



1st Capital Bank Announces Second Quarter 2019 Financial Results Record First Half Earnings

Salinas, California – August 2, 2019. **1st Capital Bank** (OTC Pink: FISB) reported unaudited net income of \$1.64 million for the three months ended June 30, 2019, compared to net income of \$1.51 million for the three months ended June 30, 2018 and net income of \$1.78 million for the three months ended March 31, 2019, the immediately preceding quarter. Earnings per share were \$0.31 (diluted), compared to \$0.34 (diluted) for the prior quarter.

For the three months ended June 30, 2019, the Bank's return on average assets was 1.08%, compared to 1.15% for the three months ended March 31, 2019, and 1.03% for the three months ended June 30, 2018. Return on average equity was 10.47% for the three months ended June 30, 2019, compared to 11.95% for the three months ended March 31, 2019, and 11.25% for the three months ended June 30, 2018.

“Our continued focus on our low cost deposit base has enabled us to maintain a disciplined credit culture resulting in excellent asset quality and a strong level of risk-adjusted profitability and shareholder returns,” said Thomas E. Meyer, president and chief executive officer. “Our recent additions of experienced relationship managers who are being integrated into the Bank's culture are now developing additional lending opportunities for the second half of 2019.”

Unaudited net income for the six-month period ended June 30, 2019 increased 24.2% to \$3.41 million, compared to \$2.75 million for the six-month period ended June 30, 2018. Pre-tax income increased 23.1%, to \$4.65 million for the six-month period ended June 30, 2019 from \$3.78 million for the six-month period ended June 30, 2018. Quarterly net income increased \$128 thousand, or 8.5%, year-over-year, compared to net income of \$1.51 million recognized in the second quarter of 2018, and decreased \$138 thousand, or 7.8%, sequentially, compared to net income of \$1.78 million recognized for the first quarter of 2019.

Net interest margin increased from 3.84% in the second quarter of 2018 to 4.04% in the second quarter of 2019, but decreased slightly from 4.10% in the first quarter of 2019. The Bank's average net loans-to-deposits ratio was relatively unchanged at 84.8% in the second quarter of 2018, 83.9% in the first quarter of 2019, and 84.6% in the second quarter of 2019. Average gross loans outstanding increased \$25 million, or 5.4%, year-over-year, from \$460 million to \$485 million, but decreased \$3.2 million, or 0.6%, sequentially. Net interest income before provision for loan losses for the three-month period ended June 30, 2019 was \$5.97 million, a sequential decrease of \$210 thousand, or 3.4%, compared to \$6.18 million recognized in the three-month period ended March 31, 2019. The Bank's cost of funds increased to 0.21% for the second quarter of 2019, compared to 0.13% for the second quarter of 2018 and 0.20% for the first quarter of 2019. On a year-over-year basis, quarterly net interest income before provision for loan losses increased \$470 thousand, or 8.6%, from \$5.50 million recognized in the second quarter of 2018.

In the second quarter of 2019, the gross loan portfolio decreased \$1.6 million, or 0.3%, from \$483.3 million as of March 31, 2019 to \$481.7 million as of June 30, 2019. Year over year, the gross loan portfolio increased \$7.6 million, or 1.6%, from \$474.1 million as of June 30, 2018. The second quarter decrease resulted primarily from a \$2.5 million, or 5.9%, reduction in commercial and industrial loans from \$42.1 million as of March 31, 2019 to \$39.6 million as of June 30, 2019; which yielded 6.02% in the second quarter compared to 5.87% in the first quarter of 2019. The payoff of an adversely graded credit contributed to the decrease in commercial and industrial loans. Commercial real estate loans were essentially unchanged during the quarter at \$257.3 million as of June 30, 2019, compared to \$257.8 million as of March 31, 2019; and yielded 4.93% during the second quarter of 2019 compared to 4.91% during the first quarter of 2019. The single-family residential portfolio, which consists primarily of purchased loans, and to a lesser extent home equity lines of credit, increased \$3.8 million, or 2.6%, from \$148.4 million as of March 31, 2019 to \$152.2 million as of June 30, 2019. The Bank's single-family residential loan portfolio yielded 3.49% in the first quarter of 2019, and 3.44% in second quarter of 2019, due to the accelerated amortization of premiums on purchased mortgages due to early payoffs. The yield on the loan portfolio increased from 4.44% in the second quarter of 2018 to 4.72% in the first quarter of 2019, but decreased to 4.61% in the second quarter of 2019.

