



April 29, 2020

Fellow Shareholder:

Please accept this invitation to attend our 2020 Annual Meeting of Shareholders (“Annual Meeting”). The Annual Meeting will be held on Thursday, June 11, 2020 at 6:00 p.m. Pacific Time at 150 Main Street, Salinas, California 93901. If you were a shareholder of record of 1st Capital Bank (“Bank”) at the close of business on April 17, 2020, you may attend and vote at the Annual Meeting.

Our agenda will consist of the election of seven directors, ratification of the appointment of Crowe LLP as the Bank’s independent accountants for 2020, an advisory (non-binding) vote on the named executive officer compensation, and such other business as may properly come before the Annual Meeting. Because we anticipate shelter-in-place orders issued by the Governor of California will be in place on June 11, 2020, the agenda for the meeting will be limited to the matters identified above, and we do not plan to make any other presentations.

If you plan to attend the meeting in person, please contact us to make appropriate arrangements.

Enclosed please find the 2020 Notice of the Annual Meeting, a Proxy and Proxy Statement, our 2019 Annual Report, and a return envelope for the Proxy.

Please complete, date, sign, and return promptly the enclosed Proxy, or vote by telephone or internet, to ensure that your shares will be represented at the Annual Meeting. Voting in advance will not prevent you from attending the Annual Meeting. The Proxy Statement explains how you may vote your shares at the Annual Meeting if you choose to do so.

Please accept our thanks for your continued support and confidence in 1st Capital Bank.

Sincerely,

A handwritten signature in black ink, appearing to read "Kurt J. Gollnick". The signature is written in a cursive style with a large, sweeping flourish at the end.

Kurt J. Gollnick  
*Chairman of the Board*

**1ST CAPITAL BANK**  
**150 Main Street, Suite 150**  
**Salinas, California 93901**  
**(831) 264-4000**  
**www.1stCapital.Bank**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
To Be Held on June 11, 2020

April 29, 2020

To Our Shareholders:

The Annual Meeting of Shareholders of 1st Capital Bank (“Bank”) will be held at 150 Main Street, Salinas, California 93901 on Thursday, June 11, 2020, at 6:00 p.m. Pacific Time and at any and all adjournments or postponements thereof, for the following purposes:

1. Election of the following seven (7) director-nominees to serve as directors of the Bank until the next Annual Meeting of Shareholders and until their successors are duly elected and qualified:

Susan C. Freeland  
Francis Giudici  
Kurt J. Gollnick  
Daniel R. Hightower, M.D.

Henry P. Ruhnke, Jr.  
Gregory T. Thelen  
F. Warren Wayland

2. Ratification of the appointment of Crowe LLP to serve as the Bank’s independent accountants for the fiscal year ending December 31, 2020.
3. Advisory (non-binding) vote on the named executive officer compensation.
4. Transaction of such other business as may properly come before the Annual Meeting and at any and all adjournments or postponements thereof.

Shareholders of record at the close of business on April 17, 2020 are entitled to notice of and to vote at the Annual Meeting or any and all adjournments or postponements thereof. This Notice, the Proxy Statement, and a Proxy are being made available on or about April 29, 2020.

Regardless of whether you plan to attend the Annual Meeting in person, we urge you to vote “FOR” all nominees, “FOR” proposal 2, and “FOR” proposal 3 as soon as possible.

Article II, Section 7 of the Bank's Bylaws governs nominations for election of members of the Board of Directors as follows: "Section 7. Nominations for Election to Board of Directors. Nominations for election to the Board of Directors may be made by the Board of Directors or by any shareholder entitled to vote for the election of directors. Nominations, other than those made by the Board of Directors, shall be made in writing and shall be delivered or mailed, with first-class United States mail postage prepaid, to the President by the later of: (a) the close of business twenty-one (21) days prior to any meeting of shareholders called for the election of directors; or (b) seven (7) days after the date of mailing of notice of the meeting of shareholders. Shareholder nominations shall contain the following information: (a) the name, age, business address and, if known, residence address of each proposed nominee; (b) the principal occupation or employment of each proposed nominee; (c) the total number of shares of capital stock of the Bank that are beneficially owned by each proposed nominee and by the nominating shareholder; (d) the name and residence address of the notifying shareholder; and (e) any other information the Bank must disclose regarding director nominees in the Bank's proxy solicitation. Shareholder nominations shall be signed by the nominating shareholder and by each nominee, and shall be accompanied by a written consent to be named as a nominee for election as a director from each proposed nominee. Nominations not made in accordance with this Section may be disregarded by the Chairman of the meeting, and if the Chairman so instructs, the inspectors of election may disregard all votes cast for each such nominee."

**Important Notice Regarding the Availability of Proxy Materials:** On or about April 29, 2020, we mailed to our shareholders a Notice Regarding the Availability of Proxy Materials, or the Notice, containing instructions for how to access our Proxy Statement for the Annual Meeting and our Annual Report for the fiscal year ended December 31, 2019. As described in the Notice, the Proxy Statement and 2019 Annual Report can be accessed by visiting [www.envisionreports.com/FISB](http://www.envisionreports.com/FISB) and using the control number located on the Notice. The Notice also provides instructions on how to vote your shares at the Annual Meeting, by Internet or by telephone, as well as how to receive a paper copy of the Proxy Statement and 2019 Annual Report and vote your shares by mail using a proxy card.

