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

Board Declares Quarterly Cash Dividend

SANTA CRUZ, CA – April 23, 2024: West Coast Community Bancorp ("Bancorp", OTCQX: SCZC), the parent company of Santa Cruz County Bank (the "Bank"), announced unaudited earnings for the first quarter ended March 31, 2024. Net income for the quarter was $9.3 million, an increase of 5% both from $8.8 million in the prior quarter and $8.9 million in the quarter ended March 31, 2023. Basic and diluted earnings per share in the first quarter of 2024 were $1.11 and $1.10 and increased over the prior quarter by $0.06 and $0.05, respectively. Basic and diluted earnings per share in the first quarter of 2024 also increased over the prior year comparative quarter by $0.06 and $0.05, respectively.

President and CEO, Krista Snelling commented: "Once again, our entire team is to be congratulated for our consistently strong financial performance. For a 12th consecutive year, we were voted Best Bank in Santa Cruz County by Good Times readers. In addition to reporting over $9.3 million in income for the quarter, which is the second highest earnings in our history, we recorded significant improvement in the reduction of nonperforming loans to under $90 thousand or 0.01% of total loans."

On April 20, 2024, the Board of Directors of Bancorp declared a quarterly cash dividend of $0.17 per common share, payable on May 13, 2024, to shareholders of record at the close of business on May 7, 2024.

Financial Highlights

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

- Quarterly net income of $9.3 million increased 5% from $8.8 million in the prior quarter and $8.9 million in the quarter ended March 31, 2023.
- Total assets of $1.71 billion as of March 31, 2024, decreased $81.7 million or 5%, compared to $1.79 billion as of December 31, 2023, and decreased $14.8 million or 1% compared to March 31, 2023.
- The Bank's liquidity position remains healthy. 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, was 11.7% and 13.6% at March 31, 2024 and December 31, 2023, respectively.
- Deposits totaled $1.46 billion at March 31, 2024, a decrease of $59.1 million or 4%, compared to December 31, 2023, and a decrease of $6.0 million compared to March 31, 2023. Relationship deposits, i.e. deposits gathered outside of wholesale channels, decreased $48.7 million compared to December 31, 2023. A decrease of $40.8 million from the prior quarter-end can be attributed to distributions of proceeds resulting from the sale of businesses, properties, and investment in real estate by our large depositors. The remainder of the decrease from the prior quarter-end reflected depositors seeking higher return from other investment opportunities. The decreases were partially offset by cyclical fluctuation of deposits from our local agency depositors. Total uninsured deposits, excluding collateralized deposits, represented approximately 43% and 44% of total deposits as of March 31, 2024 and December 31, 2023, respectively.
- Gross loans totaled $1.38 billion at March 31, 2024, a decrease of $32.5 million or 2%, compared to December 31, 2023, and an increase of $60.0 million or 5%, compared to March 31, 2023. The decrease from year-end 2023 reflected commercial borrowers paying down their revolving lines, as well as payoffs of real estate loans. In addition, a $3.0 million commercial real estate loan delinquent in the fourth quarter of 2023 was paid off in January 2024.