Non-interest income for the six-month period ended June 30, 2019 increased 2.4% to \$1.00 million, compared to \$978 thousand for the six-month period ended June 30, 2018. Quarterly non-interest income decreased \$69 thousand, or 11.6%, year-over-year to \$528 thousand, compared to non-interest income of \$597 thousand recognized in the second quarter of 2018, and increased \$54 thousand, or 11.4%, sequentially, compared to non-interest income of \$474 thousand recognized for the first quarter of 2019.

Non-interest expenses for the six-month period ended June 30, 2019 increased 7.8% to \$8.50 million, compared to \$7.89 million for the six-month period ended June 30, 2018. Quarterly non-interest expenses increased \$257 thousand, or 6.4%, year-over-year to \$4.26 million, compared to non-interest expenses of \$4.01 million recognized in the second quarter of 2018, and increased \$23 thousand, or 0.5%, sequentially, compared to non-interest expenses of \$4.24 million recognized for the first quarter of 2019.

NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES

Net interest income before provision for credit losses was \$5.97 million in the second quarter of 2019, an increase of \$470 thousand, or 8.6%, compared to \$5.50 million in the second quarter of 2018, and a decrease of \$210 thousand, or 3.4% compared to \$6.18 million in the first quarter of 2019.

Average earning assets were \$592 million during the second quarter of 2019, a decrease of 3.1% compared to \$611 million in the first quarter of 2019 and an increase of 3.0% compared to \$575 million in the second quarter of 2018. The yield on earning assets was 4.23% in the second quarter of 2019, compared to 3.96% in the second quarter of 2018 and 4.28% in the first quarter of 2019. The decrease in asset yield from the first quarter was primarily due to a decrease in the yield on average loans outstanding, which was 4.44%, 4.72% and 4.61%, in the second quarter of 2018, the first quarter of 2019, and the second quarter of 2019, respectively. The average balance of loans outstanding decreased 0.6% from \$488 million in the first quarter of 2019 to \$485 million in the second quarter of 2019, but increased 5.4% from a \$460 million average in the second quarter of 2018. The average balance of the investment portfolio remained relatively constant at \$70.5

million in the second quarter of 2018, \$69.6 million in the first quarter of 2019, and \$70.0 million in the second quarter of 2019, as contemplated by the Bank's business plan. The yield on the investment portfolio increased from 2.18% in the second quarter of 2018 to 2.66% in the first quarter of 2019, but decreased slightly to 2.62% in the second quarter of 2019. The average balances of other interest-earnings assets (exclusive of Federal Home Loan Bank stock) declined from \$41 million in the second quarter of 2018 and \$51 million in the first quarter of 2019, to \$34 million in the second quarter of 2019, while their yield was 1.38%, 2.08%, and 1.93% for the respective quarters.

The cost of interest-bearing liabilities increased from 0.24% in the second quarter of 2018 to 0.38% in the first quarter of 2019, and to 0.40% in the second quarter of 2019, while the average balance of interest-bearing liabilities decreased from \$292 million in the second quarter of 2018 to \$287 million in the first quarter of 2019, and to \$280 million in the second quarter of 2019. During the past twelve months, the Bank managed its leverage ratio, primarily with Promontory Interfinancial Network's Insured Cash Sweep ("ICS") program, which had off-balance sheet quarter-end balances of \$98 million, \$113 million, and \$106 million as of June 30, 2018, March 31, 2019, and June 30, 2019, respectively. The balances reflect a significant liquidity event experienced by a Bank depositor in early 2018, as well as continued interest on the part of large depositors in the program. These funds may be moved back into the Bank's deposit portfolio at the Bank's discretion, and reciprocal deposits on the Bank's balance sheet as of June 30, 2018, March 31, 2019, and June 30, 2019 totaled \$32 million, \$20 million, and \$20 million, respectively. The average balance of noninterest-bearing demand deposit accounts increased from \$242 million, or 45.3% of total deposits, in the second quarter of 2018 to \$276 million, or 49.0% of total deposits, in the first quarter of 2019, and decreased to \$262 million, or 48.3% of total deposits, in the second quarter of 2019, consistent with the normal seasonal pattern of the Bank's deposits. The Bank's overall cost of funds increased from 0.13% in the second quarter of 2018 to 0.20% in the first quarter of 2019 and 0.21% in the second quarter of 2019.