By Order of the Board of Directors



Michael J. Winiarski  
*Corporate Secretary*

**Whether or not you expect to be present at the Annual Meeting, please vote online, by telephone, or complete, date, sign, and promptly return your Proxy in the enclosed business reply envelope, which requires no postage if mailed in the United States. The Proxy may be revoked at any time prior to exercise. If you are present at the Annual Meeting, you may, if you wish, revoke your Proxy at that time and exercise the right to vote your shares personally.**

**1ST CAPITAL BANK  
150 Main Street, Suite 150  
Salinas, California 93901  
(831) 264-4000  
www.1stCapital.Bank**

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**PROXY STATEMENT  
ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON JUNE 11, 2020**

**INTRODUCTION**

This Proxy Statement is being furnished to the shareholders of 1st Capital Bank (“Bank”) in connection with the solicitation of proxies by the Board of Directors of the Bank for use at the Annual Meeting of Shareholders to be held at 150 South Main Street, Salinas, California, 93901, on Thursday, June 11, 2020, at 6:00 p.m. Pacific Time, and at any and all adjournments or postponements thereof (“Annual Meeting”). This Proxy Statement and the accompanying Notice of Annual Meeting and form of Proxy are being made available to shareholders on or about April 29, 2020.

**Notice of Internet Availability of Proxy Materials.** We have elected to furnish our proxy materials, including this Proxy Statement and our Annual Report for the fiscal year ended December 31, 2019, primarily via the Internet. Accordingly, on or about April 29, 2020, we mailed to our shareholders a “Notice Regarding the Availability of Proxy Materials,” or the Notice, that contains instructions on how to access our proxy materials on the Internet, how to vote on the proposals to be voted upon at the Annual Meeting, and how to request paper copies of this Proxy Statement and the 2019 Annual Report. Shareholders may request to receive all future proxy materials from us in printed form by mail or electronically by e-mail by following the instructions contained in the Notice. We encourage shareholders to take advantage of the availability of the proxy materials on the Internet to help reduce the environmental impact of our annual shareholder meetings and to reduce our costs.

Any shareholder who votes online or returns the Proxy accompanying this Proxy Statement has the power to revoke that Proxy prior to its exercise. The Proxy may be revoked prior to the Annual Meeting by changing your vote online or by delivering to the Corporate Secretary of the Bank either a written instrument revoking the Proxy or a duly executed proxy bearing a later date. The Proxy may also be revoked by the shareholder by attending and voting at the Annual Meeting. The Proxy will be voted as directed by the shareholder and if no directions are given on the Proxy, it will be voted “FOR” the election of nominees of the Board of Directors as described in this Proxy Statement, “FOR” the ratification of the selection of Crowe LLP as independent accountants for the fiscal year ending December 31, 2020, “FOR” approval of the advisory (non-binding) vote on the named executive officer compensation, and, at the proxy holders' discretion, on such other matters, if any, which may come before the Annual Meeting and any and all adjournments or postponements of the Annual Meeting.

## **QUESTIONS AND ANSWERS ABOUT PROXY MATERIALS AND THE ANNUAL MEETING**

***Question:*** WHY AM I RECEIVING THESE MATERIALS?

***Answer:*** The Board of Directors of 1st Capital Bank is providing this Proxy Statement to you in connection with the Bank's 2020 Annual Meeting of Shareholders. As a shareholder, you are invited to attend the Annual Meeting and are entitled to vote on the proposals described in this Proxy Statement.

***Question:*** WHO IS ENTITLED TO VOTE?

***Answer:*** Shareholders who own our no par value common stock ("Common Stock") as of the close of business on April 17, 2020 ("Record Date") may vote at the Annual Meeting. There were 5,528,218 shares of our Common Stock outstanding on the Record Date.

***Question:*** HOW MANY VOTES AM I ENTITLED TO?

***Answer:*** Shareholders are entitled to one vote per share held as of the Record Date with respect to each matter brought before the shareholders at the Annual Meeting, except that with respect to the election of directors, shareholders are entitled to cumulate their votes. Cumulative voting is explained in more detail in the section below entitled "Voting Securities; Record Date; Cumulative Voting."

***Question:*** WHAT IS THE DIFFERENCE BETWEEN HOLDING SHARES AS A SHAREHOLDER OF RECORD AND BEING A BENEFICIAL OWNER?

***Answer:*** Many shareholders hold the Bank's shares beneficially through a stockbroker, bank, or other nominee, rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

**Shareholder of Record** – If your shares are registered directly in your name with the Bank's transfer agent (Computershare), you are considered, with respect to those shares, the *shareholder of record*, and the Notice of Availability of Proxy Materials, and this Proxy Statement and the accompanying Notice are being sent to you by the Bank. As the *shareholder of record*, you have the right to vote by Proxy or to vote in person at the Annual Meeting. The Bank has also enclosed a Proxy for you to use, or you may vote online or by telephone by following the instructions on the Notice of Availability of Proxy Materials.

**Beneficial Owner** – If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the *beneficial owner* of shares held in street name, and the Notice of Availability of Proxy Materials, and this Proxy Statement and Notice are being forwarded to you by your broker, bank, or nominee which is considered, with respect to those shares, the *shareholder of record*. As the *beneficial owner*, you have the right to direct your broker, bank, or nominee how to vote and are also invited to attend the Annual Meeting. If you wish to vote these shares at the Annual Meeting, you must contact your broker, bank, or nominee for instructions as to how to do

so. Your broker, bank, or nominee will send you a voting instruction card, or provide you separate instructions for how to vote online or by telephone, for you to use in directing the broker, bank, or nominee how to vote your shares on your behalf.

***Question:*** WHAT IS THE PROXY?

***Answer:*** The Proxy enables you to appoint Kurt J. Gollnick and Gregory T. Thelen as your proxy holders and representatives at the Annual Meeting. By completing and returning the Proxy, you are authorizing them to vote your shares at the Annual Meeting as you instructed on your Proxy. By doing so, your shares will be voted whether or not you attend the Annual Meeting. Even if you plan to attend the Annual Meeting, it is a good idea to complete and return your Proxy before the Annual Meeting date just in case your plans change. If a proposal comes up for vote at the Annual Meeting that is not on the Proxy, the proxy holders will vote your shares, under your Proxy, in accordance with the recommendation of the Board of Directors.

