



1st Capital Bancorp Announces First Quarter 2024 Financial Results

Salinas, California – April 30, 2024. **1st Capital Bancorp** (the “Company”), (OTCQX: FISB), the parent company of 1st Capital Bank (the “Bank”), today announced its unaudited financial results for the quarter ended March 31, 2024. The Company reported consolidated net income of \$901 thousand, or \$0.16 per diluted share, for the first quarter of 2024, compared to \$677 thousand, or \$0.12 per diluted share, for the preceding quarter and \$0.19 per diluted share, for the first quarter of 2023.

“Our operating performance for the first quarter of 2024 reflects the team’s commitment and dedication in executing our relationship banking and community focused model along the central coast,” said President and Chief Executive Officer Sam Jimenez. “While our funding costs and net interest margin (NIM) continues to be affected by elevated interest rates, we are confident that the combination of continuing strong loan demand, repricing cash flows, and rate hedges will provide NIM and profitability benefits in the coming quarters.”

At March 31, 2024, the Company, on a consolidated basis, had \$1.0 billion in assets, \$623.8 million in net loans and \$885.7 million in deposits.

Financial Highlights

Performance highlights for the quarter ended March 31, 2024, included the following:

- Net income of \$901 thousand for the first quarter of 2024, compared to \$677 thousand in the preceding quarter and \$1.06 million in the first quarter a year ago.
- Diluted earnings per share were \$0.16 for the first quarter ended March 31, 2024, as compared to \$0.12 and \$0.19 for the quarters ended December 31, 2023, and March 31, 2023, respectively.
- Pretax, pre-provision income for the quarter ended March 31, 2024, totaled \$2.4 million, as compared to \$2.4 million and \$2.1 million for the quarters ended December 31, 2023, and March 31, 2023, respectively.
- Total assets increased to \$1.0 billion at March 31, 2024, compared to \$989.1 million at December 31, 2023 and \$954.5 million at March 31, 2023.
- Core loans increased \$18.6 million, or 3.4%, to \$559.1 million compared to \$540.5 million at December 31, 2023, and increased \$93.8 million, or 20.2%, compared to \$465.3 million at March 31, 2023.
- Total deposits excluding brokered deposits decreased \$30.3 million, or 3.6%, compared to December 31, 2023, and are \$1.7 million, or 0.2%, lower than the quarter ended March 31, 2023.
- Return on average equity was 5.70% for the first quarter, as compared to 4.81% and 7.51% for the quarters ended December 31, 2023, and March 31, 2023, respectively.
- Return on average assets was 0.37% for the first quarter as compared to 0.27% and 0.45% for the quarters ended December 31, 2023, and March 31, 2023, respectively.

- Net interest margin was 3.16% for the first quarter as compared to 3.40% and 3.39% for the quarters ended December 31, 2023, and March 31, 2023, respectively.
- The Company's efficiency ratio was 70.43% for the first quarter, as compared to 72.71% and 74.38% for the quarters ended December 31, 2023, and March 31, 2023, respectively.
- The Company recorded provision for credit loss expense of \$1.20 million for the first quarter compared to \$1.47 million and \$690 thousand for the quarters ended December 31, 2023, and March 31, 2023, respectively.
- As of March 31, 2024, the Company's nonperforming assets to total assets was 0.09%, as compared to 0.18% and 0.16% for December 31, 2023, and March 31, 2023, respectively.
- Federal regulatory capital ratios for the quarters ended March 31, 2024, December 31, 2023, and March 31, 2023, exceed well capitalized thresholds.
- At March 31, 2024, the Company has \$389.4 million in available liquidity from secured and unsecured borrowing lines, which represents 38.4% of total assets.

Net Interest Income and Net Interest Margin

The Company's first quarter 2024 net interest income decreased \$0.7 million, or 9.0%, to \$7.7 million as compared with \$8.4 million for the quarter ended December 31, 2023, and \$7.9 million for the quarter ended March 31, 2023, as funding costs rose more than earning asset yields.