"We are pleased to report that we succeeded in maintaining our superior cost of funds despite competitive pressures to increase rates on deposits during the first half of 2019," said Michael J. Winiarski, chief financial officer. "In the second quarter, we entered into facilities leases that will provide a physical lending presence in Santa Cruz County and a more visible branch presence in San Luis Obispo to support our ongoing geographic expansion and additional access to low-cost funding sources."

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 management's estimate of probable incurred credit losses inherent in the loan portfolio as of the balance sheet date in light of losses historically incurred by the Bank and adjusted for qualitative factors associated with the loan portfolio.

For the six-month period ended June 30, 2019 the Bank recorded no provision for loan losses, compared to a provision of \$20 thousand in the six-month period ended June 30, 2018. The Bank recorded no provisions for loan losses in the second quarter of 2019, none in the first quarter of 2019, and none in the second quarter of 2018.

Changes in the provision reflect declines in the levels of problem assets, offset by the growth of the portfolio, changes in the mix of loan types within the portfolio and their respective loss histories, as well as management's assessment of the amounts expected to be realized from certain loans identified as impaired. Impaired loans totaled \$240 thousand as of June 30, 2019, compared to \$279 thousand as of March 31, 2019, and \$3.8 million as of June 30, 2018.

As of June 30, 2019, as well as of March 31, 2019, there were no non-performing loans in the Bank's loan portfolio, compared to 0.04% at June 30, 2018. As of June 30, 2019, the allowance for loan losses was 1.36% of outstanding loans, compared to 1.35% as of June 30, 2018 and 1.36% at March 31, 2019, respectively. The Bank recorded net recoveries of \$12 thousand in the second quarter of 2019, compared to net recoveries of \$13 thousand and \$12 thousand in the second quarter of 2018 and the first quarter of 2019, respectively.

NON-INTEREST INCOME

Year-to-date non-interest income increased \$24 thousand, or 2.4%, from \$978 thousand in the six-month period ended June 30, 2018 to \$1,002 thousand in the six-month period ended June 30, 2019. Non-interest income recognized in the second quarter of 2019 was \$528 thousand, compared to \$597 thousand in the second quarter of 2018, which included \$65 thousand in gain on sale of Small Business Administration ("SBA") guaranteed loans, and \$474 thousand in the first quarter of 2019, which included gain on sale of loans of \$8 thousand. This represents a decrease of \$69 thousand, or 11.6%, compared to the second quarter of 2018, and an increase of \$54 thousand, or 11.4%, compared to the first quarter of 2019.

Management has been actively seeking to increase non-interest income across a range of sources, including account analysis fees, lockbox service fees, and mortgage brokerage fees. On a year-to-date basis, the increase in non-interest income included a 10.6% increase in service charges on deposits, including lockbox and analysis fees, from \$143 thousand to \$158 thousand; an 11.9% increase in mortgage referral fees from \$58 thousand to \$64 thousand; and a 28.5% increase in other income, from \$412 thousand to \$530 thousand, primarily attributable to increased participation in the ICS program, for the six-month periods ended June 30, 2018 and 2019, respectively.

NON-INTEREST EXPENSES

Non-interest expenses increased \$23 thousand, or 0.5%, to \$4.26 million in the second quarter of 2019, compared to \$4.24 million for the first quarter of 2019, and increased \$257 thousand, or 6.4%, compared to \$4.01 million recognized in the second quarter of 2018.

Salaries and benefits increased \$26 thousand, or 1.0%, to \$2.70 million for the second quarter of 2019, compared to \$2.67 million for the first quarter of 2019, and increased \$117 thousand, or 4.5%, compared to \$2.58 million recognized in the second quarter of 2018. The increase reflects a 4.5% increase in headcount from 85 employees as of June 30, 2018 to 89 employees as of June 30, 2019, primarily for new relationship managers and SBA loan production professionals. The increase in headcount, together with annual salary increases effective April 1, 2019, drove a \$216 thousand, or 11.6%, increase in base salaries from \$1.87 million in the second quarter of 2018 to \$2.08 million in the second quarter of 2019. Sequentially, base salaries increased \$207 thousand, or 11.0%, from \$1.88 million in the first quarter of 2019 to \$2.08 million in the second quarter. Accruals for stock-based and cash incentive compensation for employees totaled \$365 thousand in the second quarter of 2019, a decrease of \$17 thousand, or 4.5%, compared to \$382 thousand in the second quarter of 2018 and a decrease of \$19 thousand, or 5.0%, compared to \$384 thousand in the first quarter of 2019.