- Nonaccrual loans totaled $90 thousand, or 0.01% of gross loans, as of March 31, 2024, compared to $6.5 million, or 0.46% of total loans as of December 31, 2023. The decrease during the first quarter is due to a previously delinquent $6.5 million commercial real estate loan returned to accrual status in March 2024 after collection of past due payments.
- The allowance for credit losses ("ACL"), reflecting management's estimate of credit losses for the expected life of the loans in the portfolio, totaled $23.0 million, or 1.67% of total loans at March 31, 2024, compared to $23.9 million, or 1.70% at December 31, 2023. The decrease in the ACL as a percentage of total loans was due to the paydowns of revolving lines, which are subject to higher reserve rates relative to other loan categories, as well as declines in the reserve rates in the commercial real estate and multi-family pools from a decrease in estimated life of loan (reflecting the market's expectation for declining rates). In addition, the allowance on unfunded credit commitments, presented as part of other liabilities, decreased to 0.35% of total unfunded in the first quarter of 2024 due to lower reserve factors for unfunded commitments, mainly attributable to reduction in the estimated life of the construction, commercial, and commercial real estate unfunded commitment pools.
- Provision for credit losses, including funded and unfunded credit commitments, was a reversal of $1 million in the first quarter of 2024 due to the reasons discussed above as well as decreases in loan balances. In comparison, a $246 thousand reversal was booked in the fourth quarter of 2023 and $315 thousand provision for the first quarter in 2023. Unfunded commitments increased during the first quarter of 2024 (mainly SBA real estate credit commitments); however, the estimated life of the commitments decreased allowing for the release of the reserve for unfunded commitment of $100 thousand during the first quarter of 2024.
- Net interest margin was 4.86% in the first quarter of 2024, compared to 4.83% in the prior quarter and 5.10% for the first quarter in 2023. In the first quarter of 2024, higher yields on interest-earning assets were more than offset by increased funding costs. The recognition of interest recovered for two previously nonaccrual commercial real estate loans totaling $436 thousand and $263 thousand contributed to increases of net interest margin by 10 basis points during the first quarter of 2024 and 6 basis points during the fourth quarter of 2023, respectively.
- For the quarters ended March 31, 2024 and December 31, 2023, return on average assets was 2.14% and 1.99%, respectively, return on average equity was 15.99% and 15.72%, respectively, and return on average tangible equity was 18.10% and 17.93%, respectively.
- The efficiency ratio was 42.81% for the first quarter of 2024, as compared to 43.37% in the prior quarter and 39.78% in the first quarter of 2023.
- All capital ratios were above regulatory requirements for a well-capitalized institution with a total risk-based capital ratio of 15.87% at March 31, 2024 compared to 14.98% at December 31, 2023. Tangible common equity to tangible asset ratio increased from 11.47% at December 31, 2023 to 12.50% at March 31, 2024.
- Tangible book value per share increased to $25.05 at March 31, 2024 from $24.10 at December 31, 2023 and $20.91 at March 31, 2023.

Liquidity Position

The following table summarizes the Bank's liquidity as of March 31, 2024 and December 31, 2023:

	As of	
(Dollars in thousands)	**3/31/2024**	**12/31/2023**
Cash and due from banks	$ 39,148	$ 44,395
Unencumbered AFS securities	160,934	198,876
Total on-balance-sheet liquidity	200,082	243,271
Line of credit from the Federal Home Loan Bank of San Francisco - collateralized	452,866	434,961
Line of credit from the Federal Reserve Bank of San Francisco-collateralized	261,008	251,641
Lines at correspondent banks-unsecured	80,000	80,000
Total external contingency liquidity capacity	793,874	766,602
Less: overnight borrowings	--	(32,500)
Net available liquidity sources	$ 993,956	$ 977,373

As of March 31, 2024, net liquidity exceeded uninsured and uncollateralized deposits of $627.2 million, with a coverage ratio greater than 158%.

U.S. Treasury bonds, securities issued by U.S. Government sponsored agencies and SBA accounted for 70%, 21% and 4% of the investment portfolio as of March 31, 2024, respectively, and thus presented minimal credit or liquidity risk. The investment portfolio of $227.1 million at March 31, 2024 has an average life of 2.8 years, and the Bank expects to receive principal, in full, when the investments mature. Net unrealized losses on AFS securities totaled $14.9 million ($10.5 million after-tax) at March 31, 2024. Held-to-maturity securities totaled $7.3 million at March 31, 2024 with $249 thousand of unrealized losses.

As of March 31, 2024, the Bank had no borrowings outstanding from the Federal Reserve's discount window or its Bank Term Funding Program. No overnight borrowing was outstanding as of March 31, 2024 under unsecured lines of credit from our correspondent banks, compared to $32.5 million overnight borrowings outstanding at December 31, 2023.

Quarterly Earnings

For the first quarter of 2024, net income was $9.3 million, compared to $8.8 million in the fourth quarter of 2023 and $8.9 million in the first quarter of 2023. Major factors impacting earnings in the first quarter of 2024 included: interest expense on deposits and borrowings, reversal of the provision for credit losses, and interest income on loans. Reversal of the provision for credit losses increased $754 thousand during the first quarter of 2024 compared to the prior quarter. A reduction in the size of the loan portfolio combined with a shorter estimated average life on the commercial real estate portfolio, necessitated a release of reserves from the ACL during the first quarter of 2024. Interest income on loans increased $574 thousand compared to prior quarter, primarily attributable to recognition of interest recovered from the resolution of a previously nonaccrual commercial real estate credit. However, market interest rate pressure resulted in a $853 thousand interest expense increase during the first quarter of 2024.

