



April 29, 2015

FOR IMMEDIATE RELEASE

**1st Capital Bank Announces:
First Quarter 2015 Financial Results;
Record Loans, Assets, Deposits, and Shareholders' Equity;
Increased Quarterly Income**

Monterey, California – April 29, 2015. **1st Capital Bank** (OTCQB: FISB) (the “Bank” or “we”) today announced first quarter financial results through March 31, 2015. The Bank achieved record levels of loans, assets, deposits, shareholders’ equity, and tangible book value per share at March 31, 2015. Earnings for the three month period ended March 31, 2015 increased 71.8% from the same period during 2014.

Net income during the first quarter of 2015 was \$701 thousand, equivalent to \$0.18 per diluted common share. This compares to net income of \$408 thousand, equivalent to \$0.11 per diluted common share, during the first quarter of 2014. Net income for the fourth quarter of 2014 (the immediately preceding quarter) was \$627 thousand, equivalent to \$0.16 per diluted common share. The rise in net income from the first quarter of 2014 to the first quarter of 2015 primarily resulted from: (i) a larger average balance of interest earning assets; and (ii) \$249 thousand in non-taxable benefits associated with Bank Owned Life Insurance (“BOLI”) policies.

Commenting on the first quarter of 2015 performance, Mark Andino, the Bank’s President and Chief Executive Officer, stated: “We are very pleased to report a record balance sheet and an increase in earnings despite the loan loss provision expense associated with significant growth in the loan portfolio. We concluded the first quarter of 2015 with excellent credit quality, ample liquidity for additional lending, and good momentum in San Luis Obispo County in advance of our opening a new branch office in that market.” Mr. Andino then continued: “The Bank’s ratio of equity to total assets of 8.85% at March 31, 2015 was toward the lower end of our targeted range. Therefore, during the second quarter of 2015, we plan to moderate the pace of growth in total assets while at the same time increasing the ratio of loans to total assets by reinvesting cash flows from our security portfolio into additional lending. The second quarter of 2015 is projected to benefit from the recent purchase of a \$21.9 million pool of seasoned residential mortgages, with the associated additional revenue offset in part by higher operating costs related to the upcoming opening of the San Luis Obispo branch office and recent additions to our lending team.”

Shareholders of record as of April 13, 2015 (“Record Date”) are eligible to vote at the Annual Meeting of Shareholders scheduled for Wednesday, June 10, 2015. The Bank recently mailed Annual Meeting packages to all shareholders as of the Record Date. Registered shareholders are able to vote by mail, phone, or the internet.

Construction of tenant improvements at the Bank’s new full-service branch office in San Luis Obispo is nearly complete. The Bank currently anticipates opening the branch office sometime in early June. The Bank has received a favorable reception from the community, with local businesses and residents opening accounts at the Bank’s other branch offices. Deposits from San Luis Obispo County clients recently exceeded \$17.0 million.

The Bank’s Chairman of the Board, Kurt Gollnick, was recently honored at the Growing Future Leaders dinner in Monterey. Several hundred attendees, including many of the best known community leaders throughout Monterey County, heard about how Kurt has supported a wide range of community initiatives throughout his career, including youth programs and organizations dedicated to improving the quality of life for agricultural workers.

The Bank recently announced the appointment of Steve LeVá as the Bank’s Senior Vice President and Senior Relationship Manager. Mr. LeVá is a well-known and highly regarded commercial banker with decades of experience in Monterey County. He has particular expertise in financing agriculture and agribusiness related credits.

Kurt Gollnick stated: “We look forward to speaking with our shareholders at the upcoming Annual Meeting. One of the most common recent questions from our shareholders has been regarding the Bank’s return on equity, which we acknowledge has trailed peer institutions. At the Annual Meeting, we plan to recap the factors which have moderated the Bank’s historic return on equity. In addition, we’ll share the steps we have identified to improve shareholder returns while at the same time continuing to prudently manage the various risks inherent to banking, including credit risk and interest rate risk.” Mr. Gollnick then added: “The Board of Directors remains highly focused on generating shareholder value. Our expanded use of equity compensation and the historical stock dividends paid by the Bank are examples of initiatives approved by the Board to foster the creation of additional shareholder value.”

Performance Highlights

- Net interest income before provision for loan losses was 16.2% higher during the first quarter of 2015 than the first quarter of 2014.
- Tangible book value per share rose to a record \$11.08 as of March 31, 2015, as compared to \$10.90 per share at December 31, 2014 and \$10.44 per share at March 31, 2014.

