West Coast Community Bancorp, Parent of Santa Cruz County Bank, Reports Earnings for the Quarter Ended December 31, 2024

Board Declares Increase in Quarterly Cash Dividend

SANTA CRUZ, Calif. – January 28, 2025: West Coast Community Bancorp ("Bancorp", OTCQX: SCZC), the parent company of Santa Cruz County Bank including its 1st Capital Bank division (combined, the "Bank"), announced unaudited earnings for the year ended December 31, 2024, of $29.6 million, compared to $35.2 million in 2023. Excluding after-tax charges related to the merger with 1st Capital Bancorp of $10.9 million, adjusted net income (non-GAAP)[1] would have been $40.5 million for the year ended December 31, 2024. Unaudited earnings for the quarter ended December 31, 2024, were $3.8 million, compared to $8.2 million in the prior quarter, and $8.8 million in the quarter ended December 31, 2023. Adjusted net income (non-GAAP)[1] for the quarter ended December 31, 2024, excluding merger-related post-tax charges of $10.2 million, would have been $14.0 million.

"A successful close of the merger of Santa Cruz County Bank and 1st Capital Bank on October 1, 2024, and completion of the related system conversion in December made for strong post-merger quarterly financial results," said Krista Snelling, President and Chief Executive Officer of West Coast Community Bancorp. "Fourth quarter highlights include a net interest margin of 5.38%, up from 4.93% in the prior quarter, and cost of funds of 1.37%, down from 1.50% in the prior quarter. Our performance year-over-year – excluding one-time, merger-related expenses – continues to demonstrate the outsized value we deliver for our clients, team members and shareholders along the Central Coast and in Silicon Valley."

On January 23, 2025, the Board of Directors of Bancorp declared a quarterly cash dividend of $0.19 per common share, an increase of $0.01 from the prior quarter, payable on February 11, 2025, to shareholders of record at the close of business on February 5, 2025.

"The dividend increase reflects our confidence in the long-term outlook after executing on our merger strategy as well as our ongoing commitment to create value through our West Coast Community Bank rebranding and to return capital to shareholders," said Stephen Pahl, Chairman of the Board of Directors.

Financial Highlights

Performance highlights as of and for the quarter ended December 31, 2024, included the following:

- Quarterly net income was $3.8 million, compared to $8.2 million in the prior quarter and $8.8 million in the quarter ended December 31, 2023. Net income for the year ended December 31, 2024, was $29.6 million, compared to $35.2 million in 2023. Decrease in net income for the quarter and year was due to increased expenses related to the merger with 1st Capital Bank.
- Basic and diluted earnings per share in the fourth quarter of 2024 were $0.37 and $0.36, respectively. Basic and diluted earnings per share in the prior quarter were $0.98 and $0.96, respectively. Basic and diluted earnings per share in the fourth quarter of 2023 were both $1.05. Merger-related charges affected fourth quarter 2024 basic and diluted earnings per share by $0.97 and $0.96, respectively, compared to $0.05 for both in the third quarter of 2024. Basic and diluted earnings per share for the year ended December 31, 2024, were $3.32 and $3.28. Basic and diluted earnings per share for the year ended December 31, 2023, were $4.19 and $4.17, respectively. Merger-related charges affected the basic and diluted earnings per share for the year ended December 31, 2024, by $1.22 and $1.21, respectively.[1]

[1] Non-GAAP measure. See Non-GAAP Financial Measures table for reconciliation to GAAP financial measures below.

- Total assets were $2.68 billion as of December 31, 2024, an increase of $879.6 million or 49% compared to September 30, 2024, and an increase of $886.1 million or 49% compared to December 31, 2023. The increase in total assets during the fourth quarter of 2024 was largely the result of the merger with 1st Capital Bank, which added $994.3 million in assets including $14.3 million of goodwill and $27.7 million of core deposit intangible assets.

- Primary liquidity ratio, defined as cash and equivalents, deposits held in other banks and unpledged available-for-sale ("AFS") securities as a percentage of total assets, were 14.5%, 14.5% and 13.6% at December 31, 2024, September 30, 2024, and December 31, 2023, respectively.

- Deposits totaled $2.3 billion at December 31, 2024, an increase of $783.5 million or 51%, compared to September 30, 2024, and an increase of $795.4 million or 52% compared to December 31, 2023. There were no brokered deposits at December 31, 2024, and relationship deposits (i.e., deposits gathered outside of wholesale channels), increased $803.4 million compared to September 30, 2024. The increase in deposits during the fourth quarter of 2024 was largely the result of the merger with 1st Capital Bank.

- Gross loans totaled $2.0 billion at December 31, 2024, an increase of $650.7 million or 47%, compared to September 30, 2024, and an increase of $633.9 million or 45%, compared to December 31, 2023. Loan growth during the fourth quarter of 2024 was largely the result of the merger with 1st Capital Bank.

- Nonaccrual loans totaled $618 thousand, or 0.03% of gross loans at December 31, 2024, a decrease of $1.8 million from September 30, 2024, and a decrease of $5.9 million from December 31, 2023. The December 31, 2024, balance is primarily due to a past-due commercial real estate loan that is real-estate secured, with nominal loss anticipated.

