



1st Capital Bancorp Announces Third Quarter 2022 Financial Results

Salinas, California – October 28, 2022. **1st Capital Bancorp** (the “Company”), (OTCQX: FISB), the \$994.6 million asset bank holding company and parent company of 1st Capital Bank (the “Bank”), today reported unaudited net income of \$2.66 million for the quarter ended September 30, 2022, a 18.0% increase compared to net income of \$2.26 million for the quarter ended September 30, 2021, and a 5.6% increase compared to net income of \$2.52 million for the quarter ended June 30, 2022.

Financial Highlights

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

- Earnings per share (diluted) were \$0.48 for the third quarter of 2022, as compared to \$0.40 and \$0.45 for the quarters ended September 30, 2021 and June 30, 2022, respectively.
- For the quarter ended September 30, 2022, the Company's return on average equity was 16.44%, as compared to 11.35% and 14.82% for the quarters ended September 30, 2021 and June 30, 2022, respectively.
- For the quarter ended September 30, 2022, the Company's return on average assets was 1.04%, as compared to 0.92% and 0.98% for the quarters ended September 30, 2021 and June 30, 2022, respectively.
- For the quarter ended September 30, 2022, the Company's net interest margin was 3.46%, as compared to 3.26% and 3.58% for the quarters ended September 30, 2021 and June 30, 2022 and, respectively.
- Pretax, pre-provision income for the quarter ended September 30, 2022 totaled \$3.7 million, as compared to \$3.2 million and \$3.5 million for the quarters ended September 30, 2021 and June 30, 2022, respectively.
- For the quarter ended September 30, 2022, the Company's efficiency ratio was 59.54%, as compared to 60.58% and 61.89% for the quarters ended September 30, 2021 and June 30, 2022, respectively.
- The Company recorded no provision expense for the quarters ended September 30, 2022, September 30, 2021 and June 30, 2022.
- As of September 30, 2022, the Company's nonperforming assets to total assets was 0.04%, as compared to 0.11% and 0.01% for the quarters ended September 30, 2021 and June 30, 2022, respectively.
- As of September 30, 2022, the Company reported total assets, total deposits, and total loans of \$994.6 million, \$922.2 million, and \$579.2 million, respectively.
- Federal regulatory capital ratios for the quarters ended September 30, 2022, June 30, 2022 and September 30, 2021 exceed well capitalized thresholds.

“We are pleased with the continuing positive trends in our Company's operating performance,” commented Sam Jimenez, chief executive officer. “While the economic outlook remains uncertain, the Company is well positioned with strong asset quality and liquidity positions, reflecting a relatively low risk profile.”

Net Interest Income and Net Interest Margin

The Company's third quarter 2022 net interest income decreased \$253 thousand, or 2.86%, to \$8.59 million as compared with \$8.84 million for the quarter ended June 30, 2022. Loan interest income, excluding PPP income, increased \$45 thousand, or 0.65%, to \$6.96 million for the quarter ended September 30, 2022 compared to \$6.91 million for the quarter ended June 30, 2022. Interest and fee income related to PPP loans decreased \$292 thousand to \$52 thousand for the quarter ended September 30, 2022, compared to \$344 thousand for the quarter ended June 30, 2022. PPP loans have been fully forgiven in the third quarter 2022.

The Company's net interest margin increased by 20 basis points (bps), or 6.03%, to 3.46% when compared to 3.26% for the quarter ended September 30, 2021. The increase was primarily driven by the Company's mix of average interest earning assets as cash was deployed into higher yielding loans and leases and investment securities. Interest expense increased \$173 thousand, or 34.93%, to \$669 thousand for the quarter ended September 30, 2022 compared to \$496 thousand for the quarter ended September 30, 2021 due to an increase in average balances of interest-bearing deposits and interest expense associated with the cap corridor. Interest expense includes \$169 thousand of interest expense associated with subordinated debt recognized in each period.

Provision for Loan Losses

Stable credit quality resulted in no loan loss provision in the quarters ended September 30, 2022, September 30, 2021 and June 30, 2022.

Noninterest Expenses

The Company's total non-interest expense increased \$525 thousand, or 10.81%, to \$5.38 million in the quarter ended September 30, 2022, compared to \$4.85 million for the quarter ended September 30, 2021. The increase reflects the salary and benefit costs of senior leadership positions filled in the fourth quarter of 2021.

