July 31, 2014

FOR IMMEDIATE RELEASE

1st Capital Bank Announces:
Second Quarter and Year to Date 2014 Financial Results;
Record Loans, Assets, Deposits, and Shareholders' Equity

Monterey, California – July 31, 2014. **1st Capital Bank** (OTCQB: FISB) (the "Bank") today announced second quarter and year to date financial results through June 30, 2014. The Bank achieved record levels of loans, assets, deposits, and shareholders' equity at June 30, 2014.

The Bank paid a 5.00% stock dividend on June 30, 2014 to shareholders of record on June 18, 2014. All historical share and per share figures in this earnings release have been adjusted accordingly.

Net income during the second quarter of 2014 was $455 thousand, equivalent to $0.12 per diluted common share. This compares to net income of $359 thousand, equivalent to $0.10 per diluted common share, during the second quarter of 2013. Net income for the first quarter of 2014 (the immediately preceding quarter) was $408 thousand, equivalent to $0.11 per diluted common share. The increase in earnings from the second quarter of 2013 primarily resulted from a lower provision for loan losses. The increase in earnings from the first quarter of 2014 was primarily due to a $46 thousand gain on the sale of securities and an increase in net interest income, which in turn principally arose from a larger average balance of loans. The Bank sold fixed rate securities during the second quarter of 2014 in order to reallocate asset duration to the loan portfolio in response to borrower demand for intermediate term fixed rate loans.

Net income for the first six months of 2014 was $863 thousand, equivalent to $0.23 per diluted common share, compared to net income of $622 thousand, equivalent to $0.18 per diluted common share, for the first six months of 2013. The improved earnings during 2014 primarily stemmed from a lower provision for loan losses. The Bank charged off a $500 thousand impaired commercial loan during the first quarter of 2013, which increased loan loss provision expense by $277 thousand during that three month period. The Bank has since received a partial recovery of that charge-off in the amount of $44 thousand.

Total assets expanded by 6.9% to $453.8 million during the second quarter of 2014. This brought the Bank's 2014 year to date growth in total assets to $66.7 million, equivalent to a 17.2% increase. While the Bank continues to build capital through retained earnings, employee and director compensation via restricted shares, and the exercise of vested stock options, the rate of asset growth during the first six months of 2014 exceeded the pace of equity expansion, leading to the ratio of shareholders' equity to total assets declining from 9.75% at December 31, 2013 to 8.69% at June 30, 2014. The Bank does not forecast a similar decline in the ratio of shareholders' equity to total assets during the second half of 2014 due to a combination of projected deposit flows and potential proactive actions aimed at maintaining that ratio in a targeted range of 8.50% to 9.00%.

Commenting on the second quarter of 2014 financial performance, Mark Andino, the Bank's President and Chief Executive Officer, stated: "We are pleased to report a continued strong rate of growth and a record balance sheet. Of note is that some of the deposit inflows during the second quarter of 2014 were associated with transaction activity for some of our clients. As a result, we anticipate that approximately $10 million to $12 million of the deposits at June 30, 2014 may flow out of the Bank during the third quarter of 2014 as the subject transactions are completed." Mr. Andino then continued: "The Bank concluded the second quarter of 2014 with a favorable credit profile, ample liquidity, and a strong pipeline of potential new business. In recent months, we have been successful in sourcing good quality loans from counties adjacent to Monterey County, leveraging the market knowledge of officers added to our team over the past year. Should this trend continue, we may consider expansion opportunities for loan production or branch office locations in 2015 in order to support our expanded market share along the Central Coast."

Michael Winiarski, the Bank's Chief Financial Officer, added: "At this time, we anticipate total assets remaining approximately constant during the third quarter of 2014, with the impact of new deposit accounts offsetting the forecasted outflow of client transaction-related deposits. In addition, certain clients have historically experienced a seasonal decline in deposits during the third quarter of the year. This deposit profile is planned to allow us to increase the Bank's equity to assets ratio, which we would prefer to be a bit higher prior to expanding into new markets." Mr. Winiarski then added: "Ideally, we would prefer a higher ratio of net loans to total assets and a lower ratio of securities to total assets in order to support the Bank's net interest income and the creation of long term shareholder value. Fortunately, our strong liquidity position renders the Bank well situated to continue expanding the loan portfolio in forthcoming quarters even absent a rise in the deposit portfolio."

Kurt Gollnick, the Bank's Chairman of the Board, stated: "The Board of Directors continues to work with the management team to balance the Bank's growth opportunities against the desire to provide a higher return on equity to our shareholders. Increasing total assets by over 17% in just six months has led to certain higher operating costs, including expenses for rapidly building infrastructure to ensure that the Bank continues to provide the concierge level of service that is inherent to our culture. In addition, the over 17% rise in the loan portfolio over the past six months has led to increased loan loss provision expense to build the allowance for loan losses. The Board of Directors remains highly focused on generating shareholder value and will continue to work with the management team in weighing the pace of expansion versus the level of near term return on equity."