Loan interest income increased \$112 thousand, or 1.4%, to \$8.2 million for the quarter ended March 31, 2024, compared to \$8.1 million for the quarter ended December 31, 2023, and increased \$1.5 million, or 21.7%, to \$6.7 million compared to the quarter ended March 31, 2023. Interest income on investment securities was \$1.9 million for the quarter ended March 31, 2024, compared to \$1.9 million for the quarter ended December 31, 2023. Interest income on interest-bearing deposits decreased \$178 thousand, or 23.1%, to \$591 thousand for the quarter ended March 31, 2024, compared to \$769 thousand for the quarter ended December 31, 2023, due to lower average cash balances.

Interest expense increased \$698 thousand, or 28.9%, to \$3.1 million for the quarter ended March 31, 2024, compared to \$2.4 million for the quarter ended December 31, 2023, due to higher utilization of wholesale borrowings and brokered CDs in the quarter. Interest expense for each of the quarters presented also includes \$169 thousand related to subordinated debt.

The Company's net interest margin decreased 25 basis points to 3.16% for the quarter ended March 31, 2024, from 3.40% when compared to the quarter ended December 31, 2023. The Company's loan yields increased 8 basis points to 5.32% for the quarter ended March 31, 2024, compared to 5.24% for the quarter ended December 31, 2023, and 4.77% in the first quarter a year ago. The Company's cost of funds increased 33 basis points to 1.37% for the quarter ended March 31, 2024, compared to 1.04% for the quarter ended December 31, 2023, and 0.55% in the first quarter a year ago. The increase in cost of funds is driven by an increase in average balances of higher cost FHLB advances and brokered deposits.

Noninterest Expenses

The Company's total non-interest expense decreased \$0.7 million, or 11.4%, to \$5.6 million in the quarter ended March 31, 2024, compared to \$6.3 million and \$6.0 million for the quarters ended December 31, 2023, and March 31, 2023, respectively. The decrease was primarily related to elevated costs experienced in the fourth quarter 2023 associated with severance costs related to the retirement of an executive and decreased expenses relating to technology services.

Balance Sheet Summary

Total assets increased \$25.5 million, or 2.6%, to \$1.0 billion at March 31, 2024, compared to \$989.1 million at December 31, 2023, and \$954.5 million at March 31, 2023. Cash and due from banks increased \$15.0 million, or 38.9%, to \$53.5 million at March 31, 2024, compared to \$38.5 million at December 31, 2023, and \$45.6 million at March 31, 2023. The investment portfolio increased minimally to \$291.8 million in the first quarter of 2024 from a balance of \$291.2 million at December 31, 2023, and \$299.7 million at March 31, 2023. At March 31, 2024 and December 31, 2023, \$69.5 million and \$70.1 million, respectively, of the investment portfolio were classified as held-to-maturity. As of March 31, 2024, investments classified as held-to-maturity comprise approximately 24% of the portfolio.

Total loans outstanding increased \$10.1 million, or 1.6%, to \$630.9 million as of March 31, 2024, compared to \$620.8 million as of December 31, 2023, and \$572.8 million at March 31, 2023. Growth in the core loan portfolio of \$18.6 million, or 3.4%, to \$559.1 million at March 31, 2024, was offset by a decrease of \$8.5 million, or 10.6%, to \$71.8 million in wholesale lease and consumer pools.

Loan type (dollars in thousands)	03/31/2024	% of Total Loans	12/31/2023	% of Total Loans	03/31/2023	% of Total Loans
Construction and land (including farmland)	\$ 32,644	5.2%	\$ 32,701	5.3%	\$ 21,605	3.8%
Residential 1 to 4 units	68,879	10.9%	67,680	10.9%	60,754	10.6%
Home equity lines of credit	4,400	0.7%	3,855	0.6%	4,214	0.7%
Multifamily	92,178	14.6%	91,065	14.7%	78,103	13.6%
Owner occupied commercial real estate	137,172	21.7%	128,520	20.7%	112,600	19.7%
Non owner-commercial real estate	206,365	32.7%	198,410	32.0%	188,220	32.9%
Commercial and industrial	54,172	8.6%	55,549	8.9%	44,402	7.7%
Consumer	10,769	1.7%	13,382	2.2%	22,414	3.9%
Leases and Other Loans	24,330	3.9%	29,656	4.7%	40,498	7.1%
Total loans	630,909	100.00%	620,818	100.00%	572,810	100.0%
Allowance for credit losses	(7,101)		(7,119)		(7,374)	
Net loans held for investment	<u>\$ 623,808</u>		<u>\$ 613,699</u>		<u>\$ 565,436</u>	

Total deposits were \$885.7 million at March 31, 2024 representing a \$5.3 million decrease compared to total deposits of \$890.9 million at December 31, 2023. The decrease in deposits is primarily related to a large deposit relationship who moved some excess operating funds into the market seeking higher returns. The Company's relationship with the long-standing depositor remains strong. The decrease was partially offset by an increase in the use of brokered deposits. Noninterest-bearing balances comprised 42.3% of total deposits at March 31, 2024.

