



1st Capital Bancorp Announces Fourth Quarter 2023 Financial Results

Salinas, California – February 1, 2024. **1st Capital Bancorp** (the “Company”), (OTCQX: FISB), the \$989.1 million asset bank holding company and parent company of 1st Capital Bank (the “Bank”), today reported unaudited net income of \$677 thousand, or \$0.12 per diluted share, for the quarter ended December 31, 2023, compared to net income of \$1.19 million, or \$0.22 per diluted share, for the quarter ended September 30, 2023, and \$1.31 million, or \$0.24 per diluted share, for the quarter ended December 31, 2022. For the twelve months ended December 31, 2023, net income was \$3.5 million, or \$0.64 per diluted share, compared to \$8.6 million, or \$1.55 per diluted share for the prior twelve months ended December 31, 2022.

Loan demand remained strong in the fourth quarter as the Company’s core loans increased \$19.9 million, or 3.3%, at December 31, 2023, compared to September 30, 2023. Loan yields expanded 18 basis points (bps) to 5.24% for the quarter ended December 31, 2023, compared to 5.07% for the quarter ended September 30, 2023. Nonperforming assets to total assets was 0.18% as of December 31, 2023, versus 0.22% as of September 30, 2023, with the decrease driven by lower overall balances in the wholesale loan portfolio. Deposit balances decreased \$15.1 million, or 1.7%, in the quarter ended December 31, 2023, compared to September 30, 2023, driven by tax payments, estate planning, and year-end distributions by clients. Operating expenses were negatively impacted in Q4 due to one-time severance costs related to the retirement of an executive.

“We expect continuing core loan growth to drive solid net interest margin expansion in the year ahead, despite the near-term funding expense pressure. We are especially pleased with our core loan growth which exceeded 12% for the year,” said Sam Jimenez, Chief Executive Officer. “Although 2023 operating performance was disappointing, our strong regulatory capital position, strong credit quality, and solid liquidity allows us to remain focused on serving our clients and communities along the Central Coast.”

Financial Highlights

Performance highlights for the quarter ended December 31, 2023, as compared to the quarter ended September 30, 2023, and the quarter ended December 31, 2022:

- Earnings per share (diluted) were \$0.12 for the fourth quarter of 2023, as compared to \$0.22 and \$0.24 for the quarters ended September 30, 2023, and December 31, 2022, respectively.
- Pretax, pre-provision income for the quarter ended December 31, 2023, totaled \$2.4 million, as compared to \$2.8 million and \$2.2 million for the quarters ended September 30, 2023, and December 31, 2022, respectively.
- Return on average equity was 4.81% for the fourth quarter, as compared to 8.06% and 10.47% for the quarters ended September 30, 2023, and December 31, 2022, respectively.
- Return on average assets was 0.27% for the fourth quarter as compared to 0.48% and 0.53% for the quarters ended September 30, 2023, and December 31, 2022, respectively.
- Net interest margin was 3.40% for the fourth quarter as compared to 3.37% and 3.63% for the quarters ended September 30, 2023, and December 31, 2022, respectively.

- The Company's efficiency ratio was 72.71% for the fourth quarter, as compared to 67.77% and 72.26% for the quarters ended September 30, 2023, and December 31, 2022, respectively.
- The Company recorded provision for credit loss expense of \$1.47 million for the fourth quarter compared to \$1.16 million and \$523 thousand for the quarters ended September 30, 2023, and December 31, 2022, respectively.
- As of December 31, 2023, the Company's nonperforming assets to total assets was 0.18%, as compared to 0.22% and 0.06% for September 30, 2023, and December 31, 2022, respectively.
- The Company reported total assets, total deposits, and total loans as of December 31, 2023, of \$989.1 million, \$890.9 million, and \$620.8 million, respectively.
- Federal regulatory capital ratios for the quarters ended December 31, 2023, September 30, 2023, and December 31, 2022, exceed well capitalized thresholds.
- At December 31, 2023, the Company has \$391.2 million in available liquidity from secured and unsecured borrowing lines, which represents 39.5% of total assets.