Performance Highlights

- The Bank presented a high quality credit profile at June 30, 2014, with a nonperforming asset ratio of 0.18% and a ratio of allowance for loan losses to nonperforming loans of 624.34%. In addition, the largest credit relationship in the Bank rated Substandard at December 31, 2013 paid off in full during the first quarter of 2014. The Bank recorded net recoveries during the first six months of 2014.

- Non-accrual loans totaled $0.8 million at June 30, 2014, equivalent to 0.27% of loans outstanding. No new loans were transferred to non-accrual status during the first half of 2014, and the inventory of non-accrual loans at December 31, 2013 continued to pay down.

- Total deposits increased by 7.4% during the second quarter of 2014. Over 92% of the Bank's deposit portfolio at June 30, 2014 was composed of transaction accounts (i.e., other than certificates of deposit). In addition, 43.4% of the Bank's certificate of deposit portfolio at June 30, 2014 was composed of comparatively low cost time deposits placed under a State of California program.

- At June 30, 2014, the Bank maintained a regulatory total risk-based capital ratio of 14.69%, substantially in excess of the 10.00% threshold to be categorized in the highest regulatory capital classification of "well capitalized." The Bank's regulatory capital ratios at June 30, 2014 benefited from an increase of $308 thousand in Tier 1 Regulatory Capital from payments received for the exercise of vested stock options during the second quarter of 2014. This brought June 30, 2014 year to date capital inflows from the exercise of vested stock options to $365 thousand. Should the price of the Bank's common stock remain at or near current levels, the Bank expects additional capital inflows from the exercise of vested stock options over the next year, including from vested stock options that expire during that time period.

- Tangible book value per share rose to a record $10.60 as of June 30, 2014, as compared to $10.28 per share at December 31, 2013.

Financial Condition Analysis

Funds held at the Federal Reserve Bank of San Francisco ("FRB-SF") rose from $15.5 million at December 31, 2013 to $33.8 million at June 30, 2014. The Bank decided to retain excess on-balance sheet liquidity at the FRB-SF at the conclusion of the second quarter of 2014 rather than invest those funds into securities in light of: (i) the size of the loan pipeline; (ii) the receipt of certain transactional deposits from clients towards the end of the second quarter; and (iii) recognition of seasonal deposit patterns for certain clients.

Time deposits at other financial institutions declined from $4.6 million at December 31, 2013 to $4.3 million at June 30, 2014, as funds from maturing time deposits were reinvested into securities.

Securities categorized as available for sale increased from $104.0 million at December 31, 2013 to $106.7 million at June 30, 2014. Security purchases during the first half of 2014 were entirely composed of floating rate tranches of collateralized mortgage obligations ("CMO") issued by the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"). The Bank purchased variable rate securities during the first half of 2014 in order to allocate most of its balance sheet duration to meeting client demand for primarily intermediate term fixed rate loans in the current interest rate environment. In addition, the Bank sold all of its Small Business Administration ("SBA") fixed rate loan pools and about one-half of its FNMA and FHLMC fixed rate mortgage backed securities ("MBS") during the second quarter of 2014. These sales were also in support of allocating more balance sheet duration to meeting client loan demand. In recent periods, the Bank has been able to achieve approximately twice the yield relative to duration for fixed rate loans versus fixed rate Agency securities, thereby rendering duration allocation to loan originations advantageous from a shareholder value perspective. The following table presents the Bank's security portfolio profile at June 30, 2014 and March 31, 2014, and highlights the sales of the fixed rate securities and the purchases of additional variable rate securities:

(Dollars In Thousands) Type of Security	June 30, 2014 Fair Value (Unaudited)	March 31, 2014 Fair Value (Unaudited)
SBA fixed rate loan pools	$ --	$ 2,754
Municipal fixed rate securities	2,239	2,213
Agency[(1)] variable rate residential MBS	2,945	3,042
Agency fixed rate residential MBS	2,718	5,693
Agency variable rate commercial MBS	23,353	23,253
Agency variable rate residential CMO	70,723	64,593
Agency variable rate commercial CMO	4,695	5,704
Total	$ 106,673	$ 107,252

(1) FNMA, FHLMC, or the Government National Mortgage Association or GNMA

The municipal securities were all rated at least AA by a nationally recognized ratings agency. The fair value of the Bank's $106.7 million in securities at June 30, 2014 exceeded its amortized cost basis by $263 thousand.

At June 30, 2014, the Bank maintained a strong liquidity profile, consisting of a significant volume of on-balance sheet assets (including cash & cash equivalents and securities available for sale) and significant off-balance sheet borrowing capacity. The Bank's liquidity profile at June 30, 2014 is highlighted in the ratio of net loans to deposits, which decreased from 72.0% at December 31, 2013 to 71.3% at June 30, 2014, as compared to a targeted range of 75.0% to 85.0%.