Interest Income / Interest Expense and Net Interest Margin

Net interest income of $20.3 million in the first quarter of 2024 decreased $321 thousand from $20.6 million for the quarter ended December 31, 2023, primarily due to the impact of continued upward pressure on funding costs partially offset by additional interest income from increased loan yields. Increased rates on interest-bearing deposits caused a larger increase in funding costs than the corresponding increase in loan yields. The Bank's cost of funds increased 26 basis points from the fourth quarter of 2023 of 1.17%, to 1.43% in the first quarter of 2024.

For the first quarter of 2024, net interest margin was 4.86%, compared to 4.83% in the fourth quarter of 2024 and 5.10% for the corresponding quarter in 2023. The increase from the prior quarter was primarily due to the recognition of $436 thousand interest recovered for a commercial real estate loan and, to a lesser extent, a shift in the composition of earning assets from lower yielding investment securities to higher yielding loans, partially offset by the rising cost of funds.

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 Quarter Ended					
	March 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	$ 29,870	$ 212	2.85%	$ 28,290	$ 167	2.34%
Investments*	253,054	1,064	1.69%	284,062	1,151	1.61%
Loans	1,397,298	24,381	7.02%	1,381,579	23,807	6.84%
Total interest-earning assets*	1,680,222	25,657	6.14%	1,693,931	25,125	5.88%
Noninterest-earning assets	71,198			70,359		
Total assets	$ 1,751,420			$ 1,764,290		
LIABILITIES						
Interest-bearing deposits	$ 933,288	5,276	2.27%	$ 894,514	4,457	1.98%
Borrowings	4,797	68	5.74%	2,375	34	5.71%
Total interest-bearing liabilities	938,085	5,344	2.29%	896,889	4,491	1.99%
Noninterest-bearing deposits	560,864			625,930		
Other noninterest-bearing liabilities	17,870			18,353		
Total liabilities	1,516,819			1,541,172		
EQUITY	234,601			223,118		
Total liabilities and equity	$ 1,751,420			$ 1,764,290		
Net interest income /margin		$ 20,313	4.86%		$ 20,634	4.83%
Cost of funds			1.43%			1.17%

*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. Prior period figures have been restated for comparability.

Noninterest Income / Expense

Noninterest income for the quarter ended March 31, 2024 was $1.0 million compared to $1.0 million for the previous quarter and $781 thousand in the first quarter of 2023.

Noninterest expense was $9.1 million in the first quarter of 2024, $251 thousand or 3% less than prior quarter, primarily due to higher expenses in the prior quarter totaling $556 thousand related to the launch of our new e-banking platform in November and $314 thousand higher expenses associated with audits conducted during the fourth quarter compared to the first quarter of 2024. The decrease in expense from prior quarter was partially offset by increased salaries and benefits expenses in the first quarter of 2024. Noninterest expense increased $586 thousand, or 7% compared to the same quarter last year, the result of lower salary cost deferrals related to a lower amount of loan originations and a downward bonus adjustment in the first quarter of 2023.

Loans and Asset Quality

Gross loans decreased $32.5 million or 2% from December 31, 2023 and increased $60.0 million or 5% compared to March 31, 2023. The decrease in the loan portfolio during the first quarter of 2024 was driven by paydowns of revolving credit, on both conventional lines and asset-based lending loans, as well as payoffs of real estate loans. Trailing 12-month growth in the loan portfolio was driven by new originations in commercial real estate loans, including multifamily projects, and asset-based lending loans.

The allowance for credit losses was $23.0 million, or 1.67% of the total loans, at March 31, 2024, compared to $23.9 million, or 1.70% of the total loans, at December 31, 2023. The decrease in the allowance as a percentage of total loans was due to the paydowns of revolving lines, which are subject to higher reserve rates relative to other loan categories, combined with a shorter anticipated average life on the commercial real estate portfolio that slightly reduced its reserve factor. The allowance for credit losses includes specific reserves in the amount of $64 thousand as of March 31, 2024 and $185 thousand as of December 31, 2023, for individually evaluated commercial loans on nonaccrual status.