- The allowance for credit losses ("ACL"), reflecting management's reasonable estimate of credit losses for the expected life of the loans in the portfolio, totaled $31.6 million, or 1.55% of total loans at December 31, 2024, compared to $23.1 million, or 1.66%, at September 30, 2024. The increase in the ACL amount primarily reflects the loan portfolio acquired from the merger with 1st Capital Bank, while the decrease in the ACL ratio is primarily attributable to a change in composition of the portfolio post-merger as well as a change in methodology and qualitative factor refinements. Following the merger, management transitioned its ACL methodology to discounted-cash-flow approach to address the size and diversity of the combined loan portfolio post-merger. The new ACL method, which can be more suitable for institutions with larger and more diverse portfolios, replaced the previous average charge-off ACL methodology. The construction loan portfolio, which under the new discounted cash flow methodology carries the highest loss reserve factor, decreased from 12% of total loans as of September 30, 2024, to 9% as of December 31, 2024. In addition, qualitative factors were further refined to align with the updated methodology and expanded portfolio composition.

- The provision for credit losses was $7.9 million, including $7.7 million for funded and $210 thousand for unfunded credit commitments, respectively, during the fourth quarter of 2024, compared to a $100 thousand provision during the third quarter of 2024 and a $246 thousand reversal in the fourth quarter of 2023. The provision expense in the fourth quarter of 2024 was primarily due to the provision for loans acquired during the merger with 1st Capital Bank.

- Net interest margin was 5.38% in the fourth quarter of 2024, compared to 4.93% in the prior quarter and 4.83% for the fourth quarter of 2023. Net interest margin was 5.09% in 2024, compared to 4.95% in 2023. The increase from prior quarter was driven by post-merger accretion of purchase discount on acquired loans, some of which accelerated through early loan pay-offs, partially offset by 100 basis points of cumulative Prime rate decreases that occurred since September 2024. Excluding the accretion of purchase discount on acquired loans would adjust the net interest margin for the fourth quarter of 2024 to 4.79% and for the year to 4.88%.[1]

- The Bank's cost of funds was 1.37% in the fourth quarter of 2024 compared to 1.50% in the prior quarter. The decrease of 13 basis points in cost of funds was primarily due to the higher proportion of noninterest-bearing deposits assumed from 1st Capital Bank combined with moderation of deposit pricing pressure, partially offset by the assumption of higher costing subordinated debentures from 1st Capital Bancorp.

[1] Non-GAAP measure. See Non-GAAP Financial Measures table for reconciliation to GAAP financial measures below.

- For the quarters ended December 31, 2024, and September 30, 2024, return on average assets ("ROAA") was 0.57% and 1.87%, respectively, return on average equity ("ROAE") was 4.55% and 12.95%, respectively, and return on average tangible equity ("ROATE") was 5.72% and 14.52%, respectively. Excluding merger-related items for the quarter ended December 31, 2024, adjusted ROAA (non-GAAP)[1] was 2.08%, adjusted ROAE (non-GAAP)[1] was 16.65%, and adjusted ROATE (non-GAAP)[1] was 20.94%.
- In 2024 and 2023, ROAA was 1.50% and 2.02%, respectively, ROAE was 11.11% and 16.60%, respectively, and ROATE was 12.94% and 19.09%, respectively. Excluding merger-related items for the year ended December 31, 2024, adjusted ROAA (non-GAAP)[1] was 2.05%, adjusted ROAE (non-GAAP)[1] was 15.22%, and adjusted ROATE (non-GAAP)[1] was 17.73%.
- The efficiency ratio was 61.62% for the fourth quarter of 2024, as compared to 45.76% in the prior quarter and 43.37% in the fourth quarter of 2023. The efficiency ratio was 50.62% and 40.72% in 2024 and 2023, respectively. Excluding merger-related items, adjusted efficiency ratio (non-GAAP)[1] was 43.05% for the fourth quarter of 2024 and 43.29% for the year.
- All capital ratios were above regulatory requirements for a well-capitalized institution with a total risk-based capital ratio of 14.00% at December 31, 2024, compared to 16.62% at September 30, 2024. Tangible common equity to tangible asset ratio was 10.14% at December 31, 2024, compared to 12.94% at September 30, 2024.
- Tangible book value per share was $25.09 at December 31, 2024, compared to $27.20 at September 30, 2024, and $24.10 at December 31, 2023. The decrease reflects the dilutive impact from the additional shares issued from the merger with 1st Capital Bancorp. Management anticipates the tangible book value dilution will be earned back via future income accretion in the next couple years.

Merger with 1st Capital Bancorp

The merger between West Coast Community Bancorp and 1st Capital Bancorp (the "Merger") was completed on October 1, 2024. At the effective time of the closing, each share of 1st Capital Bancorp common stock was converted into the right to receive 0.36 shares of common stock of Bancorp. As a result, 2,071,483 Bancorp shares were issued as of October 1, 2024.