Net Interest Income and Net Interest Margin

The Company's fourth quarter 2023 net interest income increased \$192 thousand, or 2.3%, to \$8.43 million as compared with \$8.24 million for the quarter ended September 30, 2023, as earning asset yields outpaced expansion in funding costs. Loan interest income increased \$526 thousand, or 7.0%, to \$8.06 million for the quarter ended December 31, 2023, compared to \$7.54 million for the quarter ended September 30, 2023. Interest income on investment securities remained stable at \$1.92 million and \$1.94 million, respectively, for the quarters ended December 31, 2023, and September 30, 2023. Other interest income increased \$92 thousand, or 13.6%, to \$769 thousand for the quarter ended December 31, 2023, compared to \$677 thousand for the quarter ended September 30, 2023, due to higher yields on average cash balances. Interest expense increased \$408 thousand, or 20.3%, to \$2.42 million for the quarter ended December 31, 2023, compared to \$2.01 million for the quarter ended September 30, 2023, due to the increased utilization of wholesale borrowings and brokered CDs in the fourth quarter to manage seasonal deposit flows associated with Agriculture-related depositors and tax payments. Interest expense for each of the quarters presented includes \$169 thousand related to subordinated debt.

The Company's net interest margin increased 3 basis points to 3.40% for the quarter ended December 31, 2023, from 3.37% when compared to the quarter ended September 30, 2023. This increase was primarily driven by the increase in earning asset yields. The 18 basis point expansion of loan yields from 5.07% for the quarter ended September 30, 2023, to 5.24% for the quarter ended December 31, 2023, outpaced higher overall funding costs. The Company's cost of funds increased 17 basis points from 0.87% for the quarter ended September 30, 2023, to 1.04% for the quarter ended December 31, 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 \$1.47 million was recorded in the quarter ended December 31, 2023, compared to \$1.16 million in the quarter ended September 30, 2023. The provision expense was driven by overall loan growth and charge offs within the wholesale loan pool portfolios.

Noninterest Expenses

The Company's total non-interest expense increased \$554 thousand, or 9.6%, to \$6.3 million in the quarter ended December 31, 2023, compared to \$5.8 million for the quarter ended September 30, 2023. This increase was primarily associated with severance costs related to the retirement of an executive.

Balance Sheet Summary

Total assets increased \$5.3 million, or 0.5%, to \$989.4 million at December 31, 2023, compared to \$984.1 million at September 30, 2023. Cash and due from banks decreased \$20.6 million, or 34.9%, to \$38.3 million at December 31, 2023, compared to \$58.8 million at September 30, 2023.

The investment portfolio increased \$8.4 million to \$291.2 million from a balance of \$282.8 million at September 30, 2023. The increase was driven by a \$12.0 million decrease in unrealized losses associated with the Company's available-for-sale investment security portfolio offset by paydowns; unrealized losses totaled \$35.4 million at December 31, 2023 compared to \$47.4 million at September 30, 2023. The decrease in unrealized losses was driven by changes in the treasury yield curve that positively impacted the portfolio's valuation. At December 31, 2023 and September 30, 2023, \$70.1 million and \$70.8 million, respectively, of the investment portfolio were classified as held-to-maturity. As of December 31, 2023, investments classified as held-to-maturity comprise approximately 24% of the portfolio.

Total loans outstanding were \$620.8 million as of December 31, 2023, representing a \$19.9 million, or 3.3%, increase from the September 30, 2023, outstanding balance of \$600.9 million. Growth was balanced across all core loan sectors, with Multifamily, Construction & Land, Residential 1-4 units and Investor CRE experiencing the greatest dollar growth within the quarterly period. This core loan portfolio growth was partially offset by declines in wholesale consumer and lease pools which continue to pay down.