The efficiency ratio (non-interest expenses divided by the sum of net interest income before provision for loan losses and non-interest income) was 65.6% for the second quarter of 2019, compared to 65.7% for the second quarter of 2018 and 63.7% for the first quarter of 2019. Annualized non-interest expenses as a percent of average total assets were 2.72%, 2.74%, and 2.80% for the second quarter of 2018, the first quarter of 2019, and the second quarter of 2019, respectively.

PROVISION FOR INCOME TAXES

The Bank's effective book tax rate was 26.7% in the second quarter of 2019, compared to 27.8% for the second quarter of 2018 and 26.4% for the first quarter of 2019.

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 and a loan production office in Santa Cruz County. The Bank's corporate offices are located at 150 Main Street, Suite 150, Salinas, California 93901. The Bank's website is 1stCapital.bank. The main telephone number is 831.264.4000. The primary facsimile number is 831.264.4001.

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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 1stCapital.bank internet site for no charge.

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

<u>Financial Condition Data</u> ¹	June 30, <u>2019</u>	March 31, <u>2019</u>	December 31, <u>2018</u>	June 30, <u>2018</u>
Assets				
Cash and due from banks	\$ 5,994	\$ 6,569	\$ 6,476	\$ 5,078
Funds held at the Federal Reserve Bank ²	56,057	60,979	45,625	45,124
Time deposits at other financial institutions	-	-	-	996
Available-for-sale securities, at fair value	70,396	69,320	70,263	71,102
Loans receivable held for sale	-	-	-	1,000
Loans receivable held for investment:				
Construction / land (including farmland)	18,014	20,189	21,353	16,866
Residential 1 to 4 units	144,336	139,765	150,677	140,124
Home equity lines of credit	7,920	8,676	8,008	6,655
Multifamily	53,561	54,586	53,181	56,101
Owner occupied commercial real estate	61,242	61,775	62,976	64,048
Investor commercial real estate	142,533	141,452	139,261	128,289
Commercial and industrial	39,603	42,098	38,745	45,051
Other loans	14,468	14,724	13,189	16,956
Total loans	<u>481,677</u>	<u>483,265</u>	<u>487,390</u>	<u>474,090</u>
Allowance for loan losses	<u>(6,572)</u>	<u>(6,560)</u>	<u>(6,548)</u>	<u>(6,423)</u>
Net loans	475,105	476,705	480,842	467,667
Premises and equipment, net	2,192	1,996	2,087	2,239
Bank owned life insurance	7,968	7,916	7,866	7,759
Investment in FHLB ³ stock, at cost	3,501	3,163	3,163	3,163
Accrued interest receivable and other assets	9,577	7,780	5,965	5,512
Total assets	<u>\$ 630,790</u>	<u>\$ 634,428</u>	<u>\$ 622,287</u>	<u>\$ 609,640</u>
Liabilities and shareholders' equity				
Deposits:				
Noninterest bearing demand deposits	\$ 270,939	\$ 268,195	\$ 281,695	\$ 247,247
Interest bearing checking accounts	36,721	35,832	33,144	31,693
Money market deposits	134,108	134,044	129,064	144,069
Savings deposits	100,049	110,877	99,340	117,155
Time deposits	19,694	18,953	17,254	12,717
Total deposits	<u>561,511</u>	<u>567,901</u>	<u>560,497</u>	<u>552,881</u>
Accrued interest payable and other liabilities	5,305	4,818	2,625	2,093
Shareholders' equity	<u>63,974</u>	<u>61,709</u>	<u>59,165</u>	<u>54,666</u>
Total liabilities and shareholders' equity	<u>\$ 630,790</u>	<u>\$ 634,428</u>	<u>\$ 622,287</u>	<u>\$ 609,640</u>
Shares outstanding	5,124,892	5,118,759	5,105,784	5,035,423
Nominal and tangible book value per share	\$12.48	\$12.06	\$11.59	\$10.86
Ratio of net loans to total deposits	84.61%	83.94%	85.79%	84.59%

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

4 = Some items in prior periods have been reclassified to conform to the current presentation.