- The Bank presented a high quality credit profile at March 31, 2015, with a nonperforming asset ratio of just 0.02%. The Bank recorded net recoveries of \$12 thousand during the first quarter of 2015. The Bank had no loans which were 30 days or more delinquent at March 31, 2015.
- Nonaccrual loans totaled \$100 thousand at March 31, 2015, equivalent to 0.03% of loans outstanding. No new loans were transferred to nonaccrual status during the first quarter of 2015, while two loans associated with one borrower were transferred from nonaccrual to accrual status, and upgraded from Substandard to Special Mention, due to the Bank's receipt of updated financial information for the borrower combined with an extended period of payment performance by the borrower.
- At March 31, 2015, the Bank maintained a regulatory Total Risk Based Capital Ratio of 14.57%, substantially in excess of the 10.00% threshold to be categorized in the highest regulatory capital classification of "well capitalized." March 31, 2015 was the initial reporting of the Common Equity Tier One Risk Based Capital Ratio for the Bank. The Bank's ratio of 13.31% placed it substantially above the 6.50% threshold to be categorized as "well capitalized."

Financial Condition Analysis

Funds held at the Federal Reserve Bank of San Francisco decreased from \$31.6 million at December 31, 2014 to \$18.9 million at March 31, 2015. This reduction primarily resulted from the Bank's purchase of a \$21.9 million pool of seasoned residential mortgages during late February 2015.

Time deposits at other financial institutions declined from \$3.0 million at December 31, 2014 to \$2.7 million at March 31, 2015, as funds from maturing time deposits were reinvested into other earning assets.

Securities categorized as available for sale increased from \$96.8 million at December 31, 2014 to \$103.8 million at March 31, 2015. Security purchases during the first quarter of 2015 were entirely composed of floating rate tranches of residential 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 quarter of 2015 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. The following table presents the Bank's security portfolio profile at March 31, 2015 and December 31, 2014, and highlights the purchases of additional Agency residential floating rate CMOs during the first quarter of 2015:

(Dollars in Thousands)	March 31, 2015 Fair Value (Unaudited)	December 31, 2014 Fair Value (Unaudited)
Municipal fixed rate securities	\$ 480	\$ 476
Agency ⁽¹⁾ variable rate residential MBS	2,575	2,689
Agency fixed rate residential MBS	2,095	2,294
Agency variable rate commercial MBS	20,118	20,186
Agency variable rate residential CMO	76,848	68,766
Agency variable rate commercial CMO	1,663	2,396
Total	<u>\$ 103,779</u>	<u>\$ 96,807</u>

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

The fair value of the Bank’s \$103.8 million in securities at March 31, 2015 exceeded its amortized cost basis by \$486 thousand.

At March 31, 2015, 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. In order to improve earnings while still maintaining a more than adequate level of liquidity, the Bank is currently targeting a ratio of net loans to deposits of approximately 85.0% (compared to 78.2% at March 31, 2015).

The Bank maintained \$1.1 million in loans held for sale at March 31, 2015. This was composed of the guaranteed portion of a U.S. Small Business Administration (“SBA”) 7(a) Program loan that was in the process of sale at the end of the quarter. The transaction was concluded during April, generating a pre-tax gain on sale of \$34 thousand.

Net loans held for investment rose from \$321.2 million at December 31, 2014 to a record \$341.7 million at March 31, 2015. The increase primarily resulted from the purchase of a \$21.9 million closed-end, residential mortgage pool in late February 2015. The loans in the mortgage pool were seasoned 5/1 or 7/1 hybrid mortgages that reprice based upon a margin over the one year LIBOR index following the conclusion of an initial fixed rate period. The loans in the mortgage pool met the Bank’s standard underwriting criteria, were individually underwritten by the Bank, and are secured by first deeds of trust on homes located in several California counties. The Bank has experienced low payment delinquencies and no charge-offs on the residential mortgage pools it has purchased over the past two years. The following table summarizes the Bank’s purchases of residential mortgage pools during 2014 and through March 31, 2015:

<u>Purchase Month</u>	<u>Pool Size</u>
February 2014	\$ 19.2 million
April 2014	13.2 million
September 2014	16.4 million
October 2014	8.6 million
February 2015	<u>21.9 million</u>
Total	<u>\$ 79.3 million</u>

Multifamily loans increased \$2.0 million during the first quarter of 2015, 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 concluded the first quarter of 2015 with a pipeline of multifamily loans exceeding \$7.0 million that are projected to fund during the second and third quarters of the year.

Construction and land (including farmland) loans increased by \$5.0 million during the first quarter of 2015 primarily due to: (i) the reclassification of certain loans for one client from categorization as commercial & industrial to secured by farmland in conjunction with the pledging of additional collateral; and (ii) disbursements on construction loans as projects advanced toward completion. The Bank continues to see client demand along the Central Coast for: (i) customized owner-occupant construction or real estate improvements designed for a specific tenant; and (ii) affordable housing.

Commercial and industrial loans outstanding declined by \$3.2 million during the first quarter of 2015 primarily due to the aforementioned reclassification of loans associated with one client.