***Question:*** WHAT AM I VOTING ON?

***Answer:*** You are voting on the following proposals:

1. The election of the following seven (7) nominees to the Board of Directors: Susan C. Freeland, Francis Giudici, Kurt J. Gollnick, Daniel R. Hightower, M.D., Henry P. Ruhnke, Jr., Gregory T. Thelen, and F. Warren Wayland.
2. To ratify the appointment of Crowe LLP as the Bank's independent accountants for 2020.
3. The advisory (non-binding) vote on the compensation for the Bank's named executive officers ("Say-On-Pay").

***Question:*** HOW DO I VOTE?

***Answer:*** You may vote by mail, by telephone, or via the internet. If voting by mail, mark your choices on the enclosed Proxy and sign, date, and return it in the enclosed pre-addressed, postage pre-paid envelope. If you sign and return your Proxy, or vote by telephone or via the internet, but do not make any selections, your shares will be voted:

- "FOR" for the seven (7) named nominees for director.
- "FOR" the ratification of the appointment of Crowe LLP as the Bank's independent accountants for 2020.
- "FOR" the approval of the compensation for the Bank's named executive officers.

***If you vote by telephone or via the internet, there is no need to return the Proxy.***

You may vote in person at the Annual Meeting. We will distribute written ballots to anyone who wants to vote in person at the Annual Meeting. However, if your shares are held in street name

and you are a beneficial owner of the Bank's shares, you must request a Proxy from your broker, bank, or nominee in order to vote in person at the Annual Meeting. We will ask you to provide documentation to validate your identity if you wish to vote in person at the Annual Meeting.

**Question:** CAN I VOTE BY TELEPHONE OR VIA THE INTERNET?

**Answer:** Yes, if you are a shareholder of record or your brokerage firm supports telephone or internet voting. If you are a shareholder of record:

- To vote by telephone: Call toll free 1-800-652-VOTE (8683) within the United States, U.S. Territories, or Canada on a touch tone telephone. Follow the instructions provided by the recorded message.
- To vote via the internet: You can access [www.investorvote.com/FISB](http://www.investorvote.com/FISB) through the internet or by scanning the QR code on your proxy card with your smartphone. Then follow the instructions on the secure website.

If you are not a shareholder of record, please follow the telephone or internet voting instructions provided by your brokerage firm.

***If you vote by telephone or electronically via the internet, your vote must be received by 1:00 a.m., Pacific Time, on June 11, 2020 to ensure that your vote is counted.***

**Question:** WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY?

**Answer:** Your shares are probably registered differently or are in more than one account. Vote each Proxy you receive to ensure that all your shares are voted. Unless you need multiple accounts for specific purposes, we recommend that you consolidate as many of your accounts as possible under the same name and address. If you need assistance with this matter and you are a shareholder of record, please contact our transfer agent, Computershare, by telephone at (800) 522-6645, by mail at P.O. Box 505000, Louisville, Kentucky 40233-5000, via overnight delivery at 462 South 4<sup>th</sup> Street, Louisville, Kentucky 40202, or via the internet at [www.computershare.com](http://www.computershare.com). Otherwise, please contact your brokerage firm.

**Question:** HOW DO I REVOKE MY PROXY?

**Answer:** You may revoke your Proxy and change your vote at any time before the polls close at the Annual Meeting. You may do this by (i) signing another Proxy with a later date and delivering the new Proxy to the Bank or (ii) voting in person at the Annual Meeting.

**Question:** WILL MY SHARES BE VOTED IF I DO NOT RETURN MY PROXY?

**Answer:** If your shares are held in your name, they will not be voted at the Annual Meeting unless you either complete and submit a Proxy, vote by telephone or via the internet, or attend the Annual Meeting and vote in person.

If your shares are held in street name, there are specific rules that define when the brokerage firm can vote your shares without your instruction. Your brokerage firm will be entitled to vote your shares only regarding Proposal 2 to ratify the appointment of Crowe LLP as the Bank's independent accountants for 2020, but they will not be entitled to vote your shares with respect to Proposal 1 (the election of directors), or with respect to Proposal 3 (the advisory (non-binding) vote to approve the named executive officer compensation). Proxies returned by brokerage firms that have been voted only with respect to Proposal 2 will be treated as "broker non-votes" with respect to Proposals 1 and 3.

**Question:** HOW MANY SHARES MUST BE PRESENT TO HOLD THE ANNUAL MEETING?

**Answer:** To hold the Annual Meeting and conduct business, a majority of our shares outstanding as of April 17, 2020 must be present in person or by proxy at the Annual Meeting. This is called a quorum. Abstentions and broker non-votes, if any, will be counted for purposes of satisfying the quorum requirement. If there are insufficient shares present in person or by proxy to establish a quorum at the Annual Meeting, the Annual Meeting may be adjourned to permit the further solicitation of proxies.

**Question:** HOW MANY VOTES MUST THE NOMINEES HAVE TO BE ELECTED AS DIRECTORS?

**Answer:** The seven (7) nominees receiving the highest number of "FOR" votes will be elected as directors. This number is called a plurality.

**Question:** WHAT HAPPENS IF A NOMINEE IS UNABLE TO STAND FOR ELECTION?

**Answer:** The Board of Directors may reduce the number of directors or select a substitute nominee. In the latter case, if you have completed and returned your Proxy, Messrs. Gollnick and Thelen, constituting the proxy holders, will be entitled to vote your shares for the substitute nominee.

**Question:** HOW MANY VOTES MUST THE RATIFICATION OF THE APPOINTMENT OF CROWE LLP AS THE BANK'S INDEPENDENT ACCOUNTANTS FOR 2020 RECEIVE IN ORDER TO BE APPROVED?

**Answer:** The ratification of the appointment of Crowe LLP as the Bank's independent accountants for 2020 must receive a majority of the votes cast in favor of the proposal.