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

	Three Months Ended			
	June 30, 2019	March 31, 2019	December 31, 2018	June 30, 2018
Operating Results Data				
Interest and dividend income				
Loans	\$ 5,570	\$ 5,681	\$ 5,611	\$ 5,093
Investment securities	457	456	436	382
Federal Home Loan Bank stock	59	56	107	54
Other	166	259	236	143
Total interest and dividend income	<u>6,252</u>	<u>6,452</u>	<u>6,390</u>	<u>5,672</u>
Interest expense				
Interest bearing checking	3	3	4	3
Money market deposits	140	129	134	81
Savings deposits	85	91	81	74
Time deposits	54	49	41	14
Total interest expense on deposits	<u>282</u>	<u>272</u>	<u>260</u>	<u>172</u>
Interest expense on borrowings	-	-	-	-
Total interest expense	<u>282</u>	<u>272</u>	<u>260</u>	<u>172</u>
Net interest income	5,970	6,180	6,130	5,500
Provision for loan losses	-	-	100	-
Net interest income after provision for loan losses	<u>5,970</u>	<u>6,180</u>	<u>6,030</u>	<u>5,500</u>
Noninterest income				
Service charges on deposits	82	76	78	72
BOLI dividend income	52	51	53	53
Gain on sale of loans	-	8	59	65
Other	394	339	351	407
Total noninterest income	<u>528</u>	<u>474</u>	<u>541</u>	<u>597</u>

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

	Three Months Ended			
	June 30, <u>2019</u>	March 31, <u>2019</u>	December 31, <u>2018</u>	June 30, <u>2018</u>
Noninterest expenses				
Salaries and benefits	2,700	2,674	2,523	2,583
Occupancy	326	306	292	288
Data and item processing	284	215	193	197
Furniture and equipment	142	157	116	123
Professional services	108	130	119	132
Provision for unfunded loan commitments	(8)	(15)	10	-
Other	711	773	633	683
Total noninterest expenses	<u>4,263</u>	<u>4,240</u>	<u>3,886</u>	<u>4,006</u>
Income before provision for income taxes	2,235	2,414	2,685	2,091
Provision for income taxes	597	638	745	581
Net income	<u>\$ 1,638</u>	<u>\$ 1,776</u>	<u>\$ 1,940</u>	<u>\$ 1,510</u>

Common Share Data¹

Earnings per common share				
Basic	\$0.32	\$0.35	\$0.38	\$0.30
Diluted	\$0.31	\$0.34	\$0.38	\$0.29
Weighted average common shares outstanding				
Basic	5,120,053	5,110,382	5,081,260	5,028,336
Diluted	5,207,230	5,186,796	5,166,613	5,130,832

¹ = Earnings per common share and weighted average common shares outstanding have been restated to reflect the effect of the 7% stock dividend to shareholders of record November 21, 2018 and paid December 14, 2018.

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

	Six Months Ended	
	June 30, <u>2019</u>	June 30, <u>2018</u>
<u>Operating Results Data</u>		
Interest and dividend income		
Loans	\$ 11,251	\$ 9,862
Investment securities	913	749
Federal Home Loan Bank stock	115	110
Other	425	317
Total interest and dividend income	12,704	11,038
Interest expense		
Interest bearing checking	6	7
Money market deposits	269	153
Savings deposits	176	144
Time deposits	103	23
Total interest expense in deposits	554	327
Interest expense on borrowings	-	3
Total interest expense	554	330
Net interest income	12,150	10,708
Provision for loan losses	-	20
Net interest income after provision for loan losses	12,150	10,688
Noninterest income		
Service charges on deposits	158	143
BOLI dividend income	103	105
Gain on sale of loans	8	135
Other	733	595
Total noninterest income	1,002	978

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

	Six Months Ended	
	June 30, 2019	June 30, 2018
Noninterest expenses		
Salaries and benefits	5,374	5,064
Occupancy	632	578
Data and item processing	499	393
Furniture and equipment	299	249
Professional services	238	270
Provision for unfunded loan commitments	(23)	(6)
Other	1,484	1,340
Total noninterest expenses	8,503	7,888
Income before provision for income taxes	4,649	3,778
Provision for income taxes	1,235	1,029
Net income	\$ 3,414	\$ 2,749

Common Share Data¹

Earnings per common share		
Basic	\$0.67	\$0.55
Diluted	\$0.66	\$0.54
 Weighted average common shares outstanding		
Basic	5,115,245	5,023,951
Diluted	5,197,069	5,109,499

¹ = Earnings per common share and weighted average common shares outstanding have been restated to reflect the effect of the 7% stock dividend to shareholders of record November 21, 2018 and paid December 14, 2018.