Commenting on the Bank's lending activity, Jon Ditlevsen, the Bank's Chief Lending Officer, stated: "We commenced the second quarter of 2015 with a strong pipeline of potential new business, including several new relationships in San Luis Obispo County, some relatively large loan applications in Monterey County, and a number of SBA loans. We are aiming to increase our volume of SBA loan originations in order to take advantage of the attractive prices currently available in the secondary market." Mr. Ditlevsen then continued: "With the recent addition of Steve LeVá to our lending team, we also plan to augment our origination of agriculture and agribusiness related loans later this year."

The Bank's allowance for loan losses increased from \$5.3 million, or 1.63% of total loans, at December 31, 2014 to \$5.5 million, or 1.59% of total loans, at March 31, 2015. The allowance was increased during the first quarter of 2015 by \$200 thousand in loan loss provision and \$12 thousand in recoveries. The Bank did not record any charge-offs during the first quarter of 2015. The reduction in the ratio of allowance for loan losses to total loans during the first quarter of 2015 was associated with the aforementioned shift in loan portfolio mix and an improvement in the loan portfolio aggregate credit profile.

Nonaccrual loans decreased \$673 thousand from \$773 thousand at December 31, 2014 to \$100 thousand at March 31, 2015 due to principal payments received and the reclassification of two loans from non-accrual to accrual status. All of the Bank's non-accrual loans were current or less than 30 days delinquent in scheduled payments as of March 31, 2015. The Bank has never owned any foreclosed real estate.

Loans graded Substandard increased from \$9.6 million at December 31, 2014 to \$10.1 million at March 31, 2015. Changes in loans graded Substandard during the first quarter of 2015 included:

- The Bank extended \$1.3 million in additional financing to one credit relationship graded Substandard in conjunction with a consolidation of debt and the Bank's receiving additional real estate collateral.
- \$658 thousand in loans associated with one borrower that were graded Substandard at December 31, 2014 were upgraded to Special Mention following the receipt of updated financial information for the borrower and an extended period of timely payment performance.
- All of the loans graded Substandard at December 31, 2014 continued to make their scheduled payments during the first quarter, resulting in lower principal balances outstanding at March 31, 2015.

Loans graded Special Mention increased from \$2.4 million at December 31, 2014 to \$3.0 million at March 31, 2015, primarily due to the aforementioned credit upgrade for one borrower from Substandard to Special Mention. Loans graded Watch decreased from \$4.8 million at December 31, 2014 to \$3.2 million at March 31, 2015, primarily due to a \$750 thousand principal reduction and a subsequent credit upgrade to Pass for a \$1.4 million loan.

Because of the credit profile of the residential mortgage pool purchased during 2015 (including loan to value ratio, borrower credit score, and borrower debt to income ratio), the Bank assigns a lower general, formula reserve ratio to these loans versus, for example, investor commercial real estate and commercial and industrial business loans. The change in loan mix during the first quarter of 2015 therefore contributed to the reduction in the ratio of allowance for loan losses to loans outstanding from 1.63% at December 31, 2014 to 1.59% at March 31, 2015.

Premises and equipment, net of accumulated depreciation, increased from \$1.4 million at December 31, 2014 to \$1.5 million at March 31, 2015. This increase was primarily due to construction in progress for the new San Luis Obispo branch office. The San Luis Obispo facility was previously commercial office space. The Bank therefore needed to install typical financial institution improvements such as an ATM room, vault, and an enhanced security system. Premises and equipment is expected to further increase during the second quarter of 2015 in conjunction with: (i) the completion of the tenant improvements and the purchase of furniture and equipment for the San Luis Obispo branch office; (ii) the acquisition of new ATMs for all of the Bank's branch offices, as the Bank prepares for the new EMV chip-based debit cards; and (iii) a series of technology investments by the Bank.

The Bank's investment in BOLI decreased from \$2.5 million at December 31, 2014 to \$2.4 million at March 31, 2015, as the effect of the repayment of one policy associated with the aforementioned benefit claim exceeded the impact of dividends credited. The Bank's investment in BOLI is forecast to further decline during the second quarter of 2015 in conjunction with the repayment of assets associated with a second policy related to the recent benefit claim.

Total deposits increased 3.4% from \$422.8 million at December 31, 2014 to a record \$437.0 million at March 31, 2015. Total deposits increased by \$14.2 million during the first quarter of 2015 primarily due to: (i) seasonal balance increases by some of the larger commercial clients; and (ii) the opening of over 175 new deposit accounts during the quarter. The Bank historically experiences an outflow of deposits during mid-April in conjunction with property and income tax payments by clients. The Bank's experience during April 2015 followed that historical pattern. The weighted average interest rate on the Bank's deposits at March 31, 2015 was 0.16%.