**Question:** HOW MANY VOTES MUST THE ADVISORY (NON-BINDING) VOTE ON THE COMPENSATION FOR THE NAMED EXECUTIVE OFFICERS ("SAY-ON-PAY") RECEIVE IN ORDER TO BE APPROVED?

**Answer:** The advisory (non-binding) vote on the compensation of the named executive officers must receive a majority of the votes cast in favor of the proposal.

**Question:** HOW ARE VOTES COUNTED?

**Answer:** On the proposal to elect directors, you may vote either “FOR” each or any of the nominees, or “WITHHOLD” to withhold your vote from any or all of the nominees. With respect to the election of directors, you are also entitled to vote cumulatively if you attend the Annual Meeting and vote in person in accordance with the requirements for cumulative voting. Cumulative voting is explained in more detail in the section below entitled “Voting Securities; Record Date; Cumulative Voting.”

On the proposal to ratify the appointment of Crowe LLP as the Bank’s independent accountants for 2020, you may vote “FOR,” “AGAINST,” or “ABSTAIN.”

On the advisory (non-binding) vote on the compensation of the named executive officers, you may vote “FOR,” “AGAINST,” or “ABSTAIN.”

Broker non-votes will not be treated as votes cast on any proposal. Any proxies marked “ABSTAIN” for Proposals 2 or 3 will not be counted as affirmative votes and will have the same effect as a vote “against” the proposal if votes in favor are less than a majority of the required quorum.

If you return your Proxy without indicating voting instructions, your shares will be counted as being voted “FOR” each nominee for director, “FOR” the ratification of the appointment of Crowe LLP as the Bank’s independent accountants for 2020, and “FOR” approval of the named executive officer compensation. Voting results are tabulated and certified by the Inspector of Election at the Annual Meeting.

**Question:** IS MY VOTE CONFIDENTIAL?

**Answer:** In general, proxies, written ballots, and voting tabulations that identify shareholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within the Bank or to third parties except (i) as may be necessary to meet legal requirements, (ii) to allow for the tabulation of votes and the certification of the voting, or (iii) to facilitate a successful Proxy solicitation by the Bank’s Board of Directors.

**Question:** WHERE DO I FIND THE VOTING RESULTS OF THE MEETING?

**Answer:** We will announce the voting results at the Annual Meeting. You may obtain a copy of the voting results by calling our Corporate Secretary at (831) 264-4000 after the Annual Meeting. The results of the voting also will be contained in the minutes of the Annual Meeting, which will be available at the Bank for review by shareholders.

**Solicitation of Proxies**

The solicitation of proxies is being made by the Board of Directors of the Bank. The expense of preparing, assembling, printing, and mailing this Proxy Statement and the materials used in the solicitation of proxies for the Annual Meeting will be borne by the Bank. It is

contemplated that proxies will be solicited principally through the use of the mail, but officers, directors, and employees of the Bank may solicit proxies personally or by telephone, without receiving special compensation therefor. The Bank will reimburse banks, brokerage houses, and other custodians, nominees, and fiduciaries for their reasonable expenses in forwarding the Proxy Statement to shareholders whose stock in the Bank is held of record by such entities. In addition, the Bank may use the services of individuals or companies it does not regularly employ in connection with this solicitation of proxies, if the Board of Directors and management determine it to be advisable.

### **Voting Securities; Record Date; Cumulative Voting**

There were issued and outstanding 5,528,218 shares of the Bank's common stock on April 17, 2020 ("Record Date"), which has been fixed as the Record Date for the purpose of determining shareholders entitled to notice of, and to vote at, the Annual Meeting. On any matter submitted to the vote of the shareholders, each holder of Bank common stock will be entitled to one vote, in person or by proxy, for each share of common stock he or she held of record on the books of the Bank as of the Record Date. Votes cast will be counted by the Inspector of Election for the Annual Meeting. The Inspector will treat abstentions and "broker non-votes" as shares that are present and entitled to vote for purposes of determining the presence of a quorum, but "broker non-votes" are not treated as shares voted on any proposal and therefore will have no effect upon the outcome of any proposal. Abstentions will not be counted as affirmative votes on any proposal and will have the same effect as a vote "against" a proposal if votes in favor are less than a majority of the required quorum. "Broker non-votes" are shares held by brokers or nominees as to which instructions have not been received from the beneficial owners or persons entitled to vote and the broker or nominee does not have discretionary voting power under applicable rules of the stock exchange or other self-regulatory organization of which the broker or nominee is a member. In the election of directors, the nominees receiving the highest number of votes will be elected. Approval of any proposal (other than the election of directors) requires the affirmative vote of a majority of the shares represented and voting at the Annual Meeting (unless a greater number is required as described in a proposal).

In connection with the election of directors, shares may be voted cumulatively if a shareholder present at the Annual Meeting gives notice to the Chairman at the Annual Meeting, prior to the voting for election of directors, of his or her intention to vote cumulatively. If any shareholder of the Bank gives such notice, then all shareholders eligible to vote will be entitled to cumulate their shares in voting for the election of directors. In such event, the proxy holders will have discretionary authority to cumulate votes represented by proxies delivered pursuant to this Proxy Statement, in accordance with the recommendations of the Board of Directors. Cumulative voting allows a shareholder to cast a number of votes equal to the shares held in his or her name as of the Record Date multiplied by the number of directors to be elected. These votes may be cast for any one nominee, or may be distributed among as many nominees as the shareholder sees fit.

## STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Management of the Bank knows of no person who owns, beneficially or of record, either individually or together with associates, five percent or more of the outstanding shares of the Bank's common stock, except as set forth in the table below. The following table sets forth, as of the Record Date, the number and percentage of shares of the Bank's common stock beneficially owned, directly or indirectly, by each of the Bank's directors, nominees, principal shareholders, the executive officers<sup>(1)</sup> named in the Summary Compensation Table, and all of the individuals named in the table as a group. Beneficial ownership generally includes shares over which a person named below has sole or shared voting or investment power and shares which such person has the right to acquire within 60 days of the Record Date. Unless otherwise indicated in the notes to the table, each person listed below possesses sole voting and sole investment power, or shared voting and investment power with a spouse, for the shares of the Bank's common stock listed below.

- (1) As used throughout this Proxy Statement, the term "executive officer" means the Chief Executive Officer; the President; the Executive Vice President, Chief Financial Officer; and the Executive Vice President, Chief Credit Officer. The Bank's Chairman of the Board, Vice Chairman of the Board, Senior Vice Presidents, and Vice Presidents are not considered to be executive officers of the Bank.

Name and Address of Beneficial Owner <sup>(1)</sup>	Amount and Nature of Beneficial Ownership	Percent of Outstanding Shares
<b>DIRECTORS AND NOMINEES:</b>		
Susan C. Freeland	69,865	1.3%
Francis Giudici	17,546	0.3%
Kurt J. Gollnick	43,659	0.8%
Daniel R. Hightower, M.D.	152,226	2.8%
Henry P. Ruhnke, Jr.	27,801	0.5%
Gregory T. Thelen <sup>(2)</sup>	223,152	4.0%
F. Warren Wayland	66,928	1.2%
<b>NON-DIRECTOR EXECUTIVE OFFICERS:</b>		
Dale R. Diederick <sup>(3)</sup>	22,240	0.4%
Jon D. Ditlevsen	15,543	0.3%
Samuel D. Jimenez <sup>(4)</sup>	--	0.0%
Thomas E. Meyer <sup>(5)</sup>	23,307	0.4%
Michael J. Winiarski	32,638	0.6%
All Directors, Nominees, and Executive Officers as a Group (12 persons)	694,905	12.6%

(1) The address of all directors, nominees, and executive officers as of the Record Date is 150 Main Street, Suite 150, Salinas, CA 93901.

(2) Mr. Thelen's shares include 163,021 shares held in client trusts for which he is a trustee, as to which he has voting authority but otherwise he disclaims beneficial ownership.

(3) Mr. Diederick's shares include 7,095 shares subject to vested stock options.

- (4) As previously disclosed, Mr. Jimenez was hired as the Bank’s Chief Executive Officer and began serving in that role on April 8, 2020. Mr. Jimenez is not included in the compensation tables that follow because his employment began in 2020.
- (5) As previously disclosed, Mr. Meyer retired on March 31, 2020. He is included in the ownership table and following executive compensation discussion because he served as the Bank’s President and Chief Executive Officer during 2019.

## **CORPORATE GOVERNANCE**

The Board of Directors is committed to the highest levels of corporate governance, sound business practices, and transparency in financial reporting. To further these objectives, the Board of Directors has adopted the following practices:

- The following committees are composed solely of independent directors: Audit and Compliance Committee and Human Resources and Compensation Committee.
- Periodic executive sessions of the full Board of Directors and at least one annual executive session which is composed solely of independent directors.
- Director access to officers and employees.
- Director access to independent advisors.
- Methodology for reporting concerns to non-employee directors or to the Audit and Compliance Committee.

### **Director Independence**

The Bank has adopted the NASDAQ “independence” definition in NASDAQ Listing Rule 5605(a)(2) to determine the independence of its directors and nominees for election as directors. Each member of the Board of Directors and nominee for election as a director is qualified as “independent” under such NASDAQ definition. Accordingly, all of our Board of Directors are “independent.”

### **Code of Ethics**

The Board of Directors has adopted a “Code of Ethics” that requires the Bank’s directors, officers (including the principal executive and financial and accounting officers, and persons performing similar functions) and employees to conduct business in accordance with the highest ethical standards and in compliance with all laws, rules, and regulations applicable to the Bank. The Code of Ethics may be obtained by any shareholder, without charge for one copy, by writing to 1st Capital Bank, 150 Main Street, Suite 150, Salinas, California 93901, Attention: Corporate Secretary.

### **Leadership Structure of the Board**

The Board believes that the Bank and its shareholders are best served by having an independent Board Chairman whose duties are separate from those of the Chief Executive Officer. In accordance with the Bank’s bylaws, the Board of Directors hires the Chief Executive Officer

and elects the Board Chairman. The Chairman is selected from the independent directors. The Board of Directors believes that the current structure of the Board of Directors is appropriate to effectively manage the affairs of the Bank and is in the best interests of the Bank's shareholders.

### **Board's Role in Risk Oversight**

The Board of Directors is actively involved in oversight of risks that could affect the Bank. This oversight is conducted primarily through committees of the Board of Directors, as disclosed in the descriptions of each of the committees below, but the full Board has retained responsibility for general oversight of risks. The Board satisfies this responsibility through full reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within the Bank.

### **Attendance at Annual Meetings of Shareholders**

The Board of Directors encourages all of its members to attend the annual meetings of shareholders. Seven of the Bank's eight directors attended the Bank's 2019 Annual Meeting of Shareholders.

## **PROPOSAL NUMBER 1 ELECTION OF DIRECTORS**

The Bank's Bylaws provide that the number of directors of the Bank shall not be less than seven (7) nor more than thirteen (13) until changed by an amendment to the Bylaws adopted by the Bank's shareholders. The Bylaws further provide that the exact number of directors may be set by resolution of the Board of Directors or shareholders. The Board of Directors has set the exact number of directors at seven (7).

