarters ended June 30, 2021 and March 31, 2022, respectively.
- For the quarter ended June 30, 2022, the Company's efficiency ratio was 61.89%, as compared to 64.79% and 65.75% for the quarters ended June 30, 2021 and March 31, 2022, respectively.
- The Company recorded no provision expense for the quarters ended June 30, 2022, June 30, 2021, and March 31, 2022.
- As of June 30, 2022, the Company's nonperforming assets to total assets was .01%, as compared to 0.23% and 0.01% for the quarters ended June 30, 2021 and March 31, 2022, respectively.
- As of June 30, 2022, the Company reported total assets, total deposits, and total loans of \$990.1 million, \$928.3 million, and \$586.1 million, respectively.

“Our second quarter results continue to reflect our expectations of positive operating trends including strong growth in net interest income, net income, and earnings per share,” commented Sam Jimenez, Chief Executive Officer. “While the yield curve paints a picture of economic uncertainty on the horizon, we anticipate continuing solid financial results, and maintain a strong capital position with a Common Equity Tier 1 ratio of 13.27%.”

### **Net Interest Income and Net Interest Margin**

The Company's second quarter 2022 net interest income increased \$1.3 million, or 17.8%, to \$8.84 million as compared with \$7.51 million for the quarter ending June 30, 2021 and \$844 thousand or 10.6% compared with the \$7.99 million for the quarter ending March 31, 2022. Loan interest income in the second quarter of 2022, excluding PPP income, increased \$959 thousand, or 16.1%, to \$6.91 million compared to \$5.96 million for the quarter ending June 30, 2021. Interest and fee income related to PPP loans decreased \$677 thousand to \$344 thousand for the quarter ended June 30, 2022, compared to \$1.02 million for the quarter ended June 30, 2021, a year over year decrease of 66.3%.

The Company's net interest margin increased by 4 basis points (bps), or 1.1%, to 3.58% when compared to 3.54% for the quarter ended June 30, 2021. This increase was primarily driven by the Company's mix of average earning assets as cash was deployed into higher yielding loans and leases, and investment securities. Interest expense increased \$278 thousand for the quarter ended June 30, 2022 compared to the quarter ended June 30, 2021 primarily related to interest expense associated with subordinated debt.

### **Provision for Loan Losses**

Strong credit quality resulted in no loan loss provision in the quarters ended June 30, 2022, June 30, 2021, March 31, 2022.

### **Noninterest Expenses**

The Company's total non-interest expense increased \$663 thousand, or 13.3%, to \$5.65 million in the quarter ended June 30, 2022, compared to \$4.99 million for the quarter ended June 30, 2021. This increase is attributed to a rise in salaries and benefits, software, community relations and business development costs.

### **Balance Sheet Summary**

The Company's total assets increased \$39.4 million, or 4.1%, to \$990.1 million as compared to \$950.7 million at June 30, 2021.

Total loans outstanding were \$586.1 million as of June 30, 2022, representing a \$20.2 million, or 3.3%, decrease from the June 30, 2021 outstanding balance of \$606.3 million. Excluding the \$82.9 million decline in PPP loan balances, loans increased \$62.6 million, or 12.0% at June 30, 2022 compared to June 30, 2021. In the second quarter of 2022, the Company purchased an \$11.0 million pool of consumer loans and a \$18.7 million pool of leases.

PPP loans outstanding were \$1.99 million as of June 30, 2022, and included a deferred fee balance of \$51 thousand. At June 30, 2021, PPP loans outstanding were \$84.9 million and included a deferred fee balance of \$2.2 million.