<u>Loan type (dollars in thousands)</u>	<u>12/31/2023</u>	<u>% of Total Loans</u>	<u>9/30/2023</u>	<u>% of Total Loans</u>	<u>12/31/2022</u>	<u>% of Total Loans</u>
Construction / land (including farmland)	\$ 32,701	5.3%	\$ 27,671	4.6%	\$ 14,290	2.5%
Residential 1 to 4 units	67,679	10.9%	63,038	10.5%	54,609	9.7%
Home equity lines of credit	3,855	0.6%	3,535	0.6%	4,690	0.8%
Multifamily	91,065	14.7%	84,157	14.0%	79,227	14.0%
Owner occupied commercial real estate	128,520	20.7%	125,664	20.9%	108,140	19.2%
Investor commercial real estate	198,411	32.0%	194,087	32.3%	188,374	33.4%
Commercial and industrial	49,372	7.9%	46,743	7.8%	39,247	7.0%
Paycheck Protection Program	-	0.0%	-	0.0%	-	0.0%
Leases	26,636	4.3%	30,113	5.0%	41,380	7.3%
Consumer	13,372	2.2%	15,837	2.6%	26,423	4.7%
Other loans	9,207	1.4%	10,030	1.7%	8,058	1.4%
Total loans	620,818	100.00%	600,875	100.0%	564,438	100.0%
Allowance for credit losses	(7,119)		(6,918)		(7,347)	
Net loans held for investment	<u>\$ 613,699</u>		<u>\$ 593,957</u>		<u>\$ 557,091</u>	

Total deposits were \$890.9 million at December 31, 2023 representing a \$15.1 million decrease compared to total deposits of \$906.1 million at September 30, 2023. Noninterest-bearing balances continue to comprise nearly half of total deposits at December 31, 2023 (48.0%).

<u>Deposit type (dollars in thousands)</u>	<u>12/31/2023</u>	<u>% of Total Deposits</u>	<u>9/30/2023</u>	<u>% of Total Deposits</u>	<u>12/31/2022</u>	<u>% of Total Deposits</u>
Interest-bearing checking accounts	\$ 48,006	5.4%	\$ 56,535	6.2%	\$ 75,242	8.7%
Money market	227,482	25.5%	289,700	32.0%	214,293	24.9%
Savings	98,395	11.0%	115,583	12.8%	147,161	17.1%
Time	89,901	10.1%	29,775	3.3%	10,745	1.2%
Total interest-bearing deposits	463,784	52.0%	491,593	54.3%	447,441	51.9%
Noninterest-bearing	427,150	48.0%	414,470	45.7%	415,256	48.1%
Total deposits	<u>\$ 890,934</u>	100.0%	<u>\$ 906,063</u>	100.0%	<u>\$ 862,697</u>	100.0%

Subordinated debt balances totaled \$14.8 million at December 31, 2023 and September 30, 2023. Other borrowings totaled \$10.0 million and \$0 at December 31, 2023 and September 30, 2023, respectively.

Shareholder's equity totaled \$62.4 million at December 31, 2023 compared to \$54.1 million at September 30, 2023, an increase of \$8.3 million, or 15.2%. The increase is driven by 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 an increase in the fair value of the cap corridor and fair value hedges which positively impacted AOCI.

Asset Quality

Nonperforming assets were 0.18% of the Company's total assets at December 31, 2023, compared with 0.22% at September 30, 2023. The allowance for credit losses was 1.15% of outstanding loans at December 31, 2023, and September 30, 2023, respectively. The Company had \$116 thousand in nonaccrual loans at December 31, 2023, representing 0.02% of total loans in each period. The Company recorded net charge-offs of \$1.26 million in the quarter ended December 31, 2023, compared to \$992 thousand in the quarter ended September 30, 2023. Charge-offs for the quarters ended December 31, 2023, and September 30, 2023, were all within the purchased consumer and lease pools.