Balance Sheet Summary

The Company's total assets decreased \$12.90 million, or 1.3%, to \$994.6 million as compared to \$1.01 billion at September 30, 2021.

Total loans outstanding were \$586.8 million as of September 30, 2022, representing a \$21.8 million, or 3.9%, increase from the September 30, 2021 outstanding balance of \$565.0 million. Excluding the \$42.4 million decline in PPP loan balances, loans increased \$64.2 million, or 12.3%, at September 30, 2022 compared to September 30, 2021. The increase includes purchased lease pools with outstanding balances of \$45.0 million and a \$10 million increase in consumer loan pool balances, along with growth in commercial real estate loan originations, partially offset by declines in construction and residential loans outstanding.

PPP loans outstanding were \$0 as of September 30, 2022, compared to \$42.4 million at September 30, 2021.

Loan type (dollars in thousands)	9/30/2022	% of Total Loans	6/30/2022	% of Total Loans	9/30/2021	% of Total Loans
Construction / land (including farmland)	\$ 12,403	2.1%	\$ 18,502	3.2%	\$ 25,476	4.5%
Residential 1 to 4 units	56,592	9.6%	57,381	9.8%	68,438	12.1%
Home equity lines of credit	4,909	0.8%	5,392	0.9%	7,601	1.3%
Multifamily	82,936	14.1%	76,168	13.0%	81,268	14.4%
Owner occupied commercial real estate	111,097	18.9%	111,283	19.0%	80,166	14.2%
Investor commercial real estate	188,930	32.2%	186,448	31.8%	185,001	32.7%
Commercial and industrial	39,804	6.8%	43,652	7.4%	40,719	7.2%
Paycheck Protection Program	-	0.0%	1,986	0.3%	42,414	7.5%
Leases	45,049	7.7%	34,095	5.8%	-	0.0%
Consumer	30,902	5.3%	36,372	6.2%	20,581	3.6%
Other loans	14,176	2.4%	14,784	2.6%	13,366	2.4%
Total loans	586,798	100.0%	586,063	100.0%	565,030	100.0%
Allowance for loan losses	(7,560)		(8,066)		(8,830)	
Net loans held for investment	<u>\$ 579,238</u>		<u>\$ 577,997</u>		<u>\$ 556,200</u>	

The investment portfolio increased \$34.8 million, or 11.7%, to \$332.3 million from \$297.5 million at September 30, 2021. The unrealized loss associated with the Company's available-for-sale investment security portfolio increased from \$38.2 million at June 30, 2022 to \$40.1 million at September 30, 2022 as market yields continued to negatively impact portfolio valuation.

Total deposits were \$922.2 million as of September 30, 2022. This represents a \$10.5 million, or 1.1% increase from the September 30, 2021 balance of \$911.7 million. Growth in money market balances of \$56.5 million drove deposit growth, offset by noninterest bearing balances declining \$14.1 million. Noninterest bearing balances comprised 46.0% and 48.1% of total deposit balances at September 30, 2022 and September 30, 2021, respectively.

Deposit type (dollars in thousands)	9/30/2022	% of Total Deposits	6/30/22	% of Total Deposits	9/30/2021	% of Total Deposits
Interest bearing checking accounts	\$ 69,258	7.5%	\$ 62,780	6.8%	\$ 72,867	8.0%
Money market	308,772	33.5%	290,106	31.3%	252,257	27.7%
Savings	109,653	11.9%	143,215	15.4%	135,736	14.9%
Time	10,256	1.1%	13,509	1.5%	12,422	1.4%
Total interest-bearing deposits	497,889	54.0%	509,609	54.9%	473,281	51.9%
Noninterest-bearing	424,312	46.0%	418,692	45.1%	438,445	48.1%
Total deposits	<u>\$ 922,201</u>	100.0%	<u>\$ 928,301</u>	100.0%	<u>\$ 911,726</u>	100.0%

Shareholder's equity totaled \$48.3 million at September 30, 2022, a decline of \$30.2 million, or 38.5%, compared to \$78.5 million at September 30, 2021. This is reflective of the increase in unrealized losses on the investment security portfolio, the impact of which flows through accumulated other comprehensive income, a component of equity. At September 30, 2022 \$72.8 million in bonds are classified as held-to-maturity, approximately 22% of the total investment portfolio. The unrealized losses on these held-to-maturity bonds are captured in AOCI at the transfer date and amortize over the life of the bonds, with interest rate environment changes having no further impact on the unrealized loss position of these bonds.

