



1st Capital Bancorp Announces First Quarter 2023 Financial Results

Salinas, California – April 28, 2023. **1st Capital Bancorp** (the “Company”), (OTCQX: FISB), the \$954.5 million asset bank holding company and parent company of 1st Capital Bank (the “Bank”), today reported unaudited net income of \$1.06 million for the quarter ended March 31, 2023, a decrease of 18.9% compared to net income of \$1.31 million for the quarter ended December 31, 2022, and a decrease of 49.4% compared to net income of \$2.09 million for the quarter ended March 31, 2022.

Financial Highlights

Performance highlights for the quarter ended March 31, 2023, as compared to the quarter ended December 31, 2022, and the quarter ended March 31, 2022:

- Earnings per share (diluted) were \$0.19 for the first quarter of 2023, as compared to \$0.24 and \$0.37 for the quarters ended December 31, 2022, and March 31, 2022, respectively.
- For the quarter ended March 31, 2023, the Company's return on average equity was 7.51%, as compared to 10.47% and 10.59% for the quarters ended December 31, 2022, and March 31, 2022, respectively.
- For the quarter ended March 31, 2023, the Company's return on average assets was 0.45% as compared to 0.53% and 0.85% for the quarters ended December 31, 2022, and March 31, 2022, respectively.
- For the quarter ended March 31, 2023, the Company's net interest margin was 3.39% as compared to 3.63% and 3.40% for the quarters ended December 31, 2022, and March 31, 2022, respectively.
- Pretax, pre-provision income for the quarter ended March 31, 2023 totaled \$2.1 million, as compared to \$2.2 million and \$2.8 million for the quarters ended December 31, 2022, and March 31, 2022, respectively.
- For the quarter ended March 31, 2023, the Company's efficiency ratio was 74.38%, as compared to 72.26% and 65.75% for the quarters ended December 31, 2022, and March 31, 2022, respectively.
- The Company recorded \$690 thousand and \$523 thousand of provision expense for the quarters ended March 31, 2023, and December 31, 2022, respectively. There was no provision expense recorded for the quarter ended March 31, 2022.
- As of March 31, 2023, the Company's nonperforming assets to total assets was 0.16%, as compared to 0.06% and 0.01% for the quarters ended December 31, 2022, and March 31, 2022, respectively.
- As of March 31, 2023, the Company reported total assets, total deposits, and total loans of \$954.5 million, \$817.4 million, and \$572.8 million, respectively.
- Federal regulatory capital ratios for the quarters ended March 31, 2023, December 31, 2022, and March 31, 2022, exceed well capitalized thresholds.

- At March 31, 2023, the Company has \$275.7 million in available liquidity from secured and unsecured borrowing lines, which represents 28.88% of total assets.

“Our bankers did an extraordinary job in proactively reaching out to our clients to alleviate potential concerns following the recent high profile bank closures,” commented Sam Jimenez, chief executive officer. “While our balance sheet and accompanying first quarter operating performance was not immune to the effects of the industry turmoil, our business is stable, and reflects a strong liquidity and capital position.”

Net Interest Income and Net Interest Margin

The Company's first quarter 2023 net interest income decreased \$620 thousand, or 7.31%, to \$7.86 million as compared with \$8.48 million for the quarter ended December 31, 2022. Loan interest income decreased \$245 thousand, or 3.52%, to \$6.72 million for the quarter ended March 31, 2023, compared to \$6.96 million for the quarter ended December 31, 2022, due to a decline in average loan balances. Interest income on investment securities declined \$110 thousand, or 5.37%, to \$1.94 million in first quarter 2023 compared to \$2.05 million in fourth quarter 2022 primarily due to the \$25 million bond sale executed in December 2022. Other interest income increased \$61 thousand, or 24.3%, to \$311 thousand for the first quarter 2023 compared to \$250 thousand for the quarter ended December 31, 2022, due to increases in average cash balances. Interest expense increased \$314 thousand, or 36.0%, to \$1.19 million for the quarter ended March 31, 2023, compared to \$874 thousand for the quarter ended December 31, 2022, due to deposit rate increases and the cost of first quarter borrowings. Interest expense for each of the quarters presented includes \$169 thousand related to subordinated debt.