The persons named below are nominated for election as directors at the Annual Meeting to serve until the 2021 Annual Meeting of Shareholders and until their successors are duly elected and qualified. Unless otherwise directed, votes will be cast by the proxy holders in such a way to effect, if possible, the election of the seven director-nominees named below including, in the event of cumulative voting, the authority of the proxy holders to cumulate votes represented by the shares covered by proxies in the election of directors. The seven nominees for director receiving the most votes will be elected as directors. In the event that any of the nominees should be unable to serve as a director, it is intended that the proxies received will be voted by the proxy holders for the election of such substitute nominee, if any, as shall be designated by the Board of Directors. The Board of Directors has no reason to believe that any of the nominees named below will be unable to serve if elected.

The following table sets forth the names of and certain information, as of the Record Date, concerning the persons nominated by the Board of Directors for election as directors of the Bank.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION AS DIRECTORS OF THE NOMINEES WHOSE NAMES APPEAR IN THE TABLE BELOW.**

## Information with Respect to Nominees and Continuing Directors

The information presented below includes information each director-nominee has given the Bank regarding age, current positions held, principal occupation and business experience for the past five years, and the names of other publicly held companies for which the director currently serves as a director or has served as a director during the past five years. In addition to the information presented regarding each nominee's specific experience, qualifications, attributes and skills that led the Corporate Governance and Nominating Committee to recommend that the Board of Directors nominate these individuals to serve as directors of the Bank, all of the nominees have reputations for honesty, integrity, and adherence to high ethical standards. The Committee also believes that the nominees possess the willingness to engage management and each other in a positive and collaborative fashion, and are prepared to make the significant commitment of time and energy necessary to serve on our Board of Directors and its committees.

<b>Name, Position(s) and Age</b>	<b>Principal Occupation and Business Experience During the Past Five Years</b>
Susan C. Freeland Director since 2006 Age 75	<p>Ms. Freeland is a Broker Associate with Carmel Realty Company in Carmel, California. During her varied career, Ms. Freeland has had experience in commercial banking as a Marketing Officer for Colorado Exchange National Bank in Colorado Springs and as Vice President and Manager for trust and investment services in the Monterey offices of Bank of America and First National Bank from 1996 to 2004. Ms. Freeland obtained a Juris Doctor from The Monterey College of Law, where she graduated at the top of her class. She earned a Bachelor of Arts degree from The Colorado College. Ms. Freeland is an inactive member of the California and Monterey County Bar Associations. She is a Past President of the Rotary Club of Monterey and Past Chair of the Planned Giving Council for California State University, Monterey Bay. She is the Past President of the Monterey History and Art Association. She has served on the boards of the Monterey County Symphony Association, Action Council for Monterey County, and the York School board of trustees.</p> <p>The Board of Directors believes that Ms. Freeland's experience in real estate and commercial bank marketing and trust services enables her to provide insight into the real estate markets and banking business and makes her an excellent candidate for Director of the Bank.</p>

<b>Name, Position(s) and Age</b>	<b>Principal Occupation and Business Experience During the Past Five Years</b>
Francis Giudici Director since 2013 Age 63	<p>Mr. Giudici is a lifelong Monterey County resident and the President of L.A. Hearne Company, headquartered in King City, California. L.A. Hearne Company is a family owned (third generation) diversified agricultural business that markets farm products, seed, and animal feed; operates retail farm stores; provides trucking services; and operates various ancillary lines of business. L.A. Hearne employs about 100 individuals. Before joining the Board of Directors, Mr. Giudici served on and actively participated in the Bank's Salinas Valley Advisory Board for several years. Mr. Giudici has been extensively involved in agricultural industry organizations throughout his career, including serving as President or Chairman for a number of entities. Mr. Giudici has also devoted over two decades to supporting local youth athletics, including coaching both football and baseball.</p> <p>The Board of Directors believes that Mr. Giudici's experience in a leadership role in agricultural management and marketing enables him to offer considerable business acumen and key insights into the banking needs of the Bank's client base and makes him an excellent candidate for Director of the Bank.</p>
Kurt J. Gollnick Director since 2006 Chairman of the Board Age 61	<p>Mr. Gollnick is the Chief Operating Officer and a director of Scheid Vineyards Inc., dba Scheid Family Wines, a publicly held Delaware corporation listed on the OTC Pink Marketplace. Scheid Family Wines is one of the country's largest independent growers of premium grapes and produces in excess of two million cases of wine per year. Mr. Gollnick completed his undergraduate studies in Agricultural Business at California Polytechnic State University, San Luis Obispo. Mr. Gollnick is the 2006 recipient of the National Steinbeck Center's Emerging Agricultural Leader Award. Mr. Gollnick has served on various non-profit boards throughout Monterey County, including holding the titles of President or Chairman. In his role as Chairman of the Board since the formation of the Bank, Mr. Gollnick has attended numerous financial industry conferences, including those sponsored by the Western Bankers Association. In addition, Mr. Gollnick has attended various events sponsored by the Bank's regulatory agencies.</p> <p>The Board of Directors believes that Mr. Gollnick's experience in a leadership role with a relatively large company and in agricultural management and marketing allows him to offer the Bank considerable business acumen, strategic planning perspective, and strong leadership skills, and, together with his long-time involvement with the Bank as one of its founders, makes him an excellent candidate for Director of the Bank.</p>