Commenting on the Bank's liquidity, Jon Ditlevsen, the Bank's Chief Lending Officer, stated: "The Bank commenced the third quarter of 2014 with both ample funds for lending and a strong loan pipeline. The new relationship managers we have added to the team over the past year are now fully integrated with the Bank and have been sourcing an increasing volume of loan applications, including from markets adjacent to Monterey County. We recognize that increasing the Bank's ratio of net loans to deposits via quality lending is a key objective for the Bank, as we aim to build a greater stream of net interest income." Mr. Ditlevsen then added: "While internal loan applications have continued to be received at a brisk pace during the first several weeks of the third quarter, we remain receptive to potential opportunities to more timely deploy some of the Bank's available liquidity into purchases of loan pools and / or loan participations which meet the Bank's credit criteria."

Net loans increased from $250.8 million at December 31, 2013 to $271.8 million at March 31, 2014 to $295.0 million at June 30, 2014. The Bank originated or purchased over $48 million in new credit commitments during the second quarter of 2014, which were partially offset by payoffs and curtailments, principal reductions on lines of credit, and scheduled principal amortization. The $48 million in new credit commitments was the most active lending quarter in the Bank's history.

The Bank's loan mix shifted during the first half of 2014. Residential one to four unit loans increased $34.0 million, primarily due to the purchase of a $19.2 million residential loan pool in February 2014 and a $13.2 million residential loan pool in April 2014. The loans in the pools were mainly seasoned 5/1 or 7/1 mortgages that reprice based upon a margin over the one year LIBOR index. These mortgages met the Bank's standard underwriting criteria and are secured by first deeds of trust on homes located in several California counties. Multifamily loans increased $4.3 million during the first half of 2014, as the Bank has sought to originate more of this type of loan given the favorable trends in rents, vacancies, and real estate values in many of the market areas along the Central Coast. The Bank entered the third quarter of 2014 with its largest pipeline of multifamily loans over the past twelve months.

Commercial and industrial loans outstanding declined $2.2 million during the first half of 2014 primarily due to the payoff in full of $5.4 million in commercial and industrial loans graded Substandard at December 31, 2013. This collection by the Bank notably improved its aggregate credit profile.

The Bank booked its first commercial construction loan of 2014 during the second quarter. The $2.3 million loan is part of the financing for a regional medical facility in Monterey County that will greatly improve resident access to health services in the central portion of the county.

The Bank's allowance for loan losses increased from $4.7 million, or 1.84% of total loans, at December 31, 2013 to $5.0 million, or 1.67% of total loans, at June 30, 2014. The allowance was increased during the first half of 2014 by $275 thousand in loan loss provision and $35 thousand in recoveries. The Bank did not record any charge-offs during the first six months of 2014. The reduction in the ratio of allowance for loan losses to total loans during the first six months of 2014 was associated with the aforementioned shift in loan portfolio mix and an improvement in the loan portfolio aggregate credit profile, as subsequently discussed.

Non-accrual loans decreased $33 thousand from December 31, 2013 to June 30, 2014 due to principal payments received. All of the Bank's non-accrual loans were current or less than 30 days delinquent in scheduled payments as of June 30, 2014.

Loans graded Substandard decreased from $8.7 million at December 31, 2013 to $4.8 million at June 30, 2014. The effect of the aforementioned collection in full of the largest credit relationship graded Substandard at December 31, 2013 was partially offset by a $1.6 million credit relationship being downgraded to Substandard during the first half of 2014. The borrower for this downgraded credit relationship continues to be cooperative with the Bank and was current in payments at June 30, 2014. Loans graded Special Mention decreased from $5.9 million at December 31, 2013 to $2.4 million at June 30, 2014, primarily due to the upgrade of one credit relationship following much improved financial results during the client's most recent fiscal year. The decline in loans graded Substandard and Special Mention and a decrease in specific reserves associated with impaired loans following borrower principal reductions contributed to the reduction in the ratio of allowance for loan losses to total loans during the first half of 2014.

The ratio of the Bank's allowance for loan losses to non-performing loans rose from 562.47% at December 31, 2013 to 624.34% at June 30, 2014. The Bank has never owned any foreclosed real estate.

Premises and equipment, net of accumulated depreciation, totaled $1.5 million at both December 31, 2013 and June 30, 2014, as the effect of new asset purchases approximately offset the impact of periodic depreciation. Premises and equipment is expected to increase during the second half of 2014 in conjunction with a series of technology investments by the Bank. The Bank recently completed the implementation of a significant upgrade to its technology infrastructure to provide much greater bandwidth and support faster processing speeds, while also enhancing redundancy in order to better position the Bank to respond to a range of potential natural disasters or other events presenting challenges to the continued provision of financial services to the Bank's clients.

The Bank's investment in the capital stock of the Federal Home Loan Bank ("FHLB") increased from $1.5 million at December 31, 2013 to $2.0 million at June 30, 2014 due to the standard asset-based investment requirement applicable to FHLB members.