Interest Income, Interest Expense and Net Interest Margin

Net interest income of $34.1 million in the fourth quarter of 2024 increased $13.6 million from $20.5 million for the quarter ended September 30, 2024. The quarter-over-quarter increase was largely due to the effect of the Merger, including $3.8 million of accretion of purchase discount on acquired loans, some of which accelerated due to early loan pay-offs, partially offset by Prime rate decreases that occurred since September of 2024. The Bank's cost of funds decreased 13 basis points from 1.50% in the third quarter of 2024 to 1.37% in the fourth quarter of 2024. The decrease in cost of funds was primarily due to the inflow of noninterest-bearing deposits during the Merger combined with decreased reliance on brokered deposits and overnight borrowings.

For the fourth quarter of 2024, taxable equivalent net interest margin was 5.38%, compared to 4.93% in the third quarter of 2024 and 4.83% for the corresponding quarter in 2023. The 2024 net interest margin was 5.09%, compared to 4.95% in 2023. The increase from the prior quarter was driven by the blending of portfolio compositions as part of the Merger combined with the post-merger accretion of purchase discount on acquired loans, partially offset by Prime rate decreases that occurred since September 2024. Excluding the accretion of purchase discount on acquired loans would adjust the net interest margin (non-GAAP)[1] for the fourth quarter of 2024 to 4.79% and for the year to 4.88%.

[1] Non-GAAP measure. See Non-GAAP Financial Measures table for reconciliation to GAAP financial measures below.

The following tables compare interest income, average interest-earning assets, interest expense, average interest-bearing liabilities, net interest income, net interest margin and cost of funds for each period reported.

	For the Quarters Ended					
	December 31, 2024			September 30, 2024		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Avg Yield/ Cost	Average Balance	Interest Income/ Expense	Avg Yield/ Cost
ASSETS						
Interest-earning due from banks	$ 83,210	$ 928	4.44%	$ 50,939	$ 674	5.26%
Investments	421,681	3,519	3.32%	217,976	911	1.66%
Loans	2,023,902	37,845	7.44%	1,389,123	24,520	7.02%
Total interest-earning assets	2,528,793	42,292	6.65%	1,658,038	26,105	6.26%
Noninterest-earning assets	164,421			81,886		
Total assets	$ 2,693,214			$ 1,739,924		
LIABILITIES						
Interest checking deposits	$ 356,531	630	0.70%	$ 192,209	540	1.12%
Money market deposits	580,526	4,817	3.30%	446,309	3,312	2.95%
Savings deposits	183,240	353	0.77%	89,006	142	0.63%
Time certificates of deposits	180,334	1,643	3.62%	138,536	1,240	3.56%
Brokered deposits	28,284	380	5.34%	23,859	313	5.21%
Borrowings excl. subordinated debt	--	3	4.90%	33	--	5.76%
Subordinated debt	11,551	237	8.16%	--	--	--
Total interest-bearing liabilities	1,340,466	8,063	2.39%	889,952	5,547	2.48%
Noninterest-bearing deposits	994,214			581,545		
Other noninterest-bearing liabilities	22,827			16,579		
Total liabilities	2,357,507			1,488,076		
EQUITY	335,707			251,848		
Total liabilities and equity	$ 2,693,214			$ 1,739,924		
Net interest income/margin-taxable equivalent adjusted		$ 34,229	5.38%		$ 20,558	4.93%
GAAP net interest income		$ 34,077			$ 20,517	
Cost of funds			1.37%			1.50%

	For the Years Ended					
	December 31, 2024			December 31, 2023		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Avg Yield/ Cost	Average Balance	Interest Income/ Expense	Avg Yield/ Cost
ASSETS						
Interest-earning due from banks	$ 45,809	$ 2,018	4.40%	$ 35,820	$ 1,209	3.38%
Investments*	279,557	6,486	2.32%	295,373	4,488	1.52%
Loans*	1,550,601	111,410	7.18%	1,333,906	88,878	6.66%
Total interest-earning assets*	1,875,967	119,914	6.39%	1,665,099	94,575	5.68%
Noninterest-earning assets	100,139			79,079		
Total assets	$ 1,976,106			$ 1,744,178		
LIABILITIES						
Interest checking deposits	$ 240,999	2,117	0.88%	$ 214,999	772	0.36%
Money market deposits	465,003	13,703	2.95%	378,884	5,980	1.58%
Savings deposits	116,491	743	0.64%	117,199	340	0.29%
Time certificates of deposits	148,789	5,185	3.48%	136,062	3,364	2.47%
Brokered deposits	44,961	2,394	5.32%	20,210	1,050	5.20%
Borrowings excl. subordinated debt	2,210	130	5.87%	12,591	643	5.11%
Subordinated debt	2,904	237	8.16%	--	--	--
Total interest-bearing liabilities	1,021,357	24,509	2.40%	879,945	12,149	1.38%
Noninterest-bearing deposits	669,753			633,504		
Other noninterest-bearing liabilities	18,716			18,955		
Total liabilities	1,709,826			1,532,404		
EQUITY	266,280			211,774		
Total liabilities and equity	$ 1,976,106			$ 1,744,178		
Net interest income/margin-taxable equivalent adjusted		$ 95,405	5.09%		$ 82,426	4.95%
GAAP net interest income		$ 95,128			$ 82,254	
Cost of funds			1.45%			0.80%

*Effective January 1, 2024, dividends from non-marketable equity investments held by the Bank are reported as noninterest income instead of interest income. Therefore, those equity investments are excluded from earning assets in this table. Additionally, interest income on investments and loans is reported as tax equivalent basis. Prior period figures have been restated for comparability.