Noninterest bearing demand deposits decreased from \$181.9 million at December 31, 2014 to \$160.7 million at March 31, 2015. This reduction was primarily associated with: (i) the outflow of seasonal and transitional deposit balances maintained by certain clients at December 31, 2014; and (ii) the transfer of certain non-interest bearing demand deposit funds into money market and / or savings deposits, as clients sought to earn interest on their excess liquidity.

Interest bearing checking accounts increased from \$22.4 million at December 31, 2014 to \$25.6 million at March 31, 2015. 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 \$103.8 million at December 31, 2014 to \$125.7 million at March 31, 2015. Savings deposits rose from \$83.7 million at December 31, 2014 to \$94.6 million at March 31, 2015. Both money market and savings deposits have been an attractive alternative for liquid funds in the current historically low interest rate environment.

Time deposits decreased from \$30.9 million at December 31, 2014 to \$30.3 million at March 31, 2015, primarily due to 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 \$30.3 million in time deposits at March 31, 2015 was composed of low cost State of California term funds. None of the Bank's deposits at March 31, 2015 or December 31, 2014 were brokered deposits or sourced from deposit listing services. While the Bank is a member of the CDARS® network, the Bank did not have any deposits under that service at either March 31, 2015 or December 31, 2014.

Commenting on the Bank's deposit performance, Irene Shippee, the Bank's Chief Banking Officer, stated: "We continue our pace of opening new deposit accounts. Ongoing enhancements to our online and mobile banking and cash management services are helping to attract an increasing number of busy professionals and business owners who much appreciate the level of customization we offer combined with the ready availability of experienced, professional bankers." Brooks Kohne, the manager of the Bank's Cash Management Department, added: "The client adoption rate of our enhanced eStatements and mobile check deposit service has been impressive. We look forward to implementing additional features later this year, including enhanced sweep and target balance capabilities and the new EMV chip-based debit cards."

Shareholders' equity rose from \$41.2 million at December 31, 2014 to a record \$42.5 million at March 31, 2015. This increase resulted from: (i) 2015 year to date net income of \$701 thousand; (ii) \$125 thousand in equity compensation expense; (iii) \$463 thousand from the exercise of vested stock options; and (iv) a \$30 thousand increase in the accumulated other comprehensive income associated with changes in unrealized gains and losses on securities classified as available for sale. The Bank's Board of Directors continues to be compensated solely via restricted shares (i.e., no cash compensation). The Bank also continues 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 \$3.05 million during the three months ended March 31, 2014 to \$3.55 million during the three months ended March 31, 2015. This increase was primarily due to a larger average balance of gross loans outstanding, which rose from \$262.9 million during the first quarter of 2014 to \$333.5 million during the first quarter of 2015. Net interest income before provision for loan losses during the first quarter of 2015 declined \$65 thousand from the fourth quarter of 2014 (the immediately preceding quarter) primarily due to there being two fewer days during the first quarter of 2015.

The ratio of net interest income to average total assets declined slightly from 3.06% during the first quarter of 2014 to 3.04% during the first quarter of 2015 primarily due to a reduction in the yield on the loan portfolio. The average effective yield on the loan portfolio fell from 4.55% during the first quarter of 2014 to 4.26% during the first quarter of 2015. This reduction in yield stemmed from: (i) continued amortization and repayment of older loans with higher interest rates; (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 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.

The Bank currently anticipates increased net interest income during the second quarter of 2015 due to: (i) the Bank will have a full quarter's benefit of the \$21.9 million residential mortgage pool purchased in late February 2015, versus only about one month of revenue during the first quarter of 2015; (ii) one more day in the second quarter; and (iii) the Bank carried a larger than targeted average balance at the Federal Reserve Bank earning 0.25% during the first quarter of 2015 while it was waiting to fund the residential mortgage pool.

A key objective for the Bank is increasing the size of the loan portfolio while maintaining strong credit quality. The employment of additional Relationship Managers over the past year to spur increased local lending, the expansion into San Luis Obispo County, and the purchase of multiple residential mortgage pools have been key initiatives in support of that goal over the past year. The Bank may consider additional residential mortgage pool purchases and / or acquisitions of income property real estate loans later in 2015 in further support of this key objective. In addition, at March 31, 2015, the Bank maintained a \$76.8 million investment in Agency residential, floating rate, monthly adjusting CMOs yielding 0.55%. The planned reinvestment of cash flows from these securities into new loan originations and purchases during 2015 is a key strategy for supporting the Bank's net interest margin.

The provision for loan losses was \$200 thousand during the first quarter of 2015, compared to \$120 thousand during the first quarter of 2014 and \$50 thousand during the fourth quarter of 2014 (the immediately preceding quarter). Factors impacting the level of loan loss provision during the first quarter of 2015 included:

- The \$21.9 million increase in the size of the gross loan portfolio.
- The Bank's setting aside an additional \$100 thousand for its qualitative reserve associated with the ongoing California drought. While water supplies in the Bank's primary market area are more favorable than in certain other portions of the state, the Bank considered it prudent to set aside additional loan loss reserves to address currently unspecified potential losses that could arise from continued drought conditions.