Total deposits increased 18.7% from $348.4 million at December 31, 2013 to a record $413.5 million at June 30, 2014. The weighted average interest rate on the Bank's deposits at June 30, 2014 was 0.16%, up slightly from 0.15% at December 31, 2013, primarily due to the shift in deposit mix during the first half of 2014. The Bank was successful in attracting deposit accounts from local businesses and professionals during the first half of 2014, in part due to its comprehensive suite of cash management services combined with a dedicated Cash Management Department. The Bank plans to introduce further enhancements to its cash management services and online and mobile banking platforms later this year.

Non-interest bearing demand deposits increased from $144.2 million at December 31, 2013 to $156.7 million at June 30, 2014. The Bank's deposit related marketing during the first half of 2014 focused on attracting additional demand deposit accounts from local businesses and professionals.

Interest bearing checking accounts increased from $20.3 million at December 31, 2013 to $22.2 million at June 30, 2014. Given the historically low interest rate environment, the Bank has attracted these consumer, sole proprietor, and non-profit organization checking accounts by its focus on a concierge level of service rather than based upon interest rate.

Money market deposits increased from $81.3 million at December 31, 2013 to $119.0 million at June 30, 2014. Savings deposits rose from $75.7 million at December 31, 2013 to $83.3 million at June 30, 2014. A portion of these increases was associated with: (i) seasonal deposit patterns by certain clients; and (ii) short-term transaction related deposits (e.g., sale of real estate or receipt of trust assets for subsequent disbursement) by certain clients. Both money market and savings deposits have been an attractive alternative for liquid funds in the current historically low interest rate environment.

Time deposits increased from $27.0 million at December 31, 2013 to $32.3 million at June 30, 2014, primarily due to the placement of an $8.0 million time deposit with the Bank by the State of California during the second quarter of 2014. Other certificates of deposit therefore decreased by $2.7 million during the first half of 2014. Factors contributing to this decline included transfers from certain maturing time deposits into transaction accounts and the Bank's moderating its time deposit pricing in response to its favorable liquidity position and the availability of alternative low cost funding. $14.0 million of the $32.3 million in time deposits at June 30, 2014 were comprised of low cost state term funds. None of the Bank's deposits at June 30, 2014 or December 31, 2013 were brokered deposits or sourced from deposit listing services.

Commenting on the Bank's deposit performance, Irene Shippee, the Bank's Operations Administrator, stated: "The Bank enjoyed an outstanding deposit performance during the first half of 2014. We opened in excess of 200 new deposit accounts in each of the first two quarters of the year, with all three full service branch offices performing well." Ms. Shippee then continued: "During the third quarter of 2014, we are introducing our enhanced integrated, electronic, and combined deposit statements. These new statements present all account activity, including check images, for all deposit accounts under a common ownership, in a single, easy to use PDF file format that can be accessed virtually anytime, anywhere, through our Online Banking service. This improved statement format and delivery is much more convenient for our clients, further enhanced by our plan to retain at least two years of electronic statements online for our customers, which will facilitate tax return preparation."

Shareholders' equity rose from $37.7 million at December 31, 2013 to a record $39.4 million at June 30, 2014. This increase resulted from: (i) 2014 year to date net income of $863 thousand; (ii) $253 thousand in equity compensation expense (primarily associated with restricted shares); (iii) $365 thousand from the exercise of vested stock options; and (iv) a $196 thousand increase in the accumulated other comprehensive income associated with changes in unrealized gains and losses on securities classified as available for sale. During the first half of 2014, the Bank's Board of Directors continued to be compensated solely via restricted shares (i.e., no cash compensation). The Bank also continued to gradually shift its compensation mix for officers toward a greater percentage of restricted shares versus cash. The more extensive use of restricted share awards as a form of compensation highlights the directors' and officers' commitment to enhancing shareholder value.

Operating Results Analysis

Net interest income before provision for loan losses rose from $3.1 million during the three months ended June 30, 2013 and from $3.1 million during the three months ended March 31, 2014 (the immediately preceding quarter) to $3.2 million during the three months ended June 30, 2014. This increase was primarily due to: (i) a larger average balance of loans outstanding, which rose from $249.2 million during the second quarter of 2013 and $262.9 million during the first quarter of 2014 to $289.1 million during the second quarter of 2014; and (ii) a larger average balance of investment securities. A key objective for the Bank over the past year has been increasing the size of the loan portfolio while maintaining strong credit quality.

The rise in the size of the loan portfolio from the second quarter of 2013 to the second quarter of 2014 was more than sufficient to offset a reduction in the average effective yield from 4.97% during the second quarter of 2013 to 4.32% during the second quarter of 2014. This reduction in yield stemmed from: (i) continued amortization and repayment of older loans with higher interest rates, particularly those originated in 2008 through 2010; (ii) ongoing aggressive pricing competition from both large banks and smaller financial institutions for high quality loans in the Bank's primary market area; and (iii) the purchase of residential mortgage pools over the past year which presented a lower yield than that typically generated through the Bank's origination of commercial and industrial business loans and income property real estate loans.