<b>Name, Position(s) and Age</b>	<b>Principal Occupation and Business Experience During the Past Five Years</b>
<p>Daniel R. Hightower, M.D. Director since 2006 Vice Chairman of the Board Age 64</p>	<p>Dr. Hightower is the former Chief of Staff of Community Hospital of the Monterey Peninsula and currently is on the medical staff in the Department of Radiology. Dr. Hightower obtained a Bachelor of Science degree in Biological Sciences from the University of Southern California. He earned a M.D. degree from the University of California, San Francisco, School of Medicine. Dr. Hightower is a Past President and former trustee of the Carmel Unified School District Board of Education and a former trustee of the Community Hospital of the Monterey Peninsula.</p> <p>The Board of Directors believes that Dr. Hightower’s experience and leadership in the medical services community allows him to provide insight into the needs of key sectors of the Bank’s target markets, a deep background in community affairs, and strong leadership skills that, together with his long-time involvement with the Bank as one of its founders, makes him an excellent candidate for Director of the Bank.</p>
<p>Henry P. Ruhnke, Jr. Director since 2010 Age 56</p>	<p>Mr. Ruhnke is a registered architect and a principal of Wald, Ruhnke &amp; Dost Architects, LLP, headquartered in Monterey, California and founded in 1990. He has served on the Monterey Planning Commission, and the Monterey Architectural Review Committee. He is a former board member of the American Institute of Architects Monterey Bay, a graduate of Leadership Monterey, and is a director of the Monterey County Hospitality Association, a member of the Rotary Club of Monterey, Monterey Commercial Property Association, and the Monterey Chamber of Commerce.</p> <p>The Board of Directors believes that Mr. Ruhnke’s experience in commercial and residential real estate and in project management allows him to provide insight into real estate markets, project management, and operational issues and makes him an excellent candidate for Director of the Bank.</p>

<b>Name, Position(s) and Age</b>	<b>Principal Occupation and Business Experience During the Past Five Years</b>
Gregory T. Thelen Director since 2006 Age 65	<p>Mr. Thelen is a certified public accountant and a long-time resident of Monterey County. Mr. Thelen worked for Deloitte from 1978 to 1998 before opening his own accounting practice serving Salinas and Carmel. In 2003, he formed the accounting firm of Thelen, Chang, Nguyen and Van Ruler, LLP, headquartered in Salinas, California, and in 2016 again opened his own accounting practice serving Carmel and Salinas.</p> <p>The Board of Directors believes that Mr. Thelen’s experience in business and accounting enables him to provide critical insight into the Bank’s accounting policies and practices, internal control over financial reporting, risk management, and corporate governance issues, and makes him an excellent candidate for Director of the Bank.</p>
F. Warren Wayland Director since 2009 Age 75	<p>Mr. Wayland is a certified public accountant and co-founder and retired managing partner of Hayashi &amp; Wayland, an accounting and consulting firm. Mr. Wayland is a past Treasurer of The Community Foundation for Monterey County and the Salinas Valley Memorial Hospital Foundation. He is a past President of the California Rodeo Association, a past President of the Monterey County Cattlemen's Association, and a past Vice President of the California Cattlemen's Association. Mr. Wayland is currently the President of Public Recreation Unlimited and also served as Project Chairman of the Salinas Sports Complex, on the National Cattlemen’s Association Taxation and Finance Committees, and as Treasurer of The Boys &amp; Girls Club of Monterey County. In 1998 and again in 2014, Mr. Wayland was recognized as the Salinas Valley Chamber of Commerce Citizen of the Year. In 2004 and 2005, Mr. Wayland served as a director for Central Coast Bancorp, a publicly traded bank holding company headquartered in Salinas, California.</p> <p>The Board of Directors believes that Mr. Wayland’s experience in business and accounting allows him to provide critical insights into the Bank’s accounting policies and practices, internal controls, and corporate governance matters. In addition, his extensive background in community affairs, together with insights gained during his previous service as a bank director, makes him an excellent candidate for Director of the Bank.</p>

None of the directors were selected pursuant to any arrangement or understanding other than with the directors and executive officers of the Bank acting within their capacities as such. There are no family relationships between any two or more of the directors, executive officers or persons nominated or chosen by the Board of Directors to become a director or executive officer.

Except as disclosed in the table above, no director or executive officer of the Bank currently serves, or within the last five years has served, as a director of any public company, including any company which has a class of securities registered under, or which is subject to the periodic reporting requirements of, the Securities Exchange Act of 1934, or of any company registered as an investment company under the Investment Company Act of 1940. None of the nominees were subject to any legal, judicial, or administrative proceedings involving or based on violations of federal or state securities, commodities, banking or insurance laws and regulations or settlements thereof, involvement in mail or wire fraud or fraud in connection with any business entity, any disciplinary sanctions or orders imposed by a stock, commodities or derivatives exchange or other self-regulatory organization, convictions in a criminal proceeding (excluding traffic violations and minor offenses) or had a petition under bankruptcy laws filed by or against themselves or an affiliate, in each case within the last ten years.

### **Board Committees and Attendance**

The Bank's Board of Directors met twenty-five times for regularly scheduled and special meetings during 2019. Each director attended at least 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings of committees on which each director served. Average director attendance at the combination of Board and committee meetings was 91%.

**Asset Liability and Investment Committee.** The Asset Liability and Investment Committee is responsible for the safe and sound operation of the Bank with regard to the investment portfolio, liquidity management, capital planning, wholesale funding, capital markets related transactions, and interest rate risk management. The Committee is responsible for approving management strategies regarding investment securities, deposit programs, and lending initiatives, including pricing the Bank's products and services. The Committee is also responsible for overseeing the Bank's compliance with various laws and regulations that apply to the Bank's capital markets and correspondent banking activities. The members of the Committee during 2019 were Directors Freeland (Chair), Giudici, Meyer, Ruhnke, and Wayland. The Committee met twelve times during 2019.

**Audit and Compliance Committee.** The Audit and Compliance Committee operates in accordance with an Audit and Compliance Committee Charter and policies established by the Board of Directors. The Committee is responsible for:

- providing independent, objective oversight of the Bank's financial reporting, internal controls, and disclosure quality, content, and controls;
- hiring the Bank's independent accountants and internal auditors, including validating their qualifications, authorizing their compensation, and approving the lead partners;

- assessing the performance of the independent accountants and internal auditors;
- monitoring the independence of the independent accountants;
- approving and reviewing the Bank’s internal audit program;
- reviewing all findings arising from the attestation audit, internal audits, credit reviews, and regulatory examinations, and ensuring that any corrective actions are timely performed;
- monitoring the Bank’s tax compliance;
- administering the Bank’s Code of Ethics, including addressing any potential or actual conflicts of interest and providing for “whistleblower” access;
- handling communications from employees or other parties submitted to the Committee regarding concerns about accounting, auditing, or compliance matters; and
- overseeing the Bank’s compliance with laws and regulations.

