

October 30, 2018

FOR IMMEDIATE RELEASE



**1st Capital Bank Announces
Third Quarter 2018 Financial Results;
Record Loan Portfolio**

Salinas, California – October 30, 2018. **1st Capital Bank** (OTC Pink: FISB) reported unaudited net income of \$1.74 million for the three months ended September 30, 2018, an increase of 70.8% compared to net income of \$1.02 million in the third quarter of 2017 and an increase of 15.4% compared to net income of \$1.51 million in the second quarter of 2018, the immediately preceding quarter. Earnings per common share were \$0.36 (diluted), compared to \$0.31 (diluted) for the prior quarter.

On a year-to-date basis, unaudited net income was \$4.49 million for the nine months ended September 30, 2018, an increase of \$1.83 million, or 68.7%, compared to \$2.66 million for the nine months ended September 30, 2017. Earnings per common share were \$0.94 (diluted) and \$0.57 (diluted) for the nine-month periods ended September 30, 2018 and 2017, respectively.

“We are pleased to report continued growth in our loan portfolio, which was funded by growth in our core deposits. The growth in our loan portfolio and our favorable funding mix combined to improve our year-to-date net interest margin during 2018 to 3.81% from 3.43% during the comparable period in 2017,” said Thomas E. Meyer, President and Chief Executive Officer.

Net interest margin increased from 3.52% in the third quarter of 2017 and 3.84% in the second quarter of 2018 to 3.88% in the third quarter of 2018, as the Bank’s average loans-to-deposits ratio increased from 81.3% in the third quarter of 2017 and 86.2% in the second quarter of 2018 to 86.3% in the third quarter of 2018, and average gross loans outstanding increased \$66 million or 15.7%, year-over-year, from \$420 million to \$486 million, and increased \$26 million, or 5.6%, sequentially. Net interest income after provision for loan losses for the three-month period ended September 30, 2018 was \$5.89 million, a sequential increase of \$394 thousand, or 7.2%, compared to \$5.50 million recognized in the three-month period ended June 30, 2018. The Bank’s cost of funds increased slightly, to 0.17% for the third quarter of 2018, compared to 0.12% for the third quarter of 2017 and 0.13% for the second quarter of 2018. On a year-over-year basis, quarterly net interest income after provision for loan losses increased \$1.05 million, or 21.7%, from \$4.83 million recognized during the third quarter of 2017 to \$5.87 million in the third quarter of 2018.

Net loans increased \$10.5 million, or 2.2%, during the third quarter, from \$467.7 million as of June 30, 2018 to \$478.2 million as of September 30, 2018. Growth was concentrated in the

single-family residential loan portfolio (\$7.0 million), home equity lines of credit (\$1.2 million), commercial real estate loans (\$3.9 million), and commercial and industrial loans (\$5.6 million). Year over year, net loans outstanding increased 14.0% from the \$420 million balance outstanding as of September 30, 2017. Growth in commercial real estate and residential mortgage loans were the primary drivers of the loan growth during the past 12 months. Notably, yields on commercial and industrial loans increased from 4.96% during the third quarter of 2017 to 5.35% and 5.50% during the second and third quarters of 2018, respectively, and yields on commercial real estate loans increased from 4.65% during the third quarter of 2017 to 4.82% and 4.81% during the second and third quarters of 2018, respectively. The yield on the total gross loan portfolio increased from 4.29% during the third quarter of 2017 to 4.44% and 4.45% during the second and third quarters of 2018, respectively.

“We closed the third quarter with a record net \$486 million in loans outstanding, and we are building an excellent backlog across all our markets for the fourth quarter of 2018 and first quarter of 2019,” said Thomas E. Meyer, President and Chief Executive Officer.

Net interest income before provision for loan losses increased \$394 thousand, or 7.2%, to \$5.89 million, compared to \$5.50 million in the prior quarter, reflecting a \$25.4 million, or 4.4%, increase in average earning assets and an increase of nine basis points in the yield on interest-earning assets.

Non-interest income for the nine-month period ended September 30, 2018 increased 71.5%, to \$1.45 million, compared to \$845 thousand for the nine-month period ended September 30, 2017. Quarterly non-interest income increased \$125 thousand, or 36.1%, year-over-year to \$471 thousand, compared to non-interest income of \$346 thousand recognized in the third quarter of 2017, but decreased \$126 thousand, or 21.1%, compared to non-interest income of \$597 thousand recognized in the second quarter of 2018.