Net interest income before provision for loan losses rose from $6.1 million during the six months ended June 30, 2013 to $6.2 million during the six months ended June 30, 2014. This increase was primarily due to a rise in average interest earning assets, which more than offset a decline in the Bank's net interest margin from 3.73% during the first half of 2013 to 3.07% during the first half of 2014. At June 30, 2014, the Bank maintained a $70.7 million investment in Agency residential floating rate CMOs yielding 0.52%. The planned reinvestment of cash flows from these securities into new loan originations and purchases during the second half of 2014 is a key strategy for supporting the Bank's net interest margin.

The provision for loan losses was $155 thousand during the second quarter of 2014, compared to $319 thousand during the second quarter of 2013 and $120 thousand during the first quarter of 2014 (the immediately preceding quarter). Factors contributing to the provision for loan losses during the second quarter of 2014 included:

- the $23.3 million increase in the size of the gross loan portfolio; and

- a $0.9 million increase in the balance of loans rated Watch, primarily associated with one credit relationship where the refinance of loans has been delayed primarily due to coordination issues among multiple lenders as various collateral is released and pledged.

Factors contributing to the $319 thousand in provision for loan losses recorded during the second quarter of 2013 included:

- additional specific loan loss reserves of $110 thousand for two impaired loans associated with one credit relationship based upon an updated valuation of the collateral securing the debt and additional information regarding the borrower's financial profile;

- increased formula general reserves associated with a credit relationship downgraded to Special Mention; and

- the growth in the size of the loan portfolio.

The provision for loan losses decreased from $779 thousand during the six months ended June 30, 2013 to $275 thousand during the six months ended June 30, 2014. Factors contributing to the provision for loan losses during the first quarter of 2013 (i.e., in addition to those specified above) included:

- additional loan loss reserves of $277 thousand associated with a $500 thousand impaired commercial loan that was charged off during the first quarter of 2013;

- an increase in hospitality industry related loans (a primary industry in the Bank's market area), which are reserved at a higher ratio than most other types of investor real estate; and

- a rise in the amount of loan loss reserves designated for the Bank's qualitative adjustment factors.

The provision for loan losses during the first half of 2014 was also moderated versus the same period in 2013 by:

- $35 thousand in net recoveries during the six months ended June 30, 2014 versus $500 thousand in net charge-offs during the six months ended June 30, 2013; and

- the shift in loan portfolio mix; in particular the swing in outstanding balances from commercial and industrial loans to closed end residential mortgage loans, which are allocated a lower formula reserve ratio due to their credit and collateral profile.

The $5.4 million in loans graded Substandard at December 31, 2013 that were paid off in full during the first quarter of 2014 were classified as impaired loans without specific reserves at December 31, 2013.

Non-interest income increased from $76 thousand during the second quarter of 2013 and $73 thousand during the first quarter of 2014 (the immediately preceding quarter) to $124 thousand during the second quarter of 2014. Non-interest income rose from $140 thousand during the six months ended June 30, 2013 to $197 thousand during the six months ended June 30, 2014. Factors contributing to these increases included:

- The Bank sold its entire position in fixed rate SBA loan pools and approximately one-half its position in Agency fixed rate residential MBS during the second quarter of 2014, generating a $46 thousand gain on sale.

- The Bank implemented a revised fee and service charge schedule effective May 1, 2013 that included some new fees as well as increases to certain existing fees for various services the Bank provides.

- The Bank has become more selective in its fee waivers.

- Various types of non-interest income have increased in conjunction with the rise in the size of the deposit portfolio and the acquisition of certain business clients who are comparatively larger users of cash management, wire transfer, and other fee based services.

Non-interest expense increased from $2.3 million during the second quarter of 2013 and $2.3 million during the first quarter of 2014 (the immediately preceding quarter) to $2.4 million during the second quarter of 2014. Non-interest expense rose from $4.4 million during the six months ended June 30, 2013 to $4.7 million during the six months ended June 30, 2014.

Salaries and benefits expense rose from $1.36 million during the second quarter of 2013 to $1.44 million during the second quarter of 2014 due to:

- two more full-time equivalent employees;
- higher costs for temporary labor and overtime in response to the volume of business conducted by the Bank;
- periodic base salary increases for employees other than executive officers;
- the Bank's recruiting more experienced and higher cost bankers to fill certain open positions over the past twelve months;
- the Bank's shift to a safe harbor 401(k) plan effective January 1, 2014 that resulted in an increased level of employer matching contributions; and
- an increase in equity compensation expense associated with restricted share awards, as the Bank continues to gradually increase the percentage of employees with equity compensation as a means of fostering an "ownership orientation" that aligns employee interests with the generation of long term shareholder value.

Salaries and benefits expense was little changed between the first and second quarters of 2014. Salaries and benefits expense rose from $2.7 million during the six months ended June 30, 2014 to $2.9 million during the six months ended June 30, 2014, primarily due to similar factors as presented above in regard to the quarterly comparison.

The Bank did not recognize any incentive compensation expense during the first half of 2014 due to the Bank's performance on key metrics including return on average equity and return on average assets. This compares to an $82 thousand accrual for incentive compensation during the first half of 2013.