The Company's net interest margin declined by 24 basis points (bps) to 3.39% from 3.63% when compared to the quarter ended December 31, 2022. This decrease was primarily driven by the increase in funding costs. The Company's cost of funds increased from 0.39% in the fourth quarter of 2022 to 0.56% in the first quarter of 2023.

Allowance for Credit Losses

The Company adopted Accounting Standards Update (ASU) 2016-13, more commonly referred to as the Current Expected Credit Loss (CECL) method on January 1, 2023, using the modified retrospective method with no adjustments to prior period comparative financial statements for all financial assets measured at amortized cost and off-balance sheet credit exposure as well as held to maturity securities, which resulted in a \$127 thousand increase to the allowance for credit losses, a \$3 thousand reserve for held-to-maturity securities and a \$26 thousand increase to the reserve for unfunded commitments. The impact to retained earnings, net of taxes, was \$111 thousand. Reporting periods beginning after January 1, 2023 are presented under ASU 2016-13 while prior period amounts continue to be reported in accordance with previously applicable Generally Accepted Accounting Principles in the United States.

Provision expense of \$690 thousand was recorded in the quarter ended March 31, 2023, compared to \$523 thousand in the quarter ended December 31, 2022. The provision expense was driven by loan growth.

Noninterest Expenses

The Company's total non-interest expense increased \$316 thousand, or 5.55%, to \$6.0 million in the quarter ended March 31, 2023, compared to \$5.70 million for the quarter ended December 31, 2022. This increase is attributed to a rise in salaries and benefits due to increased benefit costs, seasonal increases to payroll taxes and higher vacation accruals accompanied by a decrease in capitalized personnel costs associated with loan originations.

Balance Sheet Summary

The Company's total assets at March 31, 2023 increased \$11.1 million, or 1.18%, to \$954.5 million as compared to \$943.4 million at December 31, 2022.

Cash and due from banks increased \$7.6 million, or 19.9%, to \$45.6 million at March 31, 2023 compared to \$38.0 million at December 31, 2022 as on-balance sheet liquidity was proactively increased in response to the recent volatility in the banking industry.

Total loans outstanding were \$572.8 million as of March 31, 2023, representing a \$8.37 million, or 1.48%, increase from the December 31, 2022 outstanding balance of \$564.4 million. Commercial real estate originations and Construction and Single Family secured real estate loan purchases in the first quarter were partially offset by paydowns on the purchased consumer and lease pools.

Loan type (dollars in thousands)	3/31/2023		3/31/2022		12/31/2022	
		% of Total Loans		% of Total Loans		% of Total Loans
Construction / land (including farmland)	\$ 21,605	3.8%	\$ 17,738	3.1%	\$ 14,290	2.5%
Residential 1 to 4 units	60,754	10.6%	58,191	10.0%	54,608	9.7%
Home equity lines of credit	4,214	0.7%	5,555	1.0%	4,690	0.8%
Multifamily	78,103	13.6%	78,291	13.5%	79,227	14.0%
Owner occupied commercial real estate	112,600	19.7%	111,580	19.2%	108,140	19.2%
Investor commercial real estate	188,220	32.9%	193,426	33.3%	188,374	33.4%
Commercial and industrial	40,498	7.1%	41,859	7.2%	39,247	7.0%
Paycheck Protection Program	--	0.0%	13,342	2.3%	--	0.0%
Leases	38,059	6.6%	17,597	3.0%	41,380	7.3%
Consumer	22,410	3.9%	31,488	5.4%	26,423	4.7%
Other loans	6,347	1.1%	11,143	1.9%	8,059	1.4%
Total loans	572,810	100.0%	580,210	100.0%	564,438	100.0%
Allowance for credit losses	(7,374)		(8,424)		(7,347)	
Net loans held for investment	\$ 565,436		\$ 571,786		\$ 557,091	

The investment portfolio decreased \$4.9 million to \$299.7 million from a balance of \$304.6 million at December 31, 2022. The decline is reflective of paydowns and a \$1.2 million decrease in unrealized losses associated with the Company's available-for-sale investment security portfolio which totaled \$35.5 million at March 31, 2023 compared to \$36.7 million at December 31, 2022. The decline in unrealized losses was driven by changes in the treasury yield curve that positively impacted the portfolio valuation. At both March 31, 2023, and December 31, 2022, \$71.0 million, or approximately 24%, of the investment portfolio is classified as held-to-maturity.