The Bank’s efficiency ratio improved from 65.7% in the second quarter of 2018 to 62.4% in the third quarter of 2018, as the Bank’s non-interest expenses declined nominally, while total revenues grew 4.1% over the same period.

NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES

Net interest income before provision for credit losses was \$5.89 million in the third quarter of 2018, an increase of \$394 thousand, or 7.2%, compared to \$5.50 million in the second quarter of 2018, and an increase of \$982 thousand, or 20.0%, compared to \$4.91 million in the third quarter of 2017. Net interest income before provision for credit losses for the nine months ended September 30, 2017 was \$16.60 million, an increase of \$2.58 million or 18.4%, compared to \$14.02 million for the nine months ended September 30, 2017.

Average earning assets were \$600 million during the third quarter of 2018, an increase of 4.4% compared to \$575 million in the second quarter of 2018, and an increase of 8.3% compared to \$554 million in the third quarter of 2017. The yield on earning assets was 4.05% in the third quarter of 2018, compared to 3.63% in the third quarter of 2017, primarily due to an increase in the average balance of loans outstanding from \$420 million in the third quarter of 2017 to \$486

million in the third quarter of 2018, and, secondly, due to an increase in the yield on the investment portfolio. The yield on the loan portfolio increased from 4.29% in the third quarter of 2017 and 4.44% in the second quarter of 2018 to 4.45% in the third quarter of 2018. Year over year, the average quarterly balance of the investment portfolio decreased \$4 million, from \$74 million in the third quarter of 2017 to \$70 million in the third quarter of 2018, reflecting normal amortization and prepayments on the Bank's investments in mortgage-backed securities and collateralized mortgage obligations. The yield on the investment portfolio increased from 1.63% in the third quarter of 2017 and 2.18% in the second quarter of 2018 to 2.26% in the third quarter of 2018, as variable-rate mortgage-backed securities and collateralized mortgage obligations repriced upward.

The cost of interest-bearing liabilities increased marginally from 0.22% in the third quarter of 2017, to 0.24% in the second quarter of 2018, and to 0.30% in the third quarter of 2018, while the average balance of interest-bearing liabilities increased from \$276 million in the third quarter of 2017 and from \$293 million in the second quarter of 2018, to \$311 million in the third quarter of 2018. The Bank experienced normal seasonal fluctuations in deposits, particularly from larger depositors, and managed its leverage ratio, primarily with the Insured Cash Sweep program, which had off-balance sheet average deposit balances of \$31 million, \$98 million, and \$109 million in the third quarter of 2017 and the second and third quarters of 2018, respectively. The average balance of noninterest-bearing demand deposit accounts increased from \$240 million, or 46.5% of total deposits, in the third quarter of 2017 to \$242 million, or 45.3% of total deposits, in the second quarter of 2018 and to \$249 million, or 44.8% of total deposits, in the third quarter of 2018. The Bank's overall cost of funds increased slightly, from 0.12% in the third quarter of 2017, and 0.13% in second quarter of 2018, to 0.17% in the third quarter of 2018.

"The Bank has continued to increase its non-interest bearing deposits, while meeting and anticipating our customer's needs in this gradually increasing interest rate environment," said Michael J. Winiarski, Chief Financial Officer, noting "The value of our core funding is becoming increasingly evident in our financial performance."

PROVISION FOR CREDIT LOSSES

The provision for credit losses is a charge against current earnings in an amount determined by management to be necessary to maintain the allowance for loan losses at a level sufficient to absorb its estimate of probable credit losses incurred as of the balance sheet date using historical loss data and qualitative factors associated with the loan portfolio.

The Bank recorded a provision for loan losses of \$85 thousand in the third quarter of 2017, and no provisions for the second and third quarters of 2018, reflecting changes in the mix of loan types within the portfolio and their respective historical loss rates, as well as management's assessment of the amounts expected to be realized from certain loans identified as impaired. Impaired loans totaled \$3.3 million as of September 30, 2018, compared to \$3.8 million as of June 30, 2018, and \$5.3 million as of September 30, 2017.