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

Loan Mix

	As of			Change % vs.	
(Dollars in thousands)	**3/31/2024**	**12/31/2023**	**3/31/2023**	**12/31/2023**	**3/31/2023**
Loans held for sale	$ 27,225	$ 33,696	$ 41,456	-19%	-34%
SBA and B&I loans	140,915	137,586	144,818	2%	-3%
PPP loans	271	313	3,079	-13%	-91%
Commercial term loans	105,309	107,509	115,850	-2%	-9%
Revolving commercial lines	111,420	117,251	120,318	-5%	-7%
Asset-based lines of credit	17,674	27,174	5,468	-35%	223%
Construction loans	137,460	138,309	164,234	-1%	-16%
Commercial real estate loans	805,218	813,597	688,519	-1%	17%
Home equity lines of credit	29,378	31,849	28,687	-8%	2%
Consumer and other loans	1,793	1,849	3,281	-3%	-45%
Deferred loan expenses, net of fees	2,098	2,160	3,017	-3%	-30%
Total gross loans	$ 1,378,761	$ 1,411,293	$1,318,727	-2%	5%

Delinquent and Nonperforming Loans

	As of or for the Quarter Ended		
(Dollars in thousands)	**3/31/2024**	**12/31/2023**	**3/31/2023**
Loans past due 30-89 days, excluding PPP loans	$ 143	$ --	$ 1,041
PPP loans past due 30-89 days	--	--	1,168
Delinquent loans (past due 90+ days still accruing)	--	2,999	--
Nonaccrual loans	90	6,526	2,616
Other real estate owned	--	--	--
Nonperforming assets	90	9,525	2,616
Net loan charge-offs QTD	--	1,172	--
Net loan charge-offs YTD	--	2,167	--

Deposits

Deposits were $1.46 billion at March 31, 2024, reflecting a decrease of $59.1 million during the first quarter of 2024. The decrease reflected distributions of proceeds from sale of businesses or investment in real estate by our large depositors, partially offset by several significant cyclical fluctuations from our large local agency depositors. Noninterest-bearing deposits to total deposits at March 31, 2024 increased to 39%, from 38% at December 31, 2023.

The ten largest deposit relationships, excluding fully collateralized government agency deposits, represent approximately 12% of total deposits as of March 31, 2024, down from 13% at December 31, 2023.

Deposit Mix

	As of			Change % vs.	
(Dollars in thousands)	3/31/2024	12/31/2023	3/31/2023	12/31/2023	3/31/2023
Noninterest-bearing demand	$ 564,595	$ 576,456	$ 619,178	-2%	-9%
Interest-bearing demand	213,494	209,584	217,270	2%	-2%
Money markets	408,026	434,287	346,074	-6%	18%
Savings	95,670	105,012	122,261	-9%	-22%
Time certificates of deposit	137,251	142,413	128,755	-4%	7%
Brokered deposits	36,940	47,338	28,388	-22%	30%
Total deposits	$ 1,455,976	$ 1,515,090	$ 1,461,926	-4%	0%
Deposits – personal	$ 515,499	$ 545,920	$ 545,269	-6%	-5%
Deposits – business	$ 903,537	$ 921,832	$ 888,269	-2%	2%
Deposits – brokered	$ 36,940	$ 47,338	$ 28,388	-22%	30%
Total deposits	$ 1,455,976	$ 1,515,090	$ 1,461,926	-4%	0%

Shareholders' Equity

Total shareholders' equity was $238.1 million at March 31, 2024, an $8.1 million or 4% increase compared to December 31, 2023 and an increase of $33.8 million or 17% compared to March 31, 2023. Earnings of $9.3 million in the first quarter of 2024 contributed to the increase compared to last quarter-end. The after-tax unrealized losses on AFS securities decreased slightly from $10.6 million as of December 31, 2023 to $10.5 million as of March 31, 2024.

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, California with branches in Aptos, Capitola, Cupertino, Monterey, Salinas, 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 not-for-profit 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: The Bank has ranked in the Top 200 Community Banks list for 9 consecutive years based upon 3-year average equity for banks under $2 billion in assets.
- 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 the top ranked, #1 lender by number of SBA loans and #3 ranked by total dollar volume lent to Silicon Valley businesses from October 1, 2022 to September 30, 2023.
- Good Times, 2023 Best of Santa Cruz County Award, Voted "Best Bank" for 12 consecutive years.
- Santa Cruz Sentinel, 2022 Reader's Choice Award, number one bank in Santa Cruz County as voted by Santa Cruz Sentinel readers for 9 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 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. 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 and can be found online at: https://www.sccountybank.com/investor_relations.cfm