Asset Quality (dollars in thousands)	12/31/2023	9/30/2023	12/31/2022
Loans past due 90 days or more and accruing interest	\$ 1,668	\$ 2,069	\$ 539
Other nonaccrual loans	116	138	--
Other real estate owned	--	--	--
Total nonperforming assets	\$ 1,784	\$ 2,207	\$ 539
Allowance for credit losses to total loans	1.15%	1.15%	1.30%
Allowance for credit losses to nonperforming loans	399.05%	313.46%	1363.08%
Nonaccrual loans to total loans	0.02%	0.02%	0.00%
Nonperforming assets to total assets	0.18%	0.22%	0.06%
Net charge-offs to average total loans	0.82%	0.67%	0.51%

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

Assets	<u>12/31/2023</u>	<u>9/30/2023</u>	<u>12/31/2022</u>
Cash and due from banks	\$ 38,269	\$ 58,826	\$ 38,015
Investment securities available-for-sale	221,136	212,075	233,530
Investment securities held-to-maturity	70,081	70,756	71,039
Loans and leases held for investment	620,818	600,875	564,438
Allowance for credit losses	(7,119)	(6,918)	(7,347)
Net loans and leases held for investment	613,699	593,957	557,091
Other Assets	45,876	48,480	43,727
Total assets	\$ 989,061	\$ 984,094	\$ 943,402
Liabilities and Shareholders' Equity			
Deposits:			
Non-interest-bearing	\$ 427,150	\$ 414,470	\$ 415,256
Interest-bearing	463,784	491,593	447,441
Total deposits	890,934	906,063	862,697
Subordinated debentures	14,814	14,795	14,738
Other borrowings	10,000	--	--
Other liabilities	10,925	9,099	9,457
Shareholders' equity	62,388	54,137	56,510
Total liabilities and shareholders' equity	\$ 989,061	\$ 984,094	\$ 943,402
Shares outstanding	5,568,746	5,529,805	5,499,937
Earnings per share basic	\$0.12	\$0.22	\$0.24
Earnings per share diluted	\$0.12	\$0.22	\$0.24
Nominal and tangible book value per share	\$11.20	\$9.79	\$10.27

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

Operating Results Data	Three Months Ended		
	<u>12/31/2023</u>	<u>9/30/2023</u>	<u>12/31/2022</u>
Interest and dividend income			
Loans	\$ 8,064	\$ 7,538	\$ 6,963
Investment securities	1,916	1,936	2,054
Federal Home Loan Bank stock	95	93	82
Interest-bearing deposits	769	677	250
Total interest and dividend income	10,844	10,244	9,349
Interest expense	2,416	2,008	874
Net interest income	8,428	8,236	8,475
Provision for credit losses	1,465	1,164	523
Net interest income after provision for credit losses	6,963	7,072	7,952
Noninterest income	303	314	620
Net gain (loss) on sales/calls of investment securities	--	--	(1,201)
Noninterest expenses			
Salaries and benefits expense	4,044	3,386	3,345
Occupancy expense	483	459	432
Data and item processing	296	325	278
Furniture and equipment	103	113	135
Professional services	143	248	244
Other	1,279	1,263	1,270
Total noninterest expenses	6,348	5,794	5,704
Income before provision for income taxes	918	1,592	1,667
Provision for income taxes	241	398	362
Net income	\$ 677	\$ 1,194	\$ 1,305

Selected Average Balances	Three Months Ended		
	<u>12/31/2023</u>	<u>9/30/2023</u>	<u>12/31/2022</u>
Gross loans	\$ 610,034	\$ 590,030	\$ 575,696
Investment securities	328,862	332,185	326,875
Federal Home Loan Bank stock	4,381	4,381	4,058
Other interest earning assets	49,663	54,550	32,942
Total interest earning assets	992,940	981,146	939,571
Total assets	987,101	980,038	970,167
Interest-bearing checking accounts	49,002	46,713	68,216
Money market	278,125	299,139	238,255
Savings	110,251	117,881	151,478
Time deposits	43,707	30,262	10,157
Total interest-bearing deposits	481,085	493,995	468,106
Noninterest bearing demand deposits	400,941	396,871	428,227
Total deposits	882,026	890,866	896,333
Subordinated debentures and other borrowings	39,259	20,163	14,733
Shareholders' equity	\$ 55,866	\$ 58,772	\$ 49,477