As of September 30, 2018, non-performing loans were 0.60% of the total loan portfolio, compared to 0.04% as of June 30, 2018 and 0.06% as of September 30, 2017. As of September 30, 2018, the allowance for loan losses was 1.33% of outstanding loans, compared to 1.35% as of June 30, 2018 and 1.48% as of September 30, 2017, respectively. The Bank recorded recoveries of \$12 thousand in the third quarter of 2018, compared to recoveries of \$13 thousand during the second quarter of 2018, and net charge-offs of \$24 thousand in the third quarter of 2017.

NON-INTEREST INCOME

Non-interest income recognized in the third quarter of 2018 totaled \$471 thousand, compared to \$346 thousand in the third quarter of 2017 and \$597 thousand in the second quarter of 2018. Non-interest income included gain on sale of Small Business Administration (“SBA”) loans of \$98 thousand and \$65 thousand in the third quarter of 2017 and the second quarter of 2018. No gains on sales were recognized in the third quarter of 2018; the loan portfolio did include \$1.0 million of SBA-guaranteed loans available for sale as of September 30, 2018.

The Bank derives non-interest income from a variety of sources, including account analysis fees, lockbox service fees, mortgage brokerage fees, and fees associated with its participation in the ICS reciprocal and one-way sell deposits programs. In the third quarter, the Bank experienced a seasonal decline in mortgage brokerage fees of \$39 thousand and a \$36 thousand decline in ICS fees, as interest rates earned by depositors in the program increased.

On a year-to-date basis, non-interest income increased from \$845 thousand to \$1.45 million in the nine months ended September 30, 2017 and 2018. The increase is attributable primarily to increases in volume in both the mortgage brokerage program and ICS deposits, as well as increases in various other revenue streams.

NON-INTEREST EXPENSES

Non-interest expenses were nominally lower for the third quarter of 2018 at \$3.97 million, compared to the previous quarter, when non-interest expenses totaled \$4.01 million, and increased \$453 thousand, or 12.9%, compared to \$3.52 million recognized in the third quarter of 2017. Year-to-date 2018 non-interest expenses totaled \$11.86 million, an increase of \$1.41 million, or 13.5%, compared to \$10.44 million for the first nine months of 2017.

Salaries and benefits decreased \$101 thousand, or 3.9%, to \$2.48 million in the third quarter of 2018 from \$2.58 million in the second quarter of 2018, and increased \$357 thousand, or 16.8%, compared to \$2.12 million in the third quarter of 2017. These fluctuations reflect the hiring primarily of loan production and underwriting personnel including the expansion of our presence in San Luis Obispo in late 2017 and early 2018, as well as certain vacant positions during the third quarter of 2018. The Bank’s professional services expense increased \$29 thousand, or 21.1%, to \$161 thousand in the third quarter of 2018, from \$132 thousand in the second quarter of 2018, and decreased \$75 thousand, or 31.8%, from \$236 thousand in the third quarter of 2017, primarily as a result of decreased use of consulting services for consumer

compliance matters compared to the third quarter of 2017 and increased fees for recruitment and interim financial consulting services recognized during the third quarter of 2018.

The efficiency ratio (non-interest expenses divided by the sum of net interest income before provision for loan losses and non-interest income) was 62.4% for the third quarter of 2018, compared to 65.7% for the second quarter of 2018 and 66.9% for the third quarter of 2017. Annualized non-interest expenses as a percent of average total assets were 2.56%, 2.72%, and 2.45% for the third quarter of 2018, the second quarter of 2018, and the third quarter of 2017, respectively.

PROVISION FOR INCOME TAXES

The Bank's effective tax rate was 27.3% in the third quarter of 2018, compared to 27.8% for the second quarter of 2018 and 38.4% for the third quarter of 2017. The lower effective rates in 2018 reflect the impact of the reduction in the Federal corporate income tax rate from 34% to 21% after the passage of the Tax Cuts and Jobs Act of 2017.

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, King City, and San Luis Obispo. The Bank's corporate offices are located at 150 Main Street, Suite 150, Salinas, California 93901. The Bank's website is www.1stCapital.bank. The main telephone number is 831.264.4000. 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.1stCapital.bank internet site for no charge.