- The above factors more than offset the impact of a \$235 thousand reduction in specific reserves on impaired loans stemming from continued principal repayments and the aforementioned credit upgrade of two loans and their no longer being classified as Substandard and impaired.

Factors contributing to the provision for loan losses during the fourth quarter of 2014 (the immediately preceding quarter) included:

- The \$3.4 million increase in the size of the loan portfolio.
- A \$303 thousand reduction in specific reserves on impaired loans, primarily associated with the Bank's obtaining additional real estate collateral.
- A \$2.1 million rise in the volume of loans rated Watch, primarily associated with two commercial lending relationships.
- An increase in the unallocated allowance for loan losses, with the Bank's developing an analysis of the potential credit exposure associated with: (i) a possible continuation of drought conditions in much of California; and (ii) the upcoming relocation of certain Monterey County public employees to a site outside of the downtown Salinas area and the related potential impact on commercial property vacancy and rental rates.

Factors contributing to the \$120 thousand loan loss provision recorded during the first quarter of 2014 included:

- The \$21.1 million increase in the size of the gross loan portfolio.
- A \$1.0 million increase in the balance of loans rated Special Mention.
- A \$2.5 million increase in the balance of loans rated Watch, of which \$1.7 million was associated with one credit relationship.

Noninterest income increased from \$73 thousand during the first quarter of 2014 to \$317 thousand during the first quarter of 2015 due to \$249 thousand in BOLI benefits. BOLI dividend income declined from \$21 thousand during the first quarter of 2014 to \$16 thousand during the first quarter of 2015 primarily due to the Bank's voluntary surrender of \$1.2 million in underperforming BOLI separate account policies during the third quarter of 2014.

Non-interest income declined from \$85 thousand during the fourth quarter of 2014 (the immediately preceding quarter) to \$68 thousand, excluding the BOLI benefits, during the first quarter of 2015. This reduction was due to a lack of sales of the guaranteed portion of SBA 7(a) Program loans during the first quarter of 2015. However, the Bank concluded the sale of one such loan during April 2015, with additional potential SBA loan sales in the pipeline for later during 2015.

Noninterest expense increased from \$2.33 million during the first quarter of 2014 and \$2.58 million during the fourth quarter of 2014 (the immediately preceding quarter) to \$2.66 million during the first quarter of 2015. The Bank maintained 66 full-time equivalent employees at March 31, 2015 versus 63 at December 31, 2014.

Salaries and benefits expense rose from \$1.44 million during the first quarter of 2014 to \$1.63 million during the first quarter of 2015. Factors impacting this increase included:

- Five more full-time equivalent employees, which in turn generated a higher level of base salaries and associated employer payroll taxes. The Bank hired Donna Milne as the San Luis Obispo Branch Manager in February 2015 in order for Ms. Milne to assist in recruiting branch office staff and the preparation of the facility for opening.
- 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.
- An increase in equity compensation expense associated with restricted share awards (partially offset by lower expense recognition for stock options), 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 shareholder value.
- A \$48 thousand increase in the accrual for incentive compensation. The Bank paid a relatively low level of incentive compensation during 2013 and 2014. In light of the stronger economy and increasing competition for high caliber bankers, the Bank believes that it will need to provide a higher level of potential incentive compensation during 2015 in order to continue attracting and retaining well qualified employees.

Salaries and benefits expenses rose \$91 thousand from the fourth quarter of 2014 (the immediately preceding quarter) to the first quarter of 2015 due to: (i) higher base salary costs; (ii) seasonal increases in payroll taxes and accrued vacation expense; and (iii) greater incentive compensation expense.

Occupancy expenses increased from \$182 thousand during the first quarter of 2014 to \$200 thousand during the first quarter of 2015 primarily due to costs associated with the new San Luis Obispo branch office. The Bank is entering the San Luis Obispo market with relatively low facility costs, as the branch office is approximately 2,500 square feet, with a lease payment of under \$4 thousand per month. In addition, the Bank leased additional space in its administration building commencing during the fourth quarter of 2014. Occupancy expense is forecast to rise during the second quarter of 2015, when tenant improvements for the San Luis Obispo branch office are completed, placed in service, and commence depreciation.

Data and item processing expenses increased from \$127 thousand during the first quarter of 2014 to \$142 thousand during the first quarter of 2015 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. We expect this trend to continue in the near term, as the Bank has multiple technology related initiatives planned for completion during 2015. For example, during the second quarter of 2015, the Bank plans to introduce both front counter check capture and enhanced back counter check capture as a means of speeding client deposit processing in the branch offices. In addition, the Bank is currently in negotiations with its primary provider of data processing services to renew its contract, including seeking new and enhanced technologies and improvement in the cost effectiveness of its technology expenditures.