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

Three Months Ended

Selected Financial Ratios	<u>12/31/2023</u>	<u>9/30/2023</u>	<u>12/31/2022</u>
Return on average total assets	0.27%	0.48%	0.53%
Return on average shareholders' equity	4.81%	8.06%	10.47%
Net interest margin	3.40%	3.37%	3.63%
Net interest income to average total assets	3.39%	3.33%	3.47%
Efficiency ratio	72.71%	67.77%	72.26%

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CONDENSED FINANCIAL DATA – UNAUDITED
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Operating Results Data	Twelve Months Ended	
	<u>12/31/2023</u>	<u>12/31/2022</u>
Interest and dividend income		
Loans	\$ 29,542	\$ 28,128
Investment securities	7,725	7,703
Federal Home Loan Bank stock	336	261
Interest-bearing deposits	2,199	445
Total interest and dividend income	39,802	36,537
Interest expense	7,654	2,645
Net interest income	32,148	33,892
Provision for credit losses	4,371	523
Net interest income after provision for credit losses	27,777	33,369
Noninterest income	1,287	1,624
Net gain (loss) on sales/calls of investment securities	(134)	(1,150)
Noninterest expenses		
Salaries and benefits expense	14,792	13,489
Occupancy expense	1,819	1,780
Data and item processing	1,257	1,085
Furniture and equipment	434	552
Professional services	938	696
Other	5,051	4,594
Total noninterest expenses	24,291	22,196
Income before provision for income taxes	4,638	11,647
Provision for income taxes	1,101	3,067
Net income	\$ 3,537	\$ 8,580

Selected Average Balances	Twelve Months Ended	
	<u>12/31/2023</u>	<u>12/31/2022</u>
Gross loans	\$ 589,146	\$ 583,623
Investment securities	333,622	353,804
Federal Home Loan Bank stock	4,285	4,023
Other interest earning assets	45,762	35,820
Total interest earning assets	972,815	977,270
Total assets	969,488	1,003,169
Interest bearing checking accounts	52,754	66,001
Money market	253,489	253,047
Savings	122,474	154,248
Time deposits	28,406	11,612
Total interest-bearing deposits	457,123	484,908
Noninterest-bearing demand deposits	413,067	429,240
Total deposits	870,190	914,148
Subordinated debentures and other borrowings	31,516	14,700
Shareholders' equity	\$ 57,732	\$ 65,431

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

Twelve Months Ended

Selected Financial Ratios	<u>12/31/2023</u>	<u>12/31/2022</u>
Return on average total assets	0.36%	0.86%
Return on average shareholders' equity	6.13%	13.11%
Net interest margin	3.34%	3.51%
Net interest income to average total assets	3.32%	3.38%
Efficiency ratio	72.95%	64.59%

Regulatory Capital and Ratios	<u>12/31/2023</u>	<u>9/30/2023</u>	<u>12/31/2022</u>
Common equity tier 1 capital	\$ 104,620	\$ 105,099	\$ 101,409
Tier 1 regulatory capital	\$ 104,620	\$ 105,099	\$ 101,409
Total regulatory capital	\$ 111,935	\$ 112,208	\$ 108,911
Tier 1 leverage ratio	10.13%	10.32%	10.04%
Common equity tier 1 risk-based capital ratio	14.66%	15.01%	15.21%
Tier 1 capital ratio	14.66%	15.01%	15.21%
Total risk-based capital ratio	15.68%	16.03%	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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