For further information, please contact:

Thomas E. Meyer
President and Chief Executive Officer
831.264.4057 office
Tom.Meyer@1stCapitalBank.com

or

Michael J. Winiarski
Chief Financial Officer
831.264.4014 office
Michael.Winiarski@1stCapitalBank.com

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

Financial Condition Data ¹	September 30, <u>2018</u>	June 30, <u>2018</u>	March 31, <u>2018</u>	September 30, <u>2017</u>
Assets				
Cash and due from banks	\$ 5,408	\$ 5,078	\$ 11,772	\$ 27,484
Funds held at the Federal Reserve Bank ²	33,571	45,124	46,920	32,903
Time deposits at other financial institutions	996	996	996	747
Available-for-sale securities, at fair value	68,154	71,102	71,300	72,685
Loans receivable held for sale	1,000	1,000	1,000	-
Loans receivable held for investment:				
Construction / land (including farmland)	22,396	16,866	17,453	16,532
Residential 1 to 4 units	147,205	140,124	140,474	106,670
Home equity lines of credit	7,853	6,655	6,565	8,804
Multifamily	53,984	56,101	54,109	61,773
Owner occupied commercial real estate	65,628	64,048	64,009	67,124
Investor commercial real estate	131,736	128,289	117,896	102,904
Commercial and industrial	38,672	45,051	40,307	50,145
Other loans	17,127	16,956	11,685	12,560
Total loans	<u>484,601</u>	<u>474,090</u>	<u>452,498</u>	<u>426,512</u>
Allowance for loan losses	<u>(6,435)</u>	<u>(6,423)</u>	<u>(6,410)</u>	<u>(6,301)</u>
Net loans	478,166	467,667	446,088	420,211
Premises and equipment, net	2,109	2,239	2,315	2,376
Bank owned life insurance	7,813	7,759	7,706	7,599
Investment in FHLB ³ stock, at cost	3,163	3,163	3,163	3,163
Accrued interest receivable and other assets	6,255	5,512	5,535	6,168
Total assets	<u>\$ 606,635</u>	<u>\$ 609,640</u>	<u>\$ 596,795</u>	<u>\$ 573,336</u>
Liabilities and shareholders' equity				
Deposits:				
Noninterest bearing demand deposits	\$ 248,036	\$ 247,247	\$ 236,358	\$ 238,560
Interest bearing checking accounts	35,274	31,693	39,606	39,622
Money market deposits	139,037	144,069	125,147	119,384
Savings deposits	109,530	117,155	128,659	109,193
Time deposits	16,010	12,717	12,295	12,922
Total deposits	<u>547,887</u>	<u>552,881</u>	<u>542,065</u>	<u>519,681</u>
Accrued interest payable and other liabilities	2,344	2,093	1,839	2,060
Shareholders' equity	56,404	54,666	52,891	51,595
Total liabilities and shareholders' equity	<u>\$ 606,635</u>	<u>\$ 609,640</u>	<u>\$ 596,795</u>	<u>\$ 573,336</u>
Shares outstanding	4,711,269	4,706,003	4,697,873	4,666,083
Nominal and tangible book value per share	\$11.97	\$11.62	\$11.26	\$11.06
Ratio of net loans to total deposits	87.27%	84.59%	82.29%	80.86%

¹ = Loans receivable 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

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

	Three Months Ended			
	September 30, 2018	June 30, 2018	March 31, 2018	September 30, 2017
<u>Operating Results Data</u>				
Interest and dividend income				
Loans	\$ 5,448	\$ 5,093	\$ 4,769	\$ 4,539
Investment securities	404	382	367	306
Federal Home Loan Bank stock	54	54	56	56
Other	222	143	174	165
Total interest and dividend income	<u>6,128</u>	<u>5,672</u>	<u>5,366</u>	<u>5,066</u>
Interest expense				
Interest bearing checking	3	3	4	3
Money market deposits	123	81	72	78
Savings deposits	80	74	70	64
Time deposits	28	14	9	9
Total interest expense on deposits	<u>234</u>	<u>172</u>	<u>155</u>	<u>154</u>
Interest expense on borrowings	-	-	3	-
Total interest expense	<u>234</u>	<u>172</u>	<u>158</u>	<u>154</u>
Net interest income	5,894	5,500	5,208	4,912
Provision for loan losses	-	-	20	85
Net interest income after provision for loan losses	<u>5,894</u>	<u>5,500</u>	<u>5,188</u>	<u>4,827</u>
Noninterest income				
Service charges on deposits	78	72	71	65
BOLI dividend income	54	53	52	56
Gain on sale of loans	-	65	70	98
Other	339	407	188	127
Total noninterest income	<u>471</u>	<u>597</u>	<u>381</u>	<u>346</u>