Deposit type (dollars in thousands)	03/31/2024	% of Total Deposits	12/31/2023	% of Total Deposits	03/31/2023	% of Total Deposits
Interest-bearing checking accounts	\$ 61,797	7.0%	\$ 48,006	5.4%	\$ 51,631	6.3%
Money market	229,381	25.9%	227,482	25.5%	233,666	28.6%
Savings	106,731	12.1%	98,395	11.0%	126,513	15.5%
Time	112,829	12.7%	89,901	10.1%	15,937	1.9%
Total interest-bearing deposits	510,738	57.7%	463,784	52.0%	427,747	52.3%
Noninterest-bearing	374,944	42.3%	427,150	48.0%	389,623	47.7%
Total deposits	<u>\$ 885,682</u>	100.0%	<u>\$ 890,934</u>	100.0%	<u>\$ 817,370</u>	100.0%

Other borrowings totaled \$40.0 million at March 31, 2024, compared to \$10.0 million at December 31, 2023, and \$55 million at March 31, 2023. Subordinated debt balances totaled \$14.8 million at March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

Shareholder's equity totaled \$65.2 million at March 31, 2024, compared to \$62.4 million at December 31, 2023, an increase of \$2.8 million, or 4.5%.

Allowance for Credit Losses and Asset Quality

Provision expense of \$1.2 million was recorded in the quarter ended March 31, 2024, compared to \$1.5 million in the quarter ended December 31, 2023, and \$690 thousand in the first quarter a year ago. The provision expense continues to be driven by charge offs within the wholesale loan pool portfolio and overall loan growth.

The allowance for credit losses was 1.13% of outstanding loans at March 31, 2024, compared to 1.15% of outstanding loans at December 31, 2023 and 1.29% at March 31, 2023. Nonperforming assets were 0.09% of the Company's total assets at March 31, 2024, compared with 0.18% at December 31, 2023, and 0.16% at March 31, 2023. The Company had \$442 thousand in nonaccrual loans at March 31, 2024, representing 0.07% of total loans. The Company recorded net charge-offs of \$1.2 million in the quarter ended March 31, 2024, compared to \$1.3 million in the quarter ended December 31, 2023, and \$789 thousand in the first quarter a year ago. Charge-offs for the quarters ended March 31, 2024, and December 31, 2023, were all within the purchased lease and consumer pools.

Asset Quality (dollars in thousands)	03/31/2024	12/31/2023	03/31/2023
Loans past due 90 days or more and accruing interest	\$ 434	\$ 1,669	\$ 891
Other nonaccrual loans	442	116	665
Other real estate owned	--	--	--
Total nonperforming assets	\$ 876	\$ 1,784	\$ 1,556
Allowance for credit losses to total loans	1.13%	1.15%	1.29%
Allowance for credit losses to nonperforming loans	810.62%	399.05%	474.01%
Nonaccrual loans to total loans	0.07%	0.02%	0.12%
Nonperforming assets to total assets	0.09%	0.18%	0.16%
Net charge-offs to average total loans	0.79%	0.82%	0.56%