Occupancy expenses were little changed for the three month and six month periods ending June 30, 2014 and June 30, 2013, respectively. The current term of the lease for the Bank's administrative facility concludes during the fourth quarter of 2014. The Bank is currently discussing a possible extension with the landlord, while also evaluating potential alternative sites for housing its administrative functions, including possibly pursuing a larger facility that would better support the Bank's future growth.

Data and item processing expenses increased from $123 thousand during the second quarter of 2013 to $127 thousand during the first quarter of 2014 to $133 thousand during the second quarter of 2014 due to a wider use of technology by the Bank and because of the associated costs for processing a greater number of client accounts and transactions. Due to the same factors, data and item processing expenses rose from $228 thousand during the six months ended June 30, 2013 to $260 thousand during the six months ended June 30, 2014. The Bank projects this trend to continue in the near term, as the Bank has multiple technology related initiatives planned for the remainder of 2014.

Professional services expenses increased from $95 thousand during the second quarter of 2013 to $118 thousand during the second quarter of 2014. Professional services expenses during the first quarter of 2014 (the immediately preceding quarter) totaled $139 thousand, which included $41 thousand in professional recruiter fees associated with the sourcing of the Bank's new Chief Financial Officer. Professional services expenses increased from $207 thousand during the six months ended June 30, 2013 to $257 thousand during the six months ended June 30, 2014, in part due to the aforementioned recruiter fees. The Bank achieved expense savings on various professional services during the first quarter of 2014 compared to the first quarter of 2013 resulting from the Bank's decision to deregister its common shares under the Securities Exchange Act of 1934, as amended, during the second quarter of 2013. These savings were, however, more than offset on a year to date basis by increased consulting expenses. The Bank is utilizing multiple consultants during 2014 to accelerate the implementation of a number of new information technology systems which are planned to enhance client service while also bolstering employee productivity.

Furniture and equipment expense increased from $67 thousand during the second quarter of 2013 to $76 thousand during the second quarter of 2014. Furniture and equipment expense during the first quarter of 2014 (the immediately preceding quarter) was $72 thousand. Furniture and equipment expense increased from $125 thousand during the six months ended June 30, 2013 to $148 thousand during the six months ended June 30, 2014. The primary reasons for these increases were greater depreciation expense associated with new technology purchases.

Other non-interest expense was little changed from $429 thousand during the second quarter of 2013 to $426 thousand during the second quarter of 2014. Other non-interest expense totaled $375 thousand during the first quarter of 2014 (the immediately preceding quarter). The increase from the first to the second quarter of 2014 was primarily due to: (i) higher FDIC insurance expense associated with the Bank's larger balance sheet; and (ii) greater expense associated with restricted share awards for directors, which were granted in late January 2014. Other non-interest expense was relatively little changed from $803 thousand during the six months ended June 30, 2013 to $801 thousand during the six months ended June 30, 2014.

The Bank's efficiency ratio (operating costs compared to income from operations), deteriorated from 70.69% during the second quarter of 2013 to 71.92% during the second quarter of 2014 because of the margin compression experienced by the Bank. Conversely, the annualized ratio of the Bank's non-interest expense to average total assets favorably declined from 2.53% during the second quarter of 2013 to 2.22% during the second quarter of 2014. The Bank has therefore achieved progress in leveraging its expense base, with that progress more than offset by the constrained net interest margin. The Bank's efficiency ratio similarly deteriorated from 70.50% for the six months ended June 30, 2013 to 73.22% for the six months ended June 30, 2014.

The Bank increased its total assets by 22.8% during the twelve months ended June 30, 2014 without adding additional physical locations and while increasing full-time equivalent employees by just 3.4%. The Bank's use of technology has enabled the processing of an increasing volume of client transactions without adding significant overhead expense. The Bank offers both qualified businesses and consumers check deposit processing via scanner, with check deposit via smartphone planned for introduction in coming months.

The Bank's effective book tax rate decreased from 41.9% during the six months ended June 30, 2013 to 40.4% during the six months ended June 30, 2014. Factors contributing to this decrease included the Bank's commencing the purchase of tax qualified municipal bonds during the second quarter of 2013 and the Bank's reducing the amount of non-deductible social club dues over the past year.

About 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 ("SBA") and the U.S. Department of Agriculture ("USDA"). A full suite of deposits accounts is also furnished, complemented by robust cash management services. The Bank operates full service branch offices in Monterey, Salinas, and King City. The Bank's corporate offices are located at 5 Harris Court, Building N, Suite 3, Monterey, California 93940. The Bank's website is www.1stCapitalBank.com. The main telephone number is 831.264.4000. The primary facsimile number is 831.264.4001.

Member FDIC / Equal Opportunity Lender / SBA Preferred Lender

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 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.1stCapitalBank.com Internet site for no charge.