Noninterest Income and Expense

Noninterest income for the quarter ended December 31, 2024, was $911 thousand compared to $1.1 million for the previous quarter and $1.0 million in the fourth quarter of 2023. Fourth quarter results reflected a $509 thousand loss on the sale of Santa Cruz County Bank's Monterey branch building as a result of branch consolidation post-merger with 1st Capital Bank.

Noninterest expense was $21.6 million in the fourth quarter of 2024 compared to $9.9 million in the prior quarter and $9.4 million in the same quarter last year. Increase is due to $6.3 million in merger-related expenses in the fourth quarter compared to $455 thousand in the prior quarter, $2.8 million increase in personnel expenses and $859 thousand increase in occupancy and equipment expenses post-merger in the fourth quarter of 2024. Merger and higher personnel and occupancy expenses also contributed to the year-to-date noninterest expense increase of $15.1 million, or 43%, compared to the same period last year.

Liquidity Position

The following table summarizes the Bank's liquidity as of December 31, 2024, and September 30, 2024:

	As of	
(Dollars in thousands)	**12/31/2024**	**9/30/2024**
Cash and due from banks	$ 85,007	$ 134,446
Unencumbered AFS securities	302,386	126,086
Total on-balance-sheet liquidity	387,393	260,532
Line of credit from the Federal Home Loan Bank of San Francisco – collateralized	645,716	471,558
Line of credit from the Federal Reserve Bank of San Francisco – collateralized	322,258	251,634
Lines at correspondent banks – unsecured	95,000	95,000
Total external contingency liquidity capacity	1,062,974	818,192
Less: overnight borrowings	--	--
Net available liquidity sources	$ 1,450,367	$ 1,078,724

As of December 31, 2024, net liquidity exceeded uninsured and uncollateralized deposits of $1.1 billion, with a coverage ratio of 131%.

As of December 31, 2024, and September 30, 2024, the Bank had no borrowings outstanding.

Investment Portfolio

Securities issued by U.S. Government-sponsored agencies, U.S. Treasury bonds and SBA securities accounted for 35%, 31% and 2% of the investment portfolio as of December 31, 2024, respectively. These securities carry explicit or implicit credit guarantee from the U.S. government and thus present minimal credit or liquidity risk. Municipal bonds represent 25% of the carrying value of the portfolio and allocations to corporate bonds, private-label mortgage-backed securities and asset-backed instruments were insignificant. The investment portfolio expanded from $205.8 million as of September 30, 2024, to $407.7 million as of December 31, 2024, mainly due to $258.3 million of investments acquired through the Merger, offset by purchases, sales and maturities during the quarter. As a result, the investment portfolio had an average life of 5.4 years as of December 31, 2024, compared to 2.6 years as of September 30, 2024. Net unrealized losses on AFS securities totaled $18.8 million ($13.2 million after-tax) at December 31, 2024, compared to $8.9 million ($6.2 million after-tax) at September 30, 2024. Held-to-maturity securities totaled $7.3 million at December 31, 2024, with $469 thousand of pre-tax unrealized losses, compared to $229 thousand pre-tax unrealized losses at September 30, 2024.

Loans and Asset Quality

Gross loans increased $650.7 million or 47% from September 30, 2024, and increased $633.9 million or 45% compared to December 31, 2023. Loan growth during the fourth quarter of 2024 was largely the result of the Merger which added loans totaling $603.1 million, net of fair value adjustments. Organic loan growth totaled $44.0 million during the fourth quarter, including originations of construction and commercial loans, which grew by $18 million and $14.5 million, respectively, as well as $9.1 million funding of a new asset-based line of credit. Nonaccrual loans decreased $1.8 million from September 30, 2024, and $5.9 million from December 31, 2023, to $618 thousand or 0.03% of gross loans. The $2.4 million nonaccrual loan as of September 30, 2024, was sold with no gain or loss. As of December 31, 2023, the $6.5 million balance was due to one commercial real estate loan that was subsequently paid off.

The allowance for credit losses was $31.6 million at December 31, 2024, or 1.55% of total loans, and $23.1 million at September 30, 2024, or 1.66% of the total loans. The allowance for credit losses allocated to individually evaluated loans were $235 thousand and $71 thousand as of December 31, 2024, and September 30, 2024, respectively. The allowance on unfunded credit commitments, presented as part of other liabilities, as a percent of unfunded credit commitments was 0.35% at December 31, 2024, a slight increase from 0.34% at September 30, 2024. The increase in the ACL amount reflects portfolio growth from the Merger, while the decrease in the ACL ratio is primarily attributable to a change in composition of the portfolio post-merger as well as change in ACL methodology and qualitative factor refinements. Following the Merger, management transitioned its ACL methodology to a discounted-cash-flow approach to address the size and diversity of the combined loan portfolio post-merger. Qualitative factors were further refined to align with the updated ACL methodology and expanded portfolio composition.