In the second quarter of 2022, the Company entered into a cap corridor transaction with a \$100 million notional amount designed to hedge a portion of deposit interest expense and to partially mitigate the future investment portfolio valuation impact of increasing interest rates. The corridor qualifies for hedge accounting and is carried at fair value on the balance sheet with changes in fair value flowing through AOCI. The fair value of the hedge increased \$1.0 million in the third quarter, positively impacting AOCI, and is carried on the balance sheet at a fair value of \$3.1 million at September 30, 2022.

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. Repurchase activity has been suspended through the remainder of 2022.

Asset Quality

At September 30, 2022, non-performing assets were 0.04% of the Company's total assets, compared with 0.11% at September 30, 2021. The allowance for loan losses was 1.29% of outstanding loans at September 30, 2022, compared to 1.56% at September 30, 2021. The Company had \$0 and \$921 thousand in nonaccrual loans at September 30, 2022 and September 30, 2021, respectively. The Company recorded net charge-offs of \$506 thousand in the quarter ended September 30, 2022 compared to \$10 thousand in the quarter ended September 30, 2021. Charge-offs were within the purchased consumer loan pools.

Asset Quality (dollars in thousands)	9/30/2022	6/30/2022	9/30/2021
Loans past due 90 days or more and accruing interest	\$ 409	\$ 145	\$ 146
Other nonaccrual loans	-	-	921
Other real estate owned	-	-	-
Total nonperforming assets	\$ 409	\$ 145	\$ 1,067
Allowance for loan losses to total loans	1.29%	1.38%	1.56%
Allowance for loan losses to nonperforming loans	1848.34%	5562.76%	827.55%
Nonaccrual loans to total loans	0.00%	0.00%	0.16%
Nonperforming assets to total assets	0.04%	0.01%	0.11%

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

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

Assets	<u>9/30/2022</u>	<u>6/30/2022</u>	<u>9/30/2021</u>
Cash and due from banks	\$ 41,842	\$ 35,450	\$ 129,673
Investment securities available-for-sale	259,472	298,483	297,456
Investment securities held-to-maturity	72,818	45,223	--
Loans and leases held for investment	586,798	586,063	565,031
Allowance for loan and lease losses	(7,560)	(8,066)	(8,830)
Net loans and leases held for investment	579,238	577,997	556,201
Other Assets	41,241	32,926	24,186
Total assets	\$ 994,611	\$ 990,079	\$ 1,007,516
Liabilities and Shareholders' Equity			
Deposits:			
Noninterest bearing demand deposits	\$ 424,312	\$ 418,692	\$ 438,445
Interest-bearing accounts	497,889	509,609	473,281
Total deposits	922,201	928,301	911,726
Subordinated debentures	14,719	14,701	14,644
Other borrowings	--	--	--
Other liabilities	9,415	8,386	2,665
Shareholders' equity	48,276	38,691	78,481
Total liabilities and shareholders' equity	\$ 994,611	\$ 990,079	\$ 1,007,516
Shares outstanding	5,476,092	5,467,966	5,587,878
Earnings per share basic	\$0.49	\$0.46	\$0.40
Earnings per share diluted	\$0.48	\$0.45	\$0.40
Nominal and tangible book value per share	\$8.82	\$7.08	\$14.04

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Operating Results Data	Three Months Ended		
	<u>9/30/2022</u>	<u>6/30/2022</u>	<u>9/30/2021</u>
Interest and dividend income			
Loans	\$ 7,011	\$ 7,258	\$ 7,121
Investment securities	2,055	2,038	1,000
Federal Home Loan Bank stock	62	59	60
Other income	126	56	29
Total interest and dividend income	9,254	9,411	8,210
Interest expense	669	573	495
Net interest income	8,585	8,838	7,715
Provision for loan losses	-	-	-
Net interest income after provision for loan losses	8,585	8,838	7,715
Noninterest income	446	290	294
Noninterest expenses			
Salaries and benefits expense	3,243	3,457	2,737
Occupancy expense	451	463	422
Data and item processing	279	265	288
Furniture and equipment	127	150	119
Professional services	168	114	148
Other	1,109	1,201	1,138
Total noninterest expenses	5,377	5,650	4,852
Income before provision for income taxes	3,654	3,478	3,157
Provision for income taxes	992	958	901
Net income	\$ 2,662	\$ 2,520	\$ 2,256