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--- *financial data follows* ---

1ST CAPITAL BANK
CONDENSED FINANCIAL DATA
(Unaudited)
(Dollars in thousands, except share and per share data)

Financial Condition Data[1]	June 30, 2014	March 31, 2014	December 31, 2013	June 30, 2013
Assets				
Cash and due from banks	$ 2,841	$ 2,729	$ 1,734	$ 1,560
Funds held at the Federal Reserve Bank[2]	33,790	28,230	15,548	20,873
Time deposits at other financial institutions	4,333	4,333	4,582	8,823
Available-for-sale securities, at fair value	106,673	107,252	103,961	79,673
Loans receivable held for investment:				
Construction / land (including farmland)	15,862	16,084	15,555	22,149
Residential 1 to 4 units	78,359	60,135	44,322	32,922
Home equity lines of credit	11,779	11,696	9,092	10,033
Multifamily	10,222	8,633	5,963	5,011
Owner occupied commercial real estate	53,171	50,370	49,747	49,780
Investor commercial real estate	70,766	70,460	67,019	64,272
Commercial and industrial	54,340	51,321	56,564	62,902
Other loans	5,484	7,942	7,268	6,053
Total loans	299,983	276,641	255,530	253,122
Allowance for loan losses	(5,001)	(4,834)	(4,691)	(4,593)
Net loans	294,982	271,807	250,839	248,529
Premises and equipment, net	1,478	1,450	1,484	1,386
Bank owned life insurance	3,691	3,670	3,648	3,603
Investment in FHLB[3] stock, at cost	2,007	1,494	1,494	1,494
Accrued interest receivable and other assets	3,966	3,509	3,774	3,586
Total assets	$ 453,761	$ 424,474	$ 387,064	$ 369,528
Liabilities and shareholders' equity				
Deposits:				
Noninterest bearing demand deposits	$ 156,704	$ 140,131	$ 144,173	$ 129,840
Interest bearing checking accounts	22,230	25,177	20,268	18,611
Money market	119,040	107,584	81,266	85,224
Savings	83,287	85,687	75,685	71,690
Time	32,272	26,489	26,983	28,307
Total deposits	413,533	385,068	348,375	333,672
Accrued interest payable and other liabilities	809	1,012	947	777
Shareholders' equity	39,419	38,394	37,742	35,079
Total liabilities and shareholders' equity	$ 453,761	$ 424,474	$ 387,064	$ 369,528
Shares outstanding[4]	3,718,364	3,678,476	3,672,050	3,472,204
Nominal and tangible book value per share[4]	$ 10.60	$ 10.44	$ 10.28	$ 10.10
Ratio of net loans to total deposits	71.33%	70.59%	72.00%	74.48%

1 = Certain reclassifications have been made to prior period financial statements to conform them to the current period presentation. Loans held for investment are presented according to definitions applicable to the regulatory Call Report.

2 = Includes cash letters in the process of collection settled through the Federal Reserve Bank.

3 = Federal Home Loan Bank

4 = All share and per share figures have been adjusted to reflect the payment of a 5.00% stock dividend on June 30, 2014.

1ST CAPITAL BANK
CONDENSED FINANCIAL DATA
(Unaudited)
(Dollars in thousands, except share and per share data)

	3 Months Ended		
Operating Results Data[1]	June 30, 2014	March 31, 2014	June 30, 2013
Interest and dividend income			
Loans	$ 3,113	$ 2,951	$ 3,089
Investment securities	180	201	141
Federal Home Loan Bank stock	33	28	16
Other	21	22	31
Total interest and dividend income	3,347	3,202	3,277
Interest expense			
Interest bearing checking accounts	8	7	7
Money market deposits	76	66	72
Savings deposits	61	60	56
Time deposits	14	16	21
Total interest expense	159	149	156
Net interest income	3,188	3,053	3,121
Provision for loan losses	155	120	319
Net interest income after provision for loan losses	3,033	2,933	2,802
Noninterest income			
Service charges on deposits	34	30	29
BOLI dividend income	21	21	24
Gain on sale of securities	46	--	--
Other	23	22	23
Total noninterest income	124	73	76
Noninterest expenses			
Salaries and benefits	1,441	1,437	1,360
Occupancy	188	182	186
Data and item processing	133	127	123
Professional services	118	139	95
Furniture and equipment	76	72	67
Other	426	375	429
Total noninterest expenses	2,382	2,332	2,260
Income before provision for income taxes	775	674	618
Provision for income taxes	320	266	259
Net income	$ 455	$ 408	$ 359
Common Share Data[2]			
Earnings per share			
Basic	$ 0.12	$ 0.11	$ 0.10
Diluted	$ 0.12	$ 0.11	$ 0.10
Weighted average shares outstanding			
Basic	3,699,361	3,678,261	3,432,851
Diluted	3,742,457	3,726,785	3,526,962

1 = Certain reclassifications have been made to prior period financial statements to conform them to the current period presentation.
2 = All share and per share figures have been adjusted to reflect the payment of a 5.00% stock dividend on June 30, 2014.