Selected Unaudited Financial Information

(Dollars in thousands, except per share amounts)	**As of or for the Quarter Ended March 31,**				**As of or for the Quarter Ended December 31,**		
	2024	**2023**	**Change $**	**Change %**	**2023**	**Change $**	**Change %**
Balance Sheet							
Assets							
Cash and due from banks	$ 39,148	$ 37,006	$ 2,142	6%	$ 44,395	$ (5,247)	-12%
Securities – AFS	219,727	298,960	(79,233)	-27%	262,566	(42,839)	-16%
Securities – HTM	7,346	2,780	4,566	164%	7,585	(239)	-3%
Gross loans	1,378,761	1,318,727	60,034	5%	1,411,293	(32,532)	-2%
Allowance for credit losses	(23,043)	(25,879)	2,836	-11%	(23,943)	900	-4%
Goodwill and other intangibles	27,350	27,705	(355)	-1%	27,433	(83)	0%
Other assets	63,355	68,115	(4,760)	-7%	65,033	(1,678)	-3%
Total assets	$ 1,712,644	$ 1,727,414	$ (14,770)	-1%	$ 1,794,362	$ (81,718)	-5%
Liabilities and Equity							
Noninterest-bearing deposits	$ 564,595	$ 619,178	$ (54,583)	-9%	$ 576,456	$ (11,861)	-2%
Interest-bearing non-brokered deposits	854,441	814,360	40,081	5%	891,296	(36,855)	-4%
Brokered deposits	36,940	28,388	8,552	30%	47,338	(10,398)	-22%
Total deposits	1,455,976	1,461,926	(5,950)	0%	1,515,090	(59,114)	-4%
Borrowings	--	43,500	(43,500)	-100%	32,500	(32,500)	-100%
Other liabilities	18,579	17,748	831	5%	16,736	1,843	11%
Shareholders' equity	238,089	204,240	33,849	17%	230,036	8,053	4%
Total liabilities and equity	$1,712,644	$ 1,727,414	$ (14,770)	-1%	$ 1,794,362	$ (81,718)	-5%
Income Statement							
Interest income	$ 25,657	$ 22,098	$ 3,559	16%	$ 25,125	$ 532	2%
Interest expense	5,344	1,412	3,932	278%	4,491	853	19%
Net interest income	20,313	20,686	(373)	-2%	20,634	(321)	-2%
(Reversal of) provision for credit losses	(1,000)	315	(1,315)	-417%	(246)	(754)	307%
Noninterest income	1,034	781	253	32%	1,018	16	2%
Noninterest expense	9,138	8,552	586	7%	9,389	(251)	-3%
Net income before taxes	13,209	12,600	609	5%	12,509	700	6%
Income tax expense	3,885	3,721	164	4%	3,668	217	6%
Net income after taxes	$ 9,324	$ 8,879	$ 445	5%	$ 8,841	$ 483	5%
Basic earnings per share	$ 1.11	$ 1.05	$ 0.06	6%	$ 1.05	$ 0.06	6%
Diluted earnings per share	$ 1.10	$ 1.05	$ 0.05	5%	$ 1.05	$ 0.05	5%
Book value per share	$ 28.30	$ 24.19	$ 4.11	17%	$ 27.36	$ 0.94	3%
Tangible book value per share	$ 25.05	$ 20.91	$ 4.14	20%	$ 24.10	$ 0.95	4%
Shares outstanding	8,413,913	8,442,240			8,406,680		
Ratios							
Net interest margin	4.86%	5.10%			4.83%		
Cost of funds	1.43%	0.38%			1.17%		
Efficiency ratio	42.81%	39.78%			43.37%		
Return on:							
Average assets	2.14%	2.08%			1.99%		
Average equity	15.99%	18.00%			15.72%		
Average tangible equity	18.10%	20.90%			17.93%		
Tier 1 leverage ratio	12.68%	10.99%			12.09%		
Total risk-based capital ratio	15.87%	14.71%			14.98%		
Tangible common equity ratio	12.50%	10.39%			11.47%		
ACL / Non-PPP loans	1.67%	1.97%			1.70%		
Noninterest-bearing deposits to total deposits	38.78%	42.35%			38.05%		
Gross loans to deposits	94.70%	90.20%			93.15%		