The following tables summarize the Bank's loan mix and delinquent/nonperforming loans:

	As of			**Change % vs.**	
(Dollars in thousands)	**12/31/2024**	**9/30/2024**	**12/31/2023**	**9/30/2024**	**12/31/2023**
Loans held for sale	$ -	$ 24,154	$ 33,696	-100%	-100%
SBA and B&I loans	183,128	143,913	137,586	27%	33%
Commercial term loans	121,238	100,107	107,509	21%	13%
Revolving commercial lines	148,336	102,862	117,251	44%	27%
Asset-based lines of credit	28,788	14,982	27,174	92%	6%
Construction loans	191,772	165,592	138,309	16%	39%
Commercial real estate loans	1,364,352	810,280	807,050	68%	69%
Home equity lines of credit	33,853	28,005	31,849	21%	6%
Consumer and other loans	2,125	2,429	8,709	-13%	-76%
Deferred loan expenses, net of fees	2,936	2,183	2,160	34%	36%
Total loans, net of deferred expenses/fees	2,076,528	1,394,507	1,411,293	49%	47%
Purchase discount on acquired loans	(31,425)	-	-	-100%	-100%
Total loans, net of unaccreted purchase discount	$ 2,045,103	$ 1,394,507	$ 1,411,293	47%	45%

	As of or for the Quarter Ended		
(Dollars in thousands)	**12/31/2024**	**9/30/2024**	**12/31/2023**
Loans past due 30-89 days	$ 387	$ 3,377	$ --
Delinquent loans (past due 90+ days still accruing)	--	--	2,999
Nonaccrual loans	618	2,404	6,526
Other real estate owned	--	--	--
Nonperforming assets	--	--	9,525
Net loan charge-offs QTD	--	--	1,172
Net loan charge-offs YTD	55	44	2,167

Deposits

Deposits were $2.3 billion at December 31, 2024, reflecting an increase of $783.5 million during the fourth quarter of 2024. The increase in deposits during the fourth quarter of 2024 was largely the result of the Merger, which increased deposits by $893.2 million. Deposits from new client relationships established in the fourth quarter totaled $20.5 million. Increases were partially offset by $104.9 million brokered deposit pay-offs as well as investment and operating cash outflows (e.g., tax payments) by several large depositors. During the fourth quarter of 2024, noninterest-bearing deposits to total deposits increased from 41.2% at September 30, 2024, to 43.9% at December 31, 2024.

The 10 largest deposit relationships, excluding fully collateralized government agency deposits, represent approximately 13% of total deposits as of December 31, 2024, compared to 12% as of September 30, 2024, and 13% as of December 31, 2023.

The following table summarizes the Bank's deposit mix:

	As of			Change % vs.	
(Dollars in thousands)	**12/31/2024**	**9/30/2024**	**12/31/2023**	**9/30/2024**	**12/31/2023**
Noninterest-bearing demand	$ 1,014,263	$ 629,238	$ 576,456	61%	76%
Interest-bearing demand	270,254	191,887	209,584	41%	29%
Money markets	668,584	461,965	434,287	45%	54%
Savings	183,507	86,519	105,012	112%	75%
Time certificates of deposit	173,875	137,484	142,413	26%	22%
Brokered deposits	-	19,858	47,338	-100%	-100%
Total deposits	$ 2,310,483	$ 1,526,951	$ 1,515,090	51%	52%
Deposits – personal	$ 794,990	$ 544,086	$ 545,920	46%	46%
Deposits – business	1,515,493	963,007	921,832	57%	64%
Deposits – brokered	-	19,858	47,338	-100%	-100%
Total deposits	$ 2,310,483	$ 1,526,951	$ 1,515,090	51%	52%

Shareholders' Equity

Total shareholders' equity was $333.0 million at December 31, 2024, a $76.3 million or 30% increase compared to September 30, 2024, and an increase of $102.9 million or 45% compared to December 31, 2023. Issuance of common stock of $80.8 million as part of the Merger, combined with earnings of $3.8 million in the fourth quarter of 2024, contributed to the increase compared to last quarter-end. This was offset by a $7.0 million increase in the after-tax unrealized losses on AFS securities ($13.2 million as of December 31, 2024, up from $6.2 million as of September 30, 2024) resulting from increases in both the long-term interest rates during the fourth quarter and the average life on the combined investment portfolio post-merger.

Non-GAAP Financial Measures[1]

In addition to evaluating the Bancorp's results of operations in accordance with generally accepted accounting principles ("GAAP") in the United States of America, certain non-GAAP financial measures are widely accepted by the institutional investor community. Non-GAAP measures provide the reader with additional perspectives on operating results, financial condition and performance trends, while facilitating comparisons with the performance of other financial institutions. Disclosing these non-GAAP measures is both usefully internally and is expected by our investors to understand the overall performance of the Bancorp.

Examples of non-GAAP financial measure include *efficiency ratio, adjusted tangible common equity* and *adjusted return on average tangible common equity:*

- Efficiency ratio is a common comparable metric used by banks to understand the expense structure relative to total revenue. To improve the comparability of the ratio to our peers, non-recurring items are excluded.
- Adjusted tangible common equity measures exclude the impact of intangible assets, net of deferred taxes, and their related amortization. These financial measures are useful for evaluating the performance of a business consistently, whether acquired or developed internally.
- Adjusted return on average tangible common equity is used by management and readers of our financial statements to understand how efficiently the Bancorp is deploying its common equity. Companies that can demonstrate more efficient use of common equity are more likely to be viewed favorably by current and prospective investors.