Professional services expenses decreased from \$139 thousand during the first quarter of 2014 to \$112 thousand during the first quarter of 2015. This decline was primarily due to \$41 thousand of professional recruiter expenses being incurred during the first quarter of 2014 in conjunction with the Bank's hire of a new Chief Financial Officer. The first quarter of 2015 did not include any expenses for professional recruiters. The reduction in recruiter expense was partially offset by an increase in consulting expenses. The Bank engaged consultants during the first quarter of 2015 to assist on a range of projects, including implementation of new technologies and enhancing the integration and application of existing systems. These technology projects are designed to enhance client service while also bolstering employee productivity. The Bank plans to continue similar technology projects, with associated consulting expense, throughout 2015.

Professional services expenses during the fourth quarter of 2014 (the immediately preceding quarter) totaled \$130 thousand. The decline in professional services expenses from the fourth quarter of 2014 to the first quarter of 2015 was caused in part by the Bank's hire during February 2015 of one of the consultants it had been utilizing, thereby converting the associated expense from consulting to base salaries.

Furniture and equipment expense increased from \$72 thousand during the first quarter of 2014 to \$98 thousand during the first quarter of 2015. Furniture and equipment expense during the fourth quarter of 2014 (the immediately preceding quarter) was \$97 thousand. The primary reasons for the increase from the first quarter of 2014 to the first quarter of 2015 were: (i) greater depreciation and other expenses associated with new technology purchases; and (ii) higher costs for employee travel in conjunction with the Bank's serving more clients in areas outside of Monterey County; in particular Santa Cruz County and San Luis Obispo County.

The provision for unfunded loan commitments shifted from a \$15 thousand credit to (reduction in) expense during the first quarter of 2014 to an \$8 thousand debit to (increase in) expense during the first quarter of 2015 (thereby generating a \$23 thousand increase in non-interest expense). The Bank maintained \$62.3 million in undisbursed credit commitments at March 31, 2015 compared to \$50.9 million at March 31, 2014.

Other noninterest expense increased from \$390 thousand during the first quarter of 2014 to \$471 thousand during the first quarter of 2015. Other non-interest expense during the fourth quarter of 2014 (the immediately preceding quarter) was \$485 thousand. Factors contributing to the rise in other non-interest expense from the first quarter of 2014 to the first quarter of 2015 included:

- Higher costs for regulatory assessments, FDIC deposit insurance, and various types of liability insurance stemming from the increased size of the Bank.
- Greater expenses for director compensation due to a higher grant date fair value for director restricted share awards and the timing of director restricted share awards.
- Increased marketing and promotion costs, including those associated with the Bank's six new videos introduced during the first quarter of 2015.

The Bank's efficiency ratio (operating costs compared to income from operations), improved from 74.60% during the first quarter of 2014 to 68.77% during the first quarter of 2015. Factors contributing to this improvement included:

- The favorable impact of the 17.8% growth in average interest earning assets.
- The BOLI benefits recorded during the first quarter of 2015.

The annualized ratio of the Bank's noninterest expense to average total assets improved from 2.31% during the first quarter of 2014 to 2.24% during the first quarter of 2015 despite the start-up costs for the San Luis Obispo branch office and the aforementioned increase in the accrual for incentive compensation.

The Bank increased its total assets by 13.2% during the twelve months ended March 31, 2015, while increasing full-time equivalent employees by 8.2%. The Bank's use of technology has enabled the processing of an increasing volume of client transactions with a proportionately slower rise in staff count. The Bank offers both qualified businesses and consumers check deposit processing via scanner and smartphone.

Speaking of the Bank's emphasis on technology, Dr. Daniel Hightower, Chairman of the Bank's Information Systems Steering Committee, commented: "Over the past several months, we have enjoyed quite successful introductions of mobile check deposit and our new, enhanced electronic deposit account statements. At the same time, we have steadily implemented improvements to our online and mobile banking platforms. The upcoming installation of new ATMs at all of the branch offices will be the next outwardly visible step in our ongoing commitment to utilize technology to compete with larger financial institutions and provide a wide range of delivery channels for our clients."

The Bank's effective book tax rate decreased from 39.5% during the three months ended March 31, 2014 to 30.4% during the three months ended March 31, 2015. This reduction was primarily due to the \$249 thousand in tax-free BOLI benefits recorded during the first quarter of 2015. Absent the tax-free BOLI benefits, the Bank's effective book tax rate during the first quarter of 2015 was 40.4%, which is within the 40.0% to 41.0% range currently anticipated for the remainder of 2015.