<b><u>Loan type (dollars in thousands)</u></b>	<b><u>6/30/2022</u></b>	<b><u>% of Total Loans</u></b>	<b><u>3/31/2022</u></b>	<b><u>% of Total Loans</u></b>	<b><u>6/30/2021</u></b>	<b><u>% of Total Loans</u></b>
Construction / land (including farmland)	\$ 18,502	3.2%	\$ 17,738	3.1%	\$ 22,091	3.6%
Residential 1 to 4 units	57,381	9.8%	58,191	10.0%	75,906	12.5%
Home equity lines of credit	5,392	0.9%	5,555	1.0%	6,669	1.1%
Multifamily	76,168	13.0%	78,291	13.5%	77,183	12.7%
Owner occupied commercial real estate	111,283	19.0%	111,580	19.2%	83,763	13.8%
Investor commercial real estate	186,448	31.8%	193,426	33.3%	172,776	28.3%
Commercial and industrial	43,652	7.4%	41,859	7.2%	49,147	8.1%
Paycheck Protection Program	1,986	0.3%	13,342	2.3%	84,866	14.0%
Leases	34,095	5.8%	17,597	3.0%	-	0.0%
Consumer	36,372	6.2%	31,488	5.4%	23,380	3.9%
Other loans	14,784	2.6%	11,143	2.0%	12,320	2.0%
Total loans	586,063	100.0%	580,210	100.0%	606,310	100.0%
Allowance for loan losses	(8,066)		(8,424)		(8,840)	
Net loans held for investment	<u>\$ 577,997</u>		<u>\$ 571,786</u>		<u>\$ 597,470</u>	

The investment portfolio increased \$79.1 million, or 29.9%, to \$343.7 million from \$264.6 million at June 30, 2021. The unrealized loss associated with the Company's available-for-sale investment security portfolio increased from \$23.6 million at March 31, 2022 to \$38.2 million at June 30, 2022 as market yields rose in the second quarter of driving down market values. Investment securities with book values of \$60 million and unrealized losses of \$7.7 million were transferred from available-for-sale to held-to-maturity in the second quarter of 2022.

Total deposits were \$928.3 million as of June 30, 2022. This represents a \$74.7 million, or 8.7% increase from the June 30, 2021 balance of \$853.6 million. Growth in money market and savings balances of \$48.9 million and \$14.0 million, respectively, drove deposit growth. Noninterest-bearing balances comprised 45.1% and 48.3% of total deposit balances at June 30, 2022 and June 30, 2021, respectively.

<b>Deposit type (dollars in thousands)</b>	<b>6/30/2022</b>	<b>% of Total Deposits</b>	<b>3/31/2022</b>	<b>% of Total Deposits</b>	<b>6/30/2021</b>	<b>% of Total Deposits</b>
Interest bearing checking accounts	\$ 62,779	6.8%	\$ 59,455	6.4%	\$ 57,422	6.7%
Money market	290,106	31.3%	250,596	27.2%	241,163	28.3%
Savings	143,215	15.4%	161,720	17.5%	129,176	15.1%
Time	13,509	1.5%	11,520	1.2%	13,761	1.6%
Total interest-bearing deposits	509,609	54.9%	483,291	52.4%	441,522	51.7%
Noninterest-bearing	418,692	45.1%	438,914	47.6%	412,108	48.3%
Total deposits	<u>\$ 928,301</u>	100.0%	<u>\$ 922,205</u>	100.0%	<u>\$ 853,630</u>	100.0%

Shareholder's equity totaled \$38.7 million at June 30, 2022, a decline of \$38.6 million, or 49.9%, compared to \$77.3 million at June 30, 2021. The decrease is driven by the increase in unrealized losses on the investment security portfolio, the impact of which flows through accumulated other comprehensive income (AOCI), a component of equity. The Company transferred approximately 20% of the book value of the investment portfolio from available-for-sale to held-to-maturity to mitigate the impact of future market rate increases on unrealized losses and AOCI.

In the second quarter of 2022, the Company entered into a cap corridor transaction with a \$100 million notional amount. The cap corridor is designed to hedge a portion of interest expenses associated with deposits and to partially mitigate the future investment portfolio valuation impact of increasing interest rates. The corridor qualifies for hedge accounting treatment and is carried at fair value on the balance sheet with changes in fair value flowing through AOCI.

### **Stock Repurchase Activity**

The Company announced a Stock Repurchase Program on December 3, 2021 and subsequently has repurchased a total of 181,589 shares to date at a weighted average price of \$15.19. The stock repurchase program is currently paused.

### **Asset Quality**

At June 30, 2022, non-performing assets were 0.01% of the Company's total assets, compared with 0.23% at June 30, 2021. The allowance for loan losses was 1.38% of outstanding loans at June 30, 2022, compared to 1.46% at June 30, 2021. The Company had \$0 and \$2.2 million in nonaccrual loans at June 30, 2022 and June 30, 2021, respectively. The Company recorded net charge-offs of \$358 thousand in the quarter ended June 30, 2022 compared to \$12 thousand of net recoveries for the quarter ended June 30, 2021 and net charge offs of \$154 thousand in the quarter ended March 31, 2022. Charge-offs were within the purchased consumer loan pools.