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

	June 30, 2019	March 31, 2019	December 31, 2018	June 30, 2018
Asset Quality				
Loans past due 90 days or more and accruing interest	\$ -	\$ -	\$ -	\$ -
Nonaccrual restructured loans	-	-	-	-
Other nonaccrual loans	-	-	2,711	198
Other real estate owned	-	-	-	-
	\$ -	\$ -	\$ 2,711	\$ 198
Allowance for loan losses to total loans	1.36%	1.36%	1.34%	1.35%
Allowance for loan losses to nonperforming loans	n/a	n/a	241.53%	3,243.94%
Nonaccrual loans to total loans	0.00%	0.00%	0.56%	0.04%
Nonperforming assets to total assets	0.00%	0.00%	0.44%	0.03%

Regulatory Capital and Ratios

Common equity tier 1 capital	\$ 63,446	\$ 61,585	\$ 59,565	\$ 55,240
Tier 1 regulatory capital	\$ 63,446	\$ 61,585	\$ 59,565	\$ 55,240
Total regulatory capital	\$ 69,077	\$ 67,209	\$ 65,177	\$ 60,673
Tier 1 leverage ratio	10.40%	9.79%	9.55%	9.35%
Common equity tier 1 risk based capital ratio	14.12%	13.72%	13.30%	12.74%
Tier 1 risk based capital ratio	14.12%	13.72%	13.30%	12.74%
Total risk based capital ratio	15.37%	14.97%	14.55%	14.00%

Three Months Ended

	June 30, 2019	March 31, 2019	December 31, 2018	June 30, 2018
Selected Financial Ratios¹				
Return on average total assets	1.08%	1.15%	1.24%	1.03%
Return on average shareholders' equity	10.47%	11.95%	13.33%	11.25%
Net interest margin	4.04%	4.10%	4.01%	3.84%
Net interest income to average total assets	3.92%	3.99%	3.91%	3.74%
Efficiency ratio	65.58%	63.73%	58.26%	65.70%

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

Three Months Ended

	June 30, 2019	March 31, 2019	December 31, 2018	June 30, 2018
Selected Average Balances				
Gross loans	\$ 484,676	\$ 487,838	\$ 484,041	\$ 459,931
Investment securities	70,033	69,553	69,778	70,500
Federal Home Loan Bank stock	3,415	3,163	3,163	3,163
Other interest earning assets	34,233	50,778	49,212	41,454
Total interest earning assets	\$ 592,357	\$ 611,332	\$ 606,194	\$ 575,048
Total assets	\$ 610,453	\$ 628,320	\$ 622,259	\$ 590,041
Interest bearing checking accounts	\$ 36,569	\$ 34,268	\$ 36,273	\$ 34,207
Money market deposits	125,529	127,764	124,924	124,057
Savings deposits	99,517	107,158	106,889	120,962
Time deposits	18,759	18,099	16,828	12,763
Total interest bearing deposits	280,374	287,289	284,914	291,989
Noninterest bearing demand deposits	262,225	275,956	276,866	241,852
Total deposits	\$ 542,599	\$ 563,245	\$ 561,780	\$ 533,841
Borrowings	\$ -	\$ -	\$ -	\$ -
Shareholders' equity	\$ 62,740	\$ 60,286	\$ 57,751	\$ 53,844

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

	Six Months Ended	
	June 30, <u>2019</u>	June 30, <u>2018</u>
<u>Selected Financial Ratios</u>		
Return on average total assets	1.11%	0.94%
Return on average shareholders' equity	11.19%	10.39%
Net interest margin	4.07%	3.77%
Net interest income to average total assets	3.96%	3.68%
Efficiency ratio	64.65%	67.50%

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

	Six Months Ended	
	June 30, <u>2019</u>	June 30, <u>2018</u>
<u>Selected Average Balances</u>		
Gross loans	\$ 486,248	\$ 450,552
Investment securities	69,794	72,180
Federal Home Loan Bank stock	3,290	3,163
Other interest earning assets	42,460	47,082
Total interest earning assets	<u>\$ 601,792</u>	<u>\$ 572,977</u>
Total assets	\$ 619,337	\$ 587,558
Interest bearing checking accounts	\$ 35,425	\$ 34,934
Money market deposits	126,638	119,746
Savings deposits	103,316	120,644
Time deposits	18,431	12,654
Total interest bearing deposits	283,881	287,978
Noninterest bearing demand deposits	269,053	243,460
Total deposits	<u>\$ 552,864</u>	<u>\$ 531,438</u>
Borrowings	\$ -	\$ 464
Shareholders' equity	\$ 61,520	\$ 53,337