A reconciliation of GAAP to non-GAAP financial measures other performance ratios used by the Bancorp, as adjusted, is presented in the table at the end of this earnings release.

ABOUT SANTA CRUZ COUNTY BANK AND WEST COAST COMMUNITY BANCORP

Founded in 2004, Santa Cruz County Bank is the wholly owned subsidiary of West Coast Community Bancorp, a bank holding company. The Bank is a top-rated, locally operated and full-service community bank headquartered in Santa Cruz, Calif. with branches in Aptos, Capitola, Cupertino, King City, Monterey, Salinas, San Luis Obispo, Santa Cruz, Scotts Valley and Watsonville. Santa Cruz County Bank is distinguished from "big banks" by its relationship-based service, problem-solving focus and direct access to decision makers. The Bank is a leading SBA lender in Santa Cruz County and Silicon Valley. As a full-service bank, Santa Cruz County Bank offers competitive deposit and lending solutions for businesses and individuals; including business loans, lines of credit, commercial real estate financing, construction lending, asset-based lending, agricultural loans, SBA and USDA government guaranteed loans, credit cards, merchant services, remote deposit capture, mobile and online banking, bill payment and treasury management. True to its community roots, Santa Cruz County Bank has supported regional well-being by actively participating in and donating to local nonprofit organizations.

NATIONAL, STATE AND LOCAL RATINGS AND AWARDS

- 2024 OTCQX Best 50: West Coast Community Bancorp "SCZC" stock ranked 37th for stock performance based on total return and growth in average daily dollar volume in 2023.
- American Banker Magazine Top 100 Community Banks: The Bank has ranked in the Top Community Banks list for 10 consecutive years based upon 3-year average equity for banks with fewer than $2 billion in assets. The Bank ranked 50th in the nation and 9th among the 18 California banks that made the rankings.
- 2024 ICBA Top-Performing Community Banks: The Bank ranked 12 out of 25 top banks with assets greater than $1 billion.
- The Findley Reports, Inc.: The Bank has received the top ranking of Super Premier for 14 consecutive years.
- Bauer Financial Reports, Inc.: The Bank is rated 5-star "Superior" based upon its financial performance.
- Silicon Valley Business Journal: The Bank is ranked 13th among Top 20 Banks for deposits in Silicon Valley for the period October 1, 2023, to September 30, 2024.
- Volunteer Center of Santa Cruz County bestowed the "2024 Be the Difference Legacy Award" to the Bank for 20 years of service to the community.
- Press Banner: 2024 Best of Scotts Valley "Best Local Bank" determined by its readers.
- The Pajaronian: 2024 Best of the Pajaro Valley "Best Local Bank" chosen by readers' poll.
- Good Times, 2023 Best of Santa Cruz County Award, voted "Best Bank" for 12 consecutive years.
- Santa Cruz Sentinel, 2023 Reader's Choice Award, number one bank in Santa Cruz County as voted by Santa Cruz Sentinel readers for 10 years.

Forward-Looking Statements

This release may contain forward-looking statements that are subject to risks and uncertainties. Such risks and uncertainties may include but are not necessarily limited to the successful integration with 1st Capital Bancorp post-merger, achieving the targeted cost savings and synergies within expected time-frames or at all, retaining employees and customers, fluctuations in interest rates (including but not limited to changes in depositor behavior in relation thereto), inflation, government regulations and general economic conditions, and competition within the business areas in which the Bank is conducting its operations, health of the real estate market in California, Bancorp's ability to effectively execute its business plans, and other factors beyond Bancorp and the Bank's control. In particular, rapid and large increases in interest rates in the past few years have driven core deposit intangible levels higher. Higher interest rates reflect a higher cost of wholesale borrowing from the market relative to the cost of maintaining cheaper core deposits, which has made the value of deposit relationships increased. When interest rates fall, banks may adjust deposit rates closer to falling market rates. This could reduce the value of core deposit intangible asset and result in future impairment charges. Such risks and uncertainties could cause results for subsequent interim periods or for the entire year to differ materially from those indicated. Readers should not place undue reliance on the forward-looking statements, which reflect management's view only as of the date hereof. Bancorp undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

Concurrent with this earnings release, Bancorp issued presentation slides providing supplemental information intended to be reviewed together with this release. Slides may be viewed online at: https://www.sccountybank.com/investor_relations.cfm.

(See page 13 for calculation of non-GAAP measures excluding merger-related items.)