Total deposits were \$817.4 million at March 31, 2023 representing a \$45.3 million, or 5.3%, decline compared to total deposits of \$862.7 million at December 31, 2022. The decline was primarily due to competitive pricing pressures and clients moving balances to alternative higher yielding investments along with the banking industry volatility created as a result of the March 2023 bank failures. Deposit outflows experienced in March appear to have stabilized with modest inflows beginning in April. Noninterest-bearing balances continue to comprise nearly half of total deposits at March 31, 2023.

Deposit type (dollars in thousands)	3/31/2023		3/31/2022		12/31/2022	
		% of Total Deposits		% of Total Deposits		% of Total Deposits
Interest-bearing checking accounts	\$ 51,631	6.3%	\$ 59,456	6.4%	\$ 75,242	8.7%
Money market	233,666	28.6%	250,595	27.2%	214,293	24.8%
Savings	126,513	15.5%	161,720	17.5%	147,161	17.1%
Time	15,937	1.9%	11,520	1.2%	10,745	1.2%
Total interest-bearing deposits	427,747	52.3%	483,291	52.4%	447,441	51.9%
Noninterest-bearing	389,623	47.7%	438,914	47.6%	415,256	48.1%
Total deposits	\$ 817,370	100.0%	\$ 922,205	100.0%	\$ 862,697	100.0%

Subordinated debt balances totaled \$14.8 million and \$14.7 million at March 31, 2023 and December 31, 2022, respectively. Other borrowings totaled \$55.0 million at March 31, 2023 compared to \$0 at December 31, 2022. Other borrowings include \$15.0 million in Federal Home Loan Bank overnight advances and \$40.0 million of advances under the Bank Term Funding Program of the Federal Reserve Bank (FRB), which provided funding at a favorable cost as compared to other wholesale funding sources.

Shareholder's equity totaled \$58.3 million at March 31, 2023, an increase of \$1.8 million, or 3.3%, compared to \$56.5 million at December 31, 2022. The increase is reflective of the \$1.1 million net income contribution for the first quarter along with the decrease in unrealized losses on the available-for-sale investment security portfolio, the impact of which

flows through accumulated other comprehensive income (AOCI), a component of equity, partially offset by a decline in the fair value of the cap corridor hedge which negatively impacted AOCI. The unrealized losses on the held-to-maturity investment securities was captured at the date of transfer and amortizes over the remaining life of the bonds with market value movements having no future impact on the unrealized loss position of these bonds.

Asset Quality

At March 31, 2023, nonperforming assets were 0.16% of the Company's total assets, compared with 0.06% at December 31, 2022. The allowance for credit losses was 1.29% of outstanding loans at March 31, 2023, compared to 1.30% at December 31, 2022. The Company had \$665 thousand and \$0 in nonaccrual loans at March 31, 2023 and December 31, 2022, respectively. The Company recorded net charge-offs of \$789 thousand in the quarter ended March 31, 2023, compared to \$736 thousand in the quarter ended December 31, 2022. Charge-offs were entirely within the purchased consumer and lease pools.

Asset Quality (dollars in thousands)	3/31/2023	3/31/2022	12/31/2022
Loans past due 90 days or more and accruing interest	\$ 891	\$ 71	\$ 539
Other nonaccrual loans	665	--	--
Other real estate owned	--	--	--
Total nonperforming assets	\$ 1,556	\$ 71	\$ 539
Allowance for credit losses to total loans	1.29%	1.45%	1.30%
Allowance for credit losses to nonperforming loans	474.01%	11864.79%	1363.08%
Nonaccrual loans to total loans	0.12%	0.00%	0.00%
Nonperforming assets to total assets	0.16%	0.01%	0.06%