<b>Asset Quality</b>	<b>6/30/2022</b>	<b>3/31/2022</b>	<b>6/30/2021</b>
Loans past due 90 days or more and accruing interest	\$ 145	\$ 71	\$ -
Other nonaccrual loans	-	-	2,161
Other real estate owned	-	-	-
<b>Total nonperforming assets</b>	<b>\$ 145</b>	<b>\$ 71</b>	<b>\$ 2,161</b>
Allowance for loan losses to total loans	1.38%	1.45%	1.46%
Allowance for loan losses to nonperforming loans	5562.76%	11864.79%	409.07%
Nonaccrual loans to total loans	0.00%	0.00%	0.36%
Nonperforming assets to total assets	0.01%	0.01%	0.23%

As of June 30,2022, the Company had no outstanding loan deferments or forbearances stemming from COVID-19.

1<sup>st</sup> CAPITAL BANCORP  
CONDENSED FINANCIAL DATA - UNAUDITED  
(\$ in 000s)

<b>Assets</b>	<b><u>6/30/2022</u></b>	<b><u>3/31/2022</u></b>	<b><u>6/30/2021</u></b>
Cash and due from banks	\$ 35,450	\$ 33,618	\$ 61,491
Securities available-for-sale	298,483	369,238	264,572
Securities held-to-maturity	45,223	--	--
Loans held for sale	--	--	1,791
Loans and leases held for investment	586,063	580,210	606,310
Allowance for loan and lease losses	(8,066)	(8,424)	(8,840)
Net loans and leases held for investment	577,997	571,786	597,470
Other Assets	32,926	31,418	25,379
Total assets	\$ 990,079	\$ 1,006,060	\$ 950,703
<b>Liabilities and Shareholders' Equity</b>			
Deposits:			
Noninterest-bearing demand deposits	\$ 418,692	\$ 438,914	\$ 412,108
Interest-bearing checking accounts	509,609	483,291	441,522
Total deposits	928,301	922,205	853,630
Subordinated debentures	14,701	14,682	14,679
Other borrowings	--	--	--
Other liabilities	8,386	6,942	5,100
Shareholders' equity	38,691	62,231	77,294
Total liabilities and shareholders' equity	\$ 990,079	\$ 1,006,060	\$ 950,703
Shares outstanding	5,467,966	5,503,555	5,581,848
Earnings per share basic	\$0.46	\$0.38	\$0.35
Earnings per share diluted	\$0.45	\$0.37	\$0.34
Nominal and tangible book value per share	\$7.08	\$11.31	\$13.85

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**Three Months Ended**

<b>Operating Results Data</b>	<b><u>6/30/2022</u></b>	<b><u>3/31/2022</u></b>	<b><u>6/30/2021</u></b>
Interest and dividend income			
Loans	\$ 7,258	\$ 6,896	\$ 6,976
Investment securities	2,038	1,557	750
Federal Home Loan Bank stock	59	58	66
Other income	56	13	8
Total interest and dividend income	9,411	8,524	7,800
Interest expense	573	530	295
Net interest income	8,838	7,994	7,505
Provision for loan losses	-	-	-
Net interest income after provision for loan losses	8,838	7,994	7,505
Noninterest income	290	319	191
Noninterest expenses			
Salaries and benefits expense	3,457	3,445	3,222
Occupancy expense	463	435	390
Data and item processing	265	263	265
Furniture and equipment	150	140	114
Professional services	114	169	162
Other	1,201	1,014	833
Total noninterest expenses	5,650	5,466	4,986
Income before provision for income taxes	3,478	2,847	2,710
Provision for income taxes	958	755	760
Net income	\$ 2,520	\$ 2,092	\$ 1,950