Selected Unaudited Financial Information

(Dollars in thousands, except per share amounts)	As of or for the Quarter Ended December 31, 2024	2023	Change $	Change %	As of or for the Quarter Ended September 30, 2024	Change $	Change %
Balance Sheet							
Assets							
Cash and due from banks	$ 85,007	$ 44,395	$ 40,612	91%	$ 134,446	$ (49,439)	-37%
Securities – AFS	400,473	262,566	137,907	53%	198,531	201,942	102%
Securities – HTM	7,273	7,585	(312)	-4%	7,296	(23)	0%
Gross loans	2,045,215	1,411,293	633,922	45%	1,394,507	650,708	47%
Allowance for credit losses	(31,622)	(23,943)	(7,679)	32%	(23,099)	(8,523)	37%
Goodwill and other intangibles	68,105	27,433	40,672	148%	27,184	40,921	151%
Other assets	105,977	65,033	40,944	63%	61,927	44,050	71%
Total assets	$ 2,680,428	$ 1,794,362	$ 886,066	49%	$ 1,800,792	$ 879,636	49%
Liabilities and Equity							
Noninterest-bearing deposits	$ 1,014,263	$ 576,456	$ 437,807	76%	$ 629,238	$ 385,025	61%
Interest-bearing non-brokered deposits	1,296,220	891,296	404,924	45%	877,855	418,365	48%
Brokered deposits	--	47,338	(47,338)	-100%	19,858	(19,858)	-100%
Total deposits	2,310,483	1,515,090	795,393	52%	1,526,951	783,532	51%
Borrowings	11,608	32,500	(20,892)	-64%	--	11,608	0%
Other liabilities	25,356	16,736	8,620	52%	17,160	8,196	48%
Shareholders' equity	332,981	230,036	102,945	45%	256,681	76,300	30%
Total liabilities and equity	$ 2,680,428	$ 1,794,362	$ 886,066	49%	$ 1,800,792	$ 879,636	49%
Income Statement							
Interest income	$ 42,139	$ 25,125	$ 17,014	68%	$ 26,064	$ 16,075	62%
Interest expense	8,063	4,491	3,572	80%	5,547	2,516	45%
Net interest income	34,076	20,634	13,442	65%	20,517	13,559	66%
Provision for credit losses	7,939	(246)	8,185	-3,327%	100	7,839	7,839%
Noninterest income	911	1,018	(107)	-11%	1,065	(154)	-14%
Noninterest expense	21,559	9,389	12,170	130%	9,876	11,683	118%
Net income before taxes	5,489	12,509	(7,020)	-56%	11,606	(6,117)	-53%
Income tax expense	1,649	3,668	(2,019)	-55%	3,407	(1,758)	-52%
Net income after taxes	$ 3,840	$ 8,841	$ (5,001)	-57%	$ 8,199	$ (4,359)	-53%
Basic earnings per share	$ 0.37	$ 1.05	$ (0.68)	-65%	$ 0.98	$ (0.61)	-62%
Diluted earnings per share	$ 0.36	$ 1.05	$ (0.69)	-66%	$ 0.96	$ (0.60)	-63%
Book value per share	$ 31.54	$ 27.36	$ 4.18	15%	$ 30.42	$ 1.12	4%
Tangible book value per share [a]	$ 25.09	$ 24.10	$ 0.99	4%	$ 27.20	$ (2.11)	-8%
Shares outstanding	10,556,467	8,406,680			8,438,238		
Ratios							
Net interest margin, tax equivalent [b]	5.38%	4.83%			4.93%		
Cost of funds [c]	1.37%	1.17%			1.50%		
Efficiency ratio [d]	61.62%	43.37%			45.76%		
Return on:							
Average assets	0.57%	1.99%			1.87%		
Average equity	4.55%	15.72%			12.95%		
Average tangible equity [e]	5.72%	17.93%			14.52%		
Tier 1 leverage ratio	10.51%	12.09%			13.63%		
Total risk-based capital ratio	14.00%	14.98%			16.62%		
Tangible common equity ratio [f]	10.14%	11.47%			12.94%		
ACL/Gross loans	1.55%	1.70%			1.66%		
Noninterest-bearing deposits to total deposits	43.90%	38.05%			41.21%		
Gross loans to deposits	88.52%	93.15%			91.33%		

Selected Unaudited Financial Information

(Dollars in thousands, except per share amounts)	For the Year Ended December 31, 2024	2023	Change $	Change %
Income Statement				
Interest income	$ 119,637	$ 94,403	$ 25,234	27%
Interest expense	24,509	12,149	12,360	102%
Net interest income	95,128	82,254	12,874	16%
Provision for loan losses	7,039	1,413	5,626	398%
Noninterest income	4,053	4,082	(29)	-1%
Noninterest expense	50,205	35,153	15,052	43%
Net income before taxes	41,937	49,770	(7,833)	-16%
Income tax expense	12,358	14,620	(2,262)	-15%
Net income after taxes	$ 29,579	$ 35,150	$ (5,571)	-16%
Basic earnings per share	$ 3.32	$ 4.19	$ (0.87)	-21%
Diluted earnings per share	$ 3.28	$ 4.17	$ (0.89)	-21%
Ratios				
Net interest margin, tax equivalent [b]	5.09%	4.95%		
Cost of funds [c]	1.45%	0.80%		
Efficiency ratio [d]	50.62%	40.72%		
Return on:				
Average assets	1.50%	2.02%		
Average equity	11.11%	16.60%		
Average tangible equity [e]	12.94%	19.09%		

[a] Tangible equity equals total shareholders' equity less goodwill and other intangible assets. Tangible book value per share divides tangible equity by period ending shares outstanding.

[b] Net interest margin is calculated by dividing annualized taxable equivalent net interest income by period average interest-earning assets. Interest income on tax-exempt securities and loans are presented on a taxable-equivalent basis using the Federal statutory rate of 21 percent.

[c] Cost of funds is computed by dividing annualized interest expense by the sum of period average deposits and borrowings.