1ST CAPITAL BANK
CONDENSED FINANCIAL DATA
(Unaudited)
(Dollars in thousands, except share and per share data)

	6 Months Ended	
	June 30, 2014	June 30, 2013
Operating Results Data[1]		
Interest and dividend income		
Loans	$ 6,064	$ 6,081
Investment securities	381	273
Federal Home Loan Bank stock	61	22
Other	43	67
Total interest and dividend income	6,549	6,443
Interest expense		
Interest bearing checking accounts	15	14
Money market deposits	142	136
Savings deposits	121	116
Time deposits	30	49
Total interest expense	308	315
Net interest income	6,241	6,128
Provision for loan losses	275	779
Net interest income after provision for loan losses	5,966	5,349
Noninterest income		
Service charges on deposits	64	51
BOLI dividend income	42	48
Gain on sale of securities	46	--
Other	45	41
Total noninterest income	197	140
Noninterest expenses		
Salaries and benefits	2,878	2,677
Occupancy	370	379
Data and item processing	260	228
Professional services	257	207
Furniture and equipment	148	125
Other	801	803
Total noninterest expenses	4,714	4,419
Income before provision for income taxes	1,449	1,070
Provision for income taxes	586	448
Net income	$ 863	$ 622
Common Share Data[2]		
Earnings per share		
Basic	$ 0.23	$ 0.18
Diluted	$ 0.23	$ 0.18
Weighted average shares outstanding		
Basic	3,688,370	3,423,406
Diluted	3,734,665	3,511,916

1 = Certain reclassifications have been made to prior period financial statements to conform them to the current period presentation.
2 = All share and per share figures have been adjusted to reflect the payment of a 5.00% stock dividend on June 30, 2014.

1ST CAPITAL BANK
CONDENSED FINANCIAL DATA
(Unaudited)
(Dollars in thousands)

Asset Quality	June 30, 2014	March 31, 2014	December 31, 2013	June 30, 2013
Loans past due 90 days or more and accruing	$ --	$ --	$ --	$ --
Nonaccrual restructured loans	226	229	230	233
Other nonaccrual loans	575	589	604	654
Other real estate owned	--	--	--	--
	$ 801	$ 818	$ 834	$ 887
Allowance for loan losses to total loans	1.67%	1.75%	1.84%	1.81%
Allowance for loan losses to nonperforming loans	624.34%	590.95%	562.47%	517.81%
Nonaccrual loans to total loans	0.27%	0.30%	0.33%	0.35%
Nonperforming assets to total assets	0.18%	0.19%	0.22%	0.24%
Regulatory Capital and Ratios				
Tier 1 regulatory capital	$ 39,210	$ 38,251	$ 37,783	$ 34,918
Total regulatory capital	$ 42,877	$ 41,688	$ 41,087	$ 38,141
Tier 1 leverage ratio	9.14%	9.46%	10.04%	9.79%
Tier 1 risk based capital ratio	13.43%	13.99%	14.38%	13.64%
Total risk based capital ratio	14.69%	15.24%	15.63%	14.90%

	3 Months Ended			6 Months Ended	
Selected Financial Ratios[1]	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Return on average total assets	0.43%	0.41%	0.40%	0.42%	0.36%
Return on average shareholders' equity	4.68%	4.33%	4.14%	4.51%	3.63%
Net interest margin	3.03%	3.11%	3.64%	3.07%	3.73%
Net interest income to average total assets	2.98%	3.06%	3.51%	3.02%	3.57%
Efficiency ratio	71.92%	74.60%	70.69%	73.22%	70.50%

1 = All Selected Financial Ratios are annualized other than the Efficiency Ratio.

	3 Months Ended			6 Months Ended	
Selected Average Balances[1]	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Gross loans	$ 289,061	$ 262,893	$ 249,169	$ 276,049	$ 243,842
Investment securities	102,791	103,886	70,398	103,369	60,838
Federal Home Loan Bank stock	1,872	1,494	1,366	1,684	1,198
Other interest earning assets	27,784	29,244	22,654	28,510	25,697
Total interest earning assets	$ 421,508	$ 397,517	$ 343,587	$ 409,612	$ 331,575
Total assets	$ 429,255	$ 404,223	$ 356,775	$ 416,808	$ 345,746
Interest bearing checking accounts	$ 23,001	$ 21,611	$ 17,431	$ 22,310	$ 16,478
Money market	107,349	97,630	81,289	102,517	$ 74,821
Savings	81,581	79,675	67,991	80,633	$ 67,328
Time deposits	30,985	26,849	28,000	28,928	$ 28,979
Total interest bearing deposits	$ 242,916	$ 225,765	$ 194,711	$ 234,388	$ 187,606
Noninterest bearing demand deposits	145,423	139,398	126,349	142,427	122,612
Total deposits	$ 388,339	$ 365,163	$ 321,060	$ 376,815	$ 310,218
Borrowings	$ 1,051	--	--	$ 528	--
Shareholders' equity	$ 38,969	$ 38,173	$ 34,775	$ 38,573	$ 34,566

1 = Certain reclassifications have been made to prior period financial statements to conform them to the current period presentation.