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

	Three Months Ended			
	September 30, 2018	June 30, 2018	March 31, 2018	September 30, 2017
Noninterest expenses				
Salaries and benefits	2,482	2,583	2,481	2,125
Occupancy	299	288	290	283
Data and item processing	204	197	196	186
Professional services	161	132	138	236
Furniture and equipment	137	123	126	115
Provision for unfunded loan commitments	4	-	(6)	5
Other	682	683	656	566
Total noninterest expenses	<u>3,969</u>	<u>4,006</u>	<u>3,881</u>	<u>3,516</u>
Income before provision for income taxes	2,396	2,091	1,688	1,657
Provision for income taxes	654	581	449	636
Net income	<u>\$ 1,742</u>	<u>\$ 1,510</u>	<u>\$ 1,239</u>	<u>\$ 1,021</u>

Common Share Data¹

Earnings per common share

Basic	\$0.37	\$0.32	\$0.26	\$0.22
Diluted	\$0.36	\$0.31	\$0.26	\$0.22

Weighted average common shares outstanding

Basic	4,708,729	4,699,379	4,691,138	4,659,886
Diluted	4,810,553	4,795,170	4,776,021	4,723,406

¹ = Earnings per common share and weighted average common shares outstanding have been restated to reflect the effect of the 5% stock dividend declared November 22, 2017 and paid December 15, 2017.

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

	Nine Months Ended	
	September 30, <u>2018</u>	September 30, <u>2017</u>
<u>Operating Results Data</u>		
Interest and dividend income		
Loans	\$ 15,310	\$ 13,091
Investment securities	1,154	818
Federal Home Loan Bank stock	166	179
Other	538	406
Total interest and dividend income	<u>17,168</u>	<u>14,494</u>
Interest expense		
Interest bearing checking	11	11
Money market deposits	277	238
Savings deposits	224	196
Time deposits	51	27
Total interest expense in deposits	<u>563</u>	<u>472</u>
Interest expense on borrowings	3	-
Total interest expense	<u>566</u>	<u>472</u>
Net interest income	16,601	14,022
Provision for loan losses	20	110
Net interest income after provision for loan losses	<u>16,581</u>	<u>13,912</u>
Noninterest income		
Service charges on deposits	221	175
BOLI dividend income	159	166
Gain on sale of loans	135	184
Other	934	320
Total noninterest income	<u>1,449</u>	<u>845</u>

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

	Nine Months Ended	
	September 30, 2018	September 30, 2017
Noninterest expenses		
Salaries and benefits	7,546	6,518
Occupancy	877	775
Data and item processing	598	559
Professional services	431	554
Furniture and equipment	386	365
Provision for unfunded loan commitments	(2)	19
Other	2,021	1,653
Total noninterest expenses	11,857	10,443
Income before provision for income taxes	6,174	4,314
Provision for income taxes	1,683	1,651
Net income	\$ 4,491	\$ 2,663
<u>Common Share Data</u>¹		
Earnings per common share		
Basic	\$0.96	\$0.58
Diluted	\$0.94	\$0.57
Weighted average common shares outstanding		
Basic	4,699,813	4,622,777
Diluted	4,794,041	4,691,012

¹ = Earnings per common share and weighted average common shares outstanding have been restated to reflect the effect of the 5% stock dividend declared November 22, 2017 and paid December 15, 2017.

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

	September 30, <u>2018</u>	June 30, <u>2018</u>	March 31, <u>2018</u>	September 30, <u>2017</u>
<u>Asset Quality</u>				
Loans past due 90 days or more and accruing interest	\$ -	\$ -	\$ -	\$ -
Nonaccrual restructured loans	-	-	-	-
Other nonaccrual loans	2,906	198	252	257
Other real estate owned	-	-	-	-
	<u>\$ 2,906</u>	<u>\$ 198</u>	<u>\$ 252</u>	<u>\$ 257</u>
Allowance for loan losses to total loans	1.33%	1.35%	1.42%	1.48%
Allowance for loan losses to nonperforming loans	221.44%	3,243.94%	2,543.65%	2,451.75%
Nonaccrual loans to total loans	0.60%	0.04%	0.06%	0.06%
Nonperforming assets to total assets	0.48%	0.03%	0.04%	0.04%