[d] Efficiency ratio equals total noninterest expenses divided by the sum of net interest income and noninterest income.

[e] Return on average tangible equity is calculated by dividing annualized net income by period average tangible shareholders' equity. Tangible shareholders' equity is defined in note [a] above.

[f] Tangible common equity ratio is calculated by dividing tangible shareholders' equity as defined in note [a] above by assets less goodwill and other intangible assets.

Non-GAAP Financial Measures

(Dollars in thousands, except per share amounts)	As of or for the Quarter Ended December 31, 2024	As of or for the Quarter Ended December 31, 2023	As of or for the Quarter Ended September 30, 2024	As of or for the Year Ended December 31, 2024	As of or for the Year Ended December 31, 2023
Non-interest expense reported per GAAP	$ 21,559	$ 9,389	$ 9,876	$ 50,205	$ 35,153
Less: merger expense – non-deductible	97	--	437	751	--
Less: merger expense – deductible	6,180	--	18	6,298	--
Adjusted non-interest expense (non-GAAP)	$ 15,282	$ 9,389	$ 9,421	$ 43,156	$ 35,153
Net interest income, taxable equivalent (TE)	$ 34,229	$ 20,634	$ 20,558	$ 95,405	$ 82,426
Less: accretion on purchase discount of acquired loans	3,783	--	--	3,783	--
Adjusted net interest income (non-GAAP)	$ 30,446	$ 20,634	$ 20,558	$ 91,622	$ 82,426
Average interest earning assets	$ 2,528,793	$ 1,693,931	$ 1,658,038	$ 1,875,967	$ 1,665,099
Net interest margin, taxable equivalent	5.38%	4.83%	4.93%	5.09%	4.95%
Adjusted net interest margin (TE) (non-GAAP)	4.79%	4.83%	4.93%	4.88%	4.95%
Non-interest income reported per GAAP	$ 911	$ 1,018	$ 1,065	$ 4,053	$ 4,082
Add: net loss on sale of Monterey branch facility	509	--	--	509	--
Adjusted non-interest income (non-GAAP)	1,420	1,018	1,065	4,562	4,082
Net interest income plus adjusted non-interest income (non-GAAP)	35,496	21,652	21,582	99,690	86,336
Non-interest expense to net interest income plus non-interest income (non-GAAP)	61.62%	43.36%	45.76%	50.62%	40.72%
Adjusted efficiency ratio (non-GAAP)	43.05%	43.36%	43.65%	43.29%	40.72%
Net income reported per GAAP	$ 3,840	$ 8,841	$ 8,199	$ 29,579	$ 35,150
Add: Day 1 provision for credit losses on acquired non-PCD loans	7,667	--	--	7,667	--
Add: net loss on sale of Monterey branch facility	509	--	--	509	--
Add: merger expense – non-deductible	97	--	437	751	--
Add: merger expense – deductible	6,180		18	6,298	
Adjusted non-recurring items	14,453	--	455	15,225	--
Tax effected non-recurring items	10,209	--	450	10,946	--
Adjusted net income (non-GAAP)	$ 14,049	$ 8,841	$ 8,649	$ 40,525	$ 35,150
GAAP basic earnings per share	$ 0.37	$ 1.05	$ 0.98	$ 3.32	$ 4.19
Adjusted basic earnings per share (non-GAAP)	$ 1.34	$ 1.05	$ 1.03	$ 4.54	$ 4.19
GAAP diluted earnings per share	$ 0.36	$ 1.05	$ 0.96	$ 3.28	$ 4.17
Adjusted diluted earnings per share (non-GAAP)	$ 1.32	$ 1.05	$ 1.01	$ 4.49	$ 4.17
Adjusted non-GAAP ROAA	2.08%	1.99%	1.98%	2.05%	2.02%
Adjusted non-GAAP ROAE	16.65%	15.72%	13.66%	15.22%	16.60%
Adjusted non-GAAP ROATE	20.94%	17.93%	15.32%	17.73%	19.09%
Total shareholders' equity	$ 332,981	$ 230,036	$ 256,681	$ 332,981	$ 230,036
Less: goodwill and other intangibles	68,105	27,433	27,184	68,105	27,433
Tangible common equity (non-GAAP)	$ 264,876	$ 202,603	$ 229,497	$ 264,876	$ 202,603
Common shares outstanding at period end	10,556,467	8,406,680	8,438,238	10,556,467	8,406,680
Book value per common share	$ 31.54	$ 27.36	$ 30.42	$ 31.54	$ 27.36
Tangible book value per common share (non-GAAP)	$ 25.09	$ 24.10	$ 27.20	$ 25.09	$ 24.10
Total assets	$ 2,680,428	$ 1,794,362	$ 1,800,792	$ 2,680,428	$ 1,794,362
Less: goodwill and other intangibles	68,105	27,433	27,184	68,105	27,433
Tangible assets	$ 2,612,323	$ 1,766,929	$ 1,773,608	$ 2,612,323	$ 1,766,929
Total shareholders' equity to total assets	12.42%	12.82%	14.25%	12.42%	12.82%
Tangible equity to tangible assets (non-GAAP)	10.14%	11.47%	12.94%	10.14%	11.47%