Selected Average Balances	Three Months Ended		
	<u>9/30/2022</u>	<u>6/30/2022</u>	<u>9/30/2021</u>
Gross loans	\$ 594,624	\$ 593,990	\$ 588,133
Investment securities	352,564	373,853	279,122
Federal Home Loan Bank stock	4,058	4,024	3,948
Other interest earning assets	34,162	31,158	80,909
Total interest earning assets	985,408	1,003,025	952,112
Total assets	1,018,730	1,027,269	977,147
Interest-bearing checking accounts	65,171	64,988	64,009
Money market	303,802	278,646	232,979
Savings	126,511	149,930	134,724
Time deposits	12,376	12,350	13,534
Total interest-bearing deposits	507,860	505,914	445,246
Noninterest bearing demand deposits	423,166	427,351	433,518
Total deposits	931,026	933,265	878,764
Subordinated debentures and other borrowings	15,055	17,546	14,646
Shareholders' equity	\$ 64,227	\$ 68,227	\$ 78,624

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CONDENSED FINANCIAL DATA - UNAUDITED
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Three Months Ended

Selected Financial Ratios	<u>9/30/2022</u>	<u>6/30/2022</u>	<u>9/30/2021</u>
Return on average total assets	1.04%	0.98%	0.92%
Return on average shareholders' equity	16.44%	14.82%	11.35%
Net interest margin	3.46%	3.58%	3.26%
Net interest income to average total assets	3.34%	3.56%	3.13%
Efficiency ratio	59.54%	61.89%	60.58%

Nine Months Ended

Operating Results Data	<u>9/30/2022</u>	<u>9/30/2021</u>
Interest and dividend income		
Loans	\$ 21,165	\$ 20,698
Investment securities	5,650	2,205
Federal Home Loan Bank stock	179	169
Other income	195	47
Total interest and dividend income	27,188	23,119
Interest expense	1,772	1,033
Net interest income	25,417	22,086
Provision for loan losses	-	-
Net interest income after provision for loan losses	25,417	22,086
Noninterest income	1,054	675
Noninterest expenses		
Salaries and benefits expense	10,144	9,103
Occupancy expense	1,348	1,230
Data and item processing	807	803
Furniture and equipment	417	349
Professional services	451	488
Other	3,324	2,782
Total noninterest expenses	16,492	14,755
Income before provision for income taxes	9,979	8,006
Provision for income taxes	2,705	2,263
Net income	\$ 7,274	\$ 5,743

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Selected Average Balances	Nine Months Ended	
	9/30/2022	9/30/2021
Gross loans	\$ 586,294	\$ 607,673
Investment securities	362,879	202,569
Federal Home Loan Bank stock	4,011	3,773
Other interest earning assets	36,790	52,335
Total interest earning assets	989,974	866,350
Total assets	1,014,291	891,336
Interest bearing checking accounts	65,302	60,931
Money market	268,143	197,320
Savings	145,024	128,742
Time deposits	12,102	14,163
Total interest-bearing deposits	490,571	401,156
Noninterest bearing demand deposits	429,581	401,407
Total deposits	920,152	802,563
Subordinated debentures and other borrowings	15,758	7,131
Shareholders' equity	\$ 70,808	\$ 76,552

Selected Financial Ratios	Nine Months Ended	
	9/30/2022	9/30/2021
Return on average total assets	0.96%	0.86%
Return on average shareholders' equity	13.74%	10.03%
Net interest margin	3.43%	3.44%
Net interest income to average total assets	3.35%	3.31%
Efficiency ratio	62.30%	64.82%

Regulatory Capital and Ratios	9/30/2022	6/30/2022	9/30/2021
	Common equity tier 1 capital	\$ 100,148	\$ 97,226
Tier 1 regulatory capital	\$ 100,148	\$ 97,226	\$ 78,702
Total regulatory capital	\$ 107,855	\$ 105,418	\$ 86,122
Tier 1 leverage ratio	10.22%	9.62%	8.07%
Common equity tier 1 risk-based capital ratio	14.44%	13.27%	13.30%
Tier 1 capital ratio	14.44%	13.27%	13.30%
Total risk-based capital ratio	15.55%	14.39%	14.55%

About 1st Capital Bancorp

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

Member FDIC / Equal Opportunity Lender / SBA Preferred Lender

Forward-Looking Statements

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

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