Regulatory Capital and Ratios

Common equity tier 1 capital	\$ 57,166	\$ 55,240	\$ 53,515	\$ 51,726
Tier 1 regulatory capital	\$ 57,166	\$ 55,240	\$ 53,515	\$ 51,726
Total regulatory capital	\$ 62,747	\$ 60,673	\$ 58,722	\$ 56,756
Tier 1 leverage ratio	9.35%	9.35%	9.14%	9.07%
Common equity tier 1 risk based capital ratio	12.83%	12.74%	12.88%	12.90%
Tier 1 risk based capital ratio	12.83%	12.74%	12.88%	12.90%
Total risk based capital ratio	14.09%	14.00%	14.14%	14.15%

	Three Months Ended			
	September 30, <u>2018</u>	June 30, <u>2018</u>	March 31, <u>2018</u>	September 30, <u>2017</u>
<u>Selected Financial Ratios¹</u>				
Return on average total assets	1.12%	1.03%	0.86%	0.71%
Return on average shareholders' equity	12.38%	11.25%	9.51%	7.93%
Net interest margin	3.89%	3.84%	3.70%	3.52%
Net interest income to average total assets	3.80%	3.74%	3.61%	3.42%
Efficiency ratio	62.36%	65.70%	69.44%	66.87%

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

	Three Months Ended			
	September 30, <u>2018</u>	June 30, <u>2018</u>	March 31, <u>2018</u>	September 30, <u>2017</u>
<u>Selected Average Balances</u>				
Gross loans	\$ 480,621	\$ 459,931	\$ 441,069	\$ 419,933
Investment securities	70,152	70,500	73,879	74,471
Federal Home Loan Bank stock	3,163	3,163	3,163	3,163
Other interest earning assets	46,534	41,454	52,773	56,673
Total interest earning assets	<u>\$ 600,470</u>	<u>\$ 575,048</u>	<u>\$ 570,884</u>	<u>\$ 554,240</u>
Total assets	\$ 615,388	\$ 590,041	\$ 585,047	\$ 569,570
Interest bearing checking accounts	\$ 34,883	\$ 34,207	\$ 35,668	\$ 33,672
Money market deposits	140,443	124,057	115,386	119,533
Savings deposits	117,023	120,962	120,323	109,916
Time deposits	15,216	12,763	12,543	12,985
Total interest bearing deposits	307,565	291,989	283,920	276,106
Noninterest bearing demand deposits	249,488	241,852	245,085	240,149
Total deposits	<u>\$ 557,053</u>	<u>\$ 533,841</u>	<u>\$ 529,005</u>	<u>\$ 516,255</u>
Borrowings	\$ -	\$ -	\$ 933	\$ -
Shareholders' equity	\$ 55,858	\$ 53,844	\$ 52,826	\$ 51,049

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CONDENSED FINANCIAL DATA
(Unaudited)
(Dollars in thousands)

	Nine Months Ended	
	September 30, 2018	September 30, 2017
<u>Selected Financial Ratios</u>		
Return on average total assets	1.01%	0.64%
Return on average shareholders' equity	11.08%	7.17%
Net interest margin	3.81%	3.43%
Net interest income to average total assets	3.72%	3.36%
Efficiency ratio	65.69%	70.24%

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

	Nine Months Ended	
	September 30, 2018	September 30, 2017
<u>Selected Average Balances</u>		
Gross loans	\$ 460,685	\$ 410,753
Investment securities	71,496	74,685
Federal Home Loan Bank stock	3,163	3,070
Other interest earning assets	46,897	57,465
Total interest earning assets	\$ 582,241	\$ 545,973
Total assets	\$ 596,937	\$ 558,602
Interest bearing checking accounts	\$ 34,917	\$ 33,946
Money market deposits	126,721	122,942
Savings deposits	119,424	110,660
Time deposits	13,517	13,090
Total interest bearing deposits	294,579	280,638
Noninterest bearing demand deposits	245,491	226,596
Total deposits	\$ 540,071	\$ 507,234
Borrowings	\$ 308	\$ 15
Shareholders' equity	\$ 54,186	\$ 49,679