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

Assets	03/31/2024	12/31/2023	03/31/2023
Cash and due from banks	\$ 53,480	\$ 38,510	\$ 45,567
Investment securities available-for-sale	222,272	221,136	228,711
Investment securities held-to-maturity	69,549	70,081	70,977
Loans and leases held for investment	630,909	620,818	572,810
Allowance for credit losses	(7,101)	(7,119)	(7,374)
Net loans and leases held for investment	623,808	613,699	565,436
Other Assets	45,423	45,635	43,829
Total assets	\$ 1,014,532	\$ 989,061	\$ 954,520
Liabilities and Shareholders' Equity			
Deposits:			
Non-interest-bearing	\$ 374,944	\$ 427,150	\$ 389,623
Interest-bearing	510,738	463,784	427,747
Total deposits	885,682	890,934	817,370
Subordinated debentures	14,833	14,814	14,757
Other borrowings	40,000	10,000	55,000
Other liabilities	8,827	10,925	9,044
Shareholders' equity	65,190	62,388	58,349
Total liabilities and shareholders' equity	\$ 1,014,532	\$ 989,061	\$ 954,520
Shares outstanding	5,596,543	5,568,746	5,509,429
Earnings per share basic	\$0.16	\$0.12	\$0.19
Earnings per share diluted	\$0.16	\$0.12	\$0.19
Nominal and tangible book value per share	\$11.65	\$11.20	\$10.59

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

Operating Results Data	Three Months Ended		
	<u>03/31/2024</u>	<u>12/31/2023</u>	<u>03/31/2023</u>
Interest and dividend income			
Loans	\$ 8,176	\$ 8,064	\$ 6,718
Investment securities	1,913	1,916	1,944
Federal Home Loan Bank stock	101	95	70
Interest-bearing deposits	591	769	311
Total interest and dividend income	10,781	10,844	9,043
Interest expense	3,114	2,416	1,188
Net interest income	7,667	8,428	7,855
Provision for credit losses	1,199	1,465	690
Net interest income after provision for credit losses	6,468	6,963	7,165
Noninterest income	323	303	373
Net gain (loss) on sales/calls of investment securities	--	--	(134)
Noninterest expenses			
Salaries and benefits expense	3,486	4,044	3,747
Occupancy expense	461	483	414
Data and item processing	20	296	308
Furniture and equipment	90	103	117
Professional services	249	143	268
Other	1,321	1,279	1,167
Total noninterest expenses	5,627	6,348	6,021
Income before provision for income taxes	1,164	918	1,383
Provision for income taxes	263	241	325
Net income	\$ 901	\$ 677	\$ 1,058

Selected Average Balances	Three Months Ended		
	<u>03/31/2024</u>	<u>12/31/2023</u>	<u>03/31/2023</u>
Gross loans	\$ 617,976	\$ 610,034	\$ 571,144
Investment securities	325,906	328,862	303,034
Federal Home Loan Bank stock	4,381	4,381	4,058
Other interest earning assets	39,803	49,663	34,996
Total interest earning assets	988,066	992,940	913,232
Total assets	989,254	987,101	947,453
Interest-bearing checking accounts	51,223	49,002	66,480
Money market	233,988	278,125	238,012
Savings	99,401	110,251	138,031
Time deposits	84,808	43,707	10,897
Total interest-bearing deposits	469,420	481,085	453,420
Noninterest bearing demand deposits	378,834	400,941	405,436
Total deposits	848,254	882,026	858,856
Subordinated debentures and other borrowings	67,184	39,259	21,261
Shareholders' equity	\$ 63,558	\$ 55,866	\$ 57,148

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

Three Months Ended

Selected Financial Ratios	<u>03/31/2024</u>	<u>12/31/2023</u>	<u>03/31/2023</u>
Return on average total assets	0.37%	0.27%	0.45%
Return on average shareholders' equity	5.70%	4.81%	7.51%
Net interest margin	3.16%	3.40%	3.39%
Net interest income to average total assets	3.12%	3.39%	3.36%
Efficiency ratio	70.43%	72.71%	74.38%

Regulatory Capital and Ratios	<u>03/31/2024</u>	<u>12/31/2023</u>	<u>03/31/2023</u>
Common equity tier 1 capital	\$ 106,894	\$ 104,620	\$ 102,724
Tier 1 regulatory capital	\$ 106,894	\$ 104,620	\$ 102,724
Total regulatory capital	\$ 114,192	\$ 111,935	\$ 110,295
Tier 1 leverage ratio	10.44%	10.13%	10.45%
Common equity tier 1 risk-based capital ratio	14.80%	14.66%	15.32%
Tier 1 capital ratio	14.80%	14.66%	15.32%
Total risk-based capital ratio	15.81%	15.68%	16.45%

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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