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

<u>Financial Condition Data</u> ¹	March 31, <u>2015</u>	December 31, <u>2014</u>	September 30, <u>2014</u>	March 31, <u>2014</u>
Assets				
Cash and due from banks	\$ 2,384	\$ 2,654	\$ 2,393	\$ 2,729
Funds held at the Federal Reserve Bank ²	18,857	31,598	8,693	28,230
Time deposits at other financial institutions	2,739	2,988	3,237	4,333
Available-for-sale securities, at fair value	103,779	96,807	101,625	107,252
Loans held for sale	1,136	--	--	--
Loans receivable held for investment:				
Construction / land (including farmland)	21,585	16,600	16,038	16,084
Residential 1 to 4 units	114,688	97,142	91,627	60,135
Home equity lines of credit	8,352	8,327	11,125	11,696
Multifamily	18,148	16,118	15,324	8,633
Owner occupied commercial real estate	59,931	60,064	53,278	50,370
Investor commercial real estate	74,240	73,095	77,873	70,460
Commercial and industrial	43,715	46,922	52,365	51,321
Other loans	6,565	8,233	5,506	7,942
Total loans	<u>347,224</u>	<u>326,501</u>	<u>323,136</u>	<u>276,641</u>
Allowance for loan losses	<u>(5,537)</u>	<u>(5,325)</u>	<u>(5,263)</u>	<u>(4,834)</u>
Net loans	341,687	321,176	317,873	271,807
Premises and equipment, net	1,529	1,423	1,497	1,450
Bank owned life insurance	2,441	2,549	2,532	3,670
Investment in FHLB ³ stock, at cost	2,007	2,007	2,007	1,494
Accrued interest receivable and other assets	<u>3,891</u>	<u>3,661</u>	<u>3,752</u>	<u>3,509</u>
Total assets	<u>\$ 480,450</u>	<u>\$ 464,863</u>	<u>\$ 443,609</u>	<u>\$ 424,474</u>
Liabilities and shareholders' equity				
Deposits:				
Noninterest bearing demand deposits	\$ 160,688	\$ 181,939	\$ 147,186	\$ 140,131
Interest bearing checking accounts	25,638	22,447	23,098	25,177
Money market	125,739	103,804	109,367	107,584
Savings	94,603	83,689	83,741	85,687
Time	<u>30,307</u>	<u>30,874</u>	<u>31,083</u>	<u>26,489</u>
Total deposits	436,975	422,753	394,475	385,068
Borrowings	--	--	8,000	--
Accrued interest payable and other liabilities	975	929	857	1,012
Shareholders' equity	<u>42,500</u>	<u>41,181</u>	<u>40,277</u>	<u>38,394</u>
Total liabilities and shareholders' equity	<u>\$ 480,450</u>	<u>\$ 464,863</u>	<u>\$ 443,609</u>	<u>\$ 424,474</u>
Shares outstanding ⁴	3,835,593	3,779,039	3,738,784	3,678,476
Nominal and tangible book value per share ⁴	\$ 11.08	\$ 10.90	\$ 10.77	\$ 10.44
Ratio of net loans held for investment to total deposits	78.19%	75.97%	80.58%	70.59%

1 = 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)

	Three Months Ended			
	March 31, 2015	December 31, 2014	September 30, 2014	March 31, 2014
<u>Operating Results Data</u>¹				
Interest and dividend income				
Loans	\$ 3,505	\$ 3,566	\$ 3,291	\$ 2,951
Investment securities	153	148	151	201
Federal Home Loan Bank stock	33	37	39	28
Other	22	17	21	22
Total interest and dividend income	<u>3,713</u>	<u>3,768</u>	<u>3,502</u>	<u>3,202</u>
Interest expense				
Interest bearing checking accounts	3	6	6	7
Money market deposits	82	73	76	66
Savings deposits	67	61	61	60
Time deposits	13	14	14	16
Total interest expense on deposits	<u>165</u>	<u>154</u>	<u>157</u>	<u>149</u>
Interest expense on borrowings	--	1	1	--
Total interest expense	<u>165</u>	<u>155</u>	<u>158</u>	<u>149</u>
Net interest income	<u>3,548</u>	<u>3,613</u>	<u>3,344</u>	<u>3,053</u>
Provision for loan losses	<u>200</u>	<u>50</u>	<u>250</u>	<u>120</u>
Net interest income after provision for loan losses	<u>3,348</u>	<u>3,563</u>	<u>3,094</u>	<u>2,933</u>
Noninterest income				
Service charges on deposits	31	30	28	30
BOLI dividend income	16	17	19	21
BOLI benefits	249	--	--	--
Gain on sale of loans	--	19	--	--
Gain on sale of securities	--	--	116	--
Other	21	19	19	22
Total noninterest income	<u>317</u>	<u>85</u>	<u>182</u>	<u>73</u>