**Three Months Ended**

<b>Selected Average Balances</b>	<b><u>6/30/2022</u></b>	<b><u>3/31/2022</u></b>	<b><u>6/30/2021</u></b>
Gross loans	\$ 593,990	\$ 569,997	\$ 620,093
Investment securities	373,853	362,328	202,246
Federal Home Loan Bank stock	4,024	3,948	3,834
Other interest earning assets	31,158	31,744	30,287
Total interest earning assets	1,003,025	968,017	856,460
Total assets	1,027,269	996,632	881,495
Interest bearing checking accounts	64,988	65,753	59,503
Money market	278,646	221,071	200,199
Savings	149,930	158,988	127,046
Time deposits	12,350	11,572	14,279
Total interest-bearing deposits	505,914	457,384	401,027
Noninterest bearing demand deposits	427,351	438,394	398,007
Total deposits	933,265	895,778	799,034
Subordinated debentures and other borrowings	17,546	14,669	1,641
Shareholders' equity	\$ 68,227	\$ 80,143	\$ 75,481

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**Three Months Ended**

<b>Selected Financial Ratios</b>	<b><u>6/30/2022</u></b>	<b><u>3/31/2022</u></b>	<b><u>6/30/2021</u></b>
Return on average total assets	0.98%	0.85%	0.89%
Return on average shareholders' equity	14.82%	10.59%	10.36%
Net interest margin	3.58%	3.40%	3.54%
Net interest income to average total assets	3.56%	3.25%	3.41%
Efficiency ratio	61.89%	65.75%	64.79%

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	<b>Six Months Ended</b>	
<b>Operating Results Data</b>	<b><u>6/30/2022</u></b>	<b><u>6/30/2021</u></b>
Interest and dividend income		
Loans	\$ 14,154	\$ 13,577
Investment securities	3,595	1,205
Federal Home Loan Bank stock	117	110
Other income	69	16
Total interest and dividend income	17,935	14,908
Interest expense	1,103	537
Net interest income	16,832	14,371
Provision for loan losses	-	-
Net interest income after provision for loan losses	16,832	14,371
Noninterest income	609	381
Noninterest expenses		
Salaries and benefits expense	6,902	6,365
Occupancy expense	897	808
Data and item processing	528	515
Furniture and equipment	290	231
Professional services	283	341
Other	2,215	1,642
Total noninterest expenses	11,115	9,902
Income before provision for income taxes	6,326	4,850
Provision for income taxes	1,714	1,363
Net income	\$ 4,612	\$ 3,487

	<b>Six Months Ended</b>	
<b>Selected Average Balances</b>	<b><u>6/30/2022</u></b>	<b><u>6/30/2021</u></b>
Gross loans	\$ 582,060	\$ 617,604
Investment securities	368,123	163,658
Federal Home Loan Bank stock	3,987	3,685
Other interest earning assets	35,207	37,811
Total interest earning assets	989,377	822,758
Total assets	1,012,035	847,719
Interest bearing checking accounts	65,368	59,366
Money market	250,017	179,197
Savings	154,434	125,701
Time deposits	11,963	14,483
Total interest- bearing deposits	481,782	378,747
Noninterest bearing demand deposits	432,842	385,085
Total deposits	914,624	763,832
Subordinated debentures and other borrowings	16,116	3,311
Shareholders' equity	\$ 74,152	\$ 75,352



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**Six Months Ended**

<b>Selected Financial Ratios</b>	<u><b>6/30/2022</b></u>	<u><b>6/30/2021</b></u>
Return on average total assets	0.92%	0.83%
Return on average shareholders' equity	12.54%	9.33%
Net interest margin	3.51%	3.54%
Net interest income to average total assets	3.35%	3.42%
Efficiency ratio	63.73%	67.12%

<b>Regulatory Capital and Ratios</b>	<u><b>6/30/2022</b></u>	<u><b>3/31/2022</b></u>	<u><b>6/30/2021</b></u>
Common equity tier 1 capital	\$ 97,226	\$ 83,272	\$ 76,158
Tier 1 regulatory capital	\$ 97,226	\$ 83,272	\$ 76,158
Total regulatory capital	\$ 105,418	\$ 91,877	\$ 83,518
Tier 1 leverage ratio	9.62%	8.36%	8.64%
Common equity tier 1 risk-based capital ratio	13.27%	11.49%	12.99%
Tier 1 capital ratio	13.27%	11.49%	12.99%
Total risk-based capital ratio	14.39%	12.67%	14.24%

## About 1st Capital Bancorp

1<sup>st</sup> Capital Bancorp is the holding company for 1<sup>st</sup> 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](http://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](http://www.1stCapital.bank) internet site for no charge.

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