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

Assets	<u>3/31/2023</u>	<u>3/31/2022</u>	<u>12/31/2022</u>
Cash and due from banks	\$ 45,567	\$ 33,618	\$ 38,015
Investment securities available-for-sale	228,711	369,238	233,529
Investment securities held-to-maturity	70,977	--	71,039
Loans and leases held for investment	572,810	580,210	564,438
Allowance for credit losses	(7,374)	(8,424)	(7,347)
Net loans and leases held for investment	565,436	571,786	557,091
Other Assets	43,829	31,418	43,728
Total assets	\$ 954,520	\$ 1,006,060	\$ 943,402
Liabilities and Shareholders' Equity			
Deposits:			
Noninterest-bearing demand deposits	\$ 389,623	\$ 438,914	\$ 415,256
Interest-bearing checking accounts	427,747	483,291	447,441
Total deposits	817,370	922,205	862,697
Subordinated debentures	14,757	14,682	14,738
Other borrowings	55,000	--	--
Other liabilities	9,044	6,942	9,457
Shareholders' equity	58,349	62,231	56,510
Total liabilities and shareholders' equity	\$ 954,520	\$ 1,006,060	\$ 943,402
Shares outstanding	5,509,429	5,503,555	5,499,937
Earnings per share basic	\$0.19	\$0.38	\$0.24
Earnings per share diluted	\$0.19	\$0.37	\$0.24
Nominal and tangible book value per share	\$10.59	\$11.31	\$10.27

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

Three Months Ended

Operating Results Data	<u>3/31/2023</u>	<u>3/31/2022</u>	<u>12/31/2022</u>
Interest and dividend income			
Loans	\$ 6,718	\$ 6,896	\$ 6,963
Investment securities	1,944	1,557	2,054
Federal Home Loan Bank stock	70	58	82
Other income	311	13	250
Total interest and dividend income	9,043	8,524	9,349
Interest expense	1,188	530	874
Net interest income	7,855	7,994	8,475
Provision for credit losses	690	--	523
Net interest income after provision for credit losses	7,165	7,994	7,952
Noninterest income	373	319	620
Net (loss) on sales/calls of investment securities	(134)	--	(1,201)
Noninterest expenses			
Salaries and benefits expense	3,747	3,445	3,345
Occupancy expense	414	435	432
Data and item processing	308	263	278
Furniture and equipment	117	140	135
Professional services	268	169	244
Other	1,167	1,014	1,270
Total noninterest expenses	6,021	5,466	5,704
Income before provision for income taxes	1,383	2,847	1,667
Provision for income taxes	325	755	362
Net income	\$ 1,058	\$ 2,092	\$ 1,305

Three Months Ended

Selected Average Balances	<u>3/31/2023</u>	<u>3/31/2022</u>	<u>12/31/2022</u>
Gross loans	\$ 571,144	\$ 569,997	\$ 575,696
Investment securities	303,034	362,328	326,875
Federal Home Loan Bank stock	4,058	3,948	4,058
Other interest earning assets	34,996	31,744	32,942
Total interest earning assets	913,232	968,017	939,571
Total assets	947,453	996,632	970,167
Interest bearing checking accounts	66,480	65,753	68,216
Money market	238,012	221,071	238,255
Savings	138,031	158,988	151,478
Time deposits	10,897	11,572	10,157
Total interest- bearing deposits	453,420	457,384	468,106
Noninterest bearing demand deposits	405,436	438,394	428,227
Total deposits	858,856	895,778	896,333
Subordinated debentures and other borrowings	21,261	14,669	14,733
Shareholders' equity	\$ 57,148	\$ 80,143	\$ 49,477

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

Three Months Ended

Selected Financial Ratios	<u>3/31/2023</u>	<u>3/31/2022</u>	<u>12/31/2022</u>
Return on average total assets	0.45%	0.85%	0.53%
Return on average shareholders' equity	7.51%	10.59%	10.47%
Net interest margin	3.39%	3.40%	3.63%
Net interest income to average total assets	3.36%	3.25%	3.47%
Efficiency ratio	74.38%	65.75%	72.26%

Regulatory Capital and Ratios	<u>3/31/2023</u>	<u>3/31/2022</u>	<u>12/31/2022</u>
Common equity tier 1 capital	\$ 102,724	\$ 83,272	\$ 101,410
Tier 1 regulatory capital	\$ 102,724	\$ 83,272	\$ 101,410
Total regulatory capital	\$ 110,295	\$ 91,877	\$ 108,912
Tier 1 leverage ratio	10.45%	8.36%	10.04%
Common equity tier 1 risk-based capital ratio	15.32%	11.49%	15.21%
Tier 1 capital ratio	15.32%	11.49%	15.21%
Total risk-based capital ratio	16.45%	12.67%	16.34%

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.

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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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