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

	Three Months Ended			
	March 31, <u>2015</u>	December 31, <u>2014</u>	September 30, <u>2014</u>	March 31, <u>2014</u>
Noninterest expenses				
Salaries and benefits	1,627	1,536	1,444	1,437
Occupancy	200	206	188	182
Data and item processing	142	138	166	127
Professional services	112	130	142	139
Furniture and equipment	98	97	88	72
Provision for unfunded loan commitments	8	(8)	12	(15)
Other	471	485	420	390
Total noninterest expenses	<u>2,658</u>	<u>2,584</u>	<u>2,460</u>	<u>2,332</u>
Income before provision for income taxes	1,007	1,064	816	674
Provision for income taxes	306	437	346	266
Net income	<u>\$ 701</u>	<u>\$ 627</u>	<u>\$ 470</u>	<u>\$ 408</u>

Common Share Data²

Earnings per share				
Basic	\$ 0.18	\$ 0.17	\$ 0.13	\$ 0.11
Diluted	\$ 0.18	\$ 0.16	\$ 0.12	\$ 0.11
Weighted average shares outstanding				
Basic	3,794,906	3,762,235	3,725,249	3,678,261
Diluted	3,844,096	3,824,482	3,807,084	3,726,785

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)

	March 31, <u>2015</u>	December 31, <u>2014</u>	September 30, <u>2014</u>	March 31, <u>2014</u>
<u>Asset Quality</u>				
Loans past due 90 days or more and accruing interest	\$ --	\$ --	\$ --	\$ --
Nonaccrual restructured loans	--	222	224	229
Other nonaccrual loans	100	551	560	589
Other real estate owned	--	--	--	--
	<u>\$ 100</u>	<u>\$ 773</u>	<u>\$ 784</u>	<u>\$ 818</u>
Allowance for loan losses to total loans	1.59%	1.63%	1.67%	1.75%
Allowance for loan losses to nonperforming loans	5,537.00%	688.87%	671.30%	590.95%
Nonaccrual loans to total loans	0.03%	0.24%	0.24%	0.30%
Nonperforming assets to total assets	0.02%	0.17%	0.18%	0.19%

Regulatory Capital and Ratios

Common equity tier 1 capital	\$ 42,211	NA	NA	NA
Tier 1 regulatory capital	\$ 42,211	\$ 40,924	\$ 40,060	\$ 38,251
Total regulatory capital	\$ 46,195	\$ 44,692	\$ 43,789	\$ 41,688
Tier 1 leverage ratio	8.91%	9.01%	8.99%	9.46%
Common equity tier 1 risk based capital ratio	13.31%	NA	NA	NA
Tier 1 risk based capital ratio	13.31%	13.66%	13.50%	13.99%
Total risk based capital ratio	14.57%	14.91%	14.76%	15.24%

	<u>Three Months Ended</u>			
	March 31, <u>2015</u>	December 31, <u>2014</u>	September 30, <u>2014</u>	March 31, <u>2014</u>
<u>Selected Financial Ratios¹</u>				
Return on average total assets	0.60%	0.55%	0.42%	0.41%
Return on average shareholders' equity	6.79%	6.09%	4.66%	4.33%
Net interest margin	3.07%	3.19%	3.03%	3.11%
Net interest income to average total assets	3.04%	3.15%	2.98%	3.06%
Efficiency ratio	68.77%	69.88%	69.77%	74.60%

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

	<u>Three Months Ended</u>			
	March 31, <u>2015</u>	December 31, <u>2014</u>	September 30, <u>2014</u>	March 31, <u>2014</u>
<u>Selected Average Balances</u>				
Gross loans	\$ 333,450	\$ 326,795	\$ 302,342	\$ 262,893
Investment securities	101,339	99,588	106,885	103,886
Federal Home Loan Bank stock	2,007	2,007	2,007	1,494
Other interest earning assets	31,412	20,605	27,108	29,244
Total interest earning assets	<u>\$ 468,208</u>	<u>\$ 448,995</u>	<u>\$ 438,342</u>	<u>\$ 397,517</u>
Total assets	\$ 474,026	\$ 454,480	\$ 445,717	\$ 404,223
Interest bearing checking accounts	\$ 23,030	\$ 22,480	\$ 22,276	\$ 21,611
Money market	120,559	110,179	109,478	97,630
Savings	90,414	82,982	82,918	79,675
Time deposits	30,591	30,701	31,486	26,849
Total interest bearing deposits	<u>264,594</u>	<u>246,342</u>	<u>246,158</u>	<u>225,765</u>
Noninterest bearing demand deposits	166,608	161,797	157,831	139,398
Total deposits	<u>\$ 431,202</u>	<u>\$ 408,139</u>	<u>\$ 403,989</u>	<u>\$ 365,163</u>
Borrowings	\$ --	\$ 4,435	\$ 870	\$ --
Shareholders' equity	\$ 41,845	\$ 40,857	\$ 39,989	\$ 38,173