The Bank’s Compliance Officer, independent accountants, and internal auditors report directly to the Committee. The Committee has authority to retain independent legal, accounting, and other advisors as desired to assist the Committee in performing its duties.

The Committee holds discussions with management, the internal auditors, and the independent accountants, Crowe LLP, including discussions with Crowe LLP without management being present.

The Committee regularly reports to the Board its findings, conclusions, and recommendations, if any, relating to the adequacy of internal controls and procedures in accordance with applicable laws, regulations, and accounting principles generally accepted in the United States of America. The members of the Committee during 2019 were Directors Thelen (Chair), Freeland, Gollnick, and Wayland. Each Committee member is deemed “independent” under NASDAQ Listing Rule 5605(a)(2), financially sophisticated, and qualified to review the Bank’s financial statements. Director Thelen has been designated as the “Audit Committee Financial Expert” for the Committee. The Committee met six times during 2019.

**Corporate Governance and Nominating Committee.** The Corporate Governance and Nominating Committee is responsible for the review and recommendation of corporate governance standards for the Bank and the evaluation and recommendation to the Board of Directors of candidates for nomination as directors of the Bank. The members of the Committee during 2019 were Directors Hightower (Chair), Freeland, Gollnick, and Meyer. The Committee met three times during 2019.

Candidates for nomination as directors are selected by a majority of directors who are “independent” as defined under the NASDAQ Listing Rule 5605(a)(2). The Committee operates in accordance with a Corporate Governance and Nominating Committee Charter and policies established by the Board of Directors. Any recommendations by shareholders will be evaluated by the Committee and the Board of Directors in the same manner as any other recommendation. Shareholders that desire to recommend candidates for consideration by the Bank’s Board of Directors must mail or deliver written recommendations to the Bank addressed as follows: Board of Directors, 1st Capital Bank, 150 Main Street, Suite 150, Salinas, California 93901.

Any recommendation must include biographical information indicating the background and experience of the candidate that qualifies the individual for consideration as a director for evaluation by the Committee and the Board of Directors. In addition to minimum standards of “independence” for non-employee directors and financial literacy, the Committee and the Board of Directors consider various other criteria, including the candidate’s experience and expertise, financial resources, ability to devote the time and effort necessary to fulfill the responsibilities of a director, and involvement in community activities in the market areas served by the Bank that may enhance the reputation of the Bank.

It is the policy of the Committee to select individuals as director-nominees with the goal of creating a balance of knowledge, experience, and skills on the Board. The Committee also evaluates candidates for their character, judgment, and business experience and acumen. The Committee believes that a director candidate must possess personal and professional integrity and sound judgment. These considerations are manifested in various criteria for consideration when reviewing a potential director candidate, which may include the following:

- The extent of the director candidate’s educational, business, non-profit or professional acumen and experience.
- The extent of the director candidate’s contributions to the community.
- The extent of the director candidate’s leadership experience.
- Whether the director candidate assists in achieving a mix of Board members that represents a diversity of background, perspective, and experience.
- Whether the director candidate meets the independence requirements of the listing standards of the NASDAQ Listing Rule 5605(a)(2).
- Whether the director candidate has the ability and intent to maintain ownership of the Bank’s common stock.
- Whether the director candidate possesses the ability to work as part of a team in an environment of trust.

The Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective director candidates. Diversity is one of the

factors that the Committee considers in identifying nominees for director, however, the Committee has not adopted a formal diversity policy with regard to the selection of director-nominees. For a discussion of the specific backgrounds and qualifications of our current directors and director-nominees, see “Proposal 1 – Election of Directors – Information with Respect to Nominees and Continuing Directors.”

The Bank operates in a highly regulated industry and is subject to the supervision, regulation, and periodic examination by state and federal banking regulatory authorities including the California Department of Business Oversight and Federal Deposit Insurance Corporation. Directors of the Bank are subject to certain rules and regulations and potential liabilities not otherwise applicable to directors of non-banking organizations. Consequently, evaluation of candidates by the Committee and the Bank’s Board of Directors may include more extensive inquiries into personal background information including confirmation of the accuracy and completeness of background information by such means as (a) requiring candidates to complete questionnaires to elicit information of the type required to be disclosed by the Bank in reports filed with such state and federal banking regulatory authorities, (b) conducting background investigations by qualified independent organizations experienced in conducting criminal and civil investigatory reviews, and (c) such other personal and financial reviews and analyses as the Committee and the Board of Directors may deem appropriate in connection with the consideration of candidates. Shareholders who wish to nominate a candidate for election to the Bank’s Board of Directors, as opposed to recommending a potential nominee for consideration by the Committee and the Board of Directors, are required to comply with the advance notice and any other requirements of the Bank’s Bylaws, applicable laws, and regulations.

The Bank has not paid a fee to any third party to identify or evaluate director candidates. The Committee and the Board of Directors may, however, elect to use third parties in the future to identify or evaluate candidates for consideration as directors.

**Human Resource and Compensation Committee.** The Human Resource and Compensation Committee operates in accordance with a Human Resources and Compensation Committee Charter established by the Board of Directors. The Committee is responsible for review and approval of compensation and benefits philosophy, programs, plans, and policies. The Committee ensures that compensation programs are competitive and compliant with applicable regulations. The Committee reviews and approves salaries and incentive compensation for executive officers. The Committee also reviews awards under equity-based compensation plans. The Committee is responsible for establishing goals, evaluating performance, and generating a recommendation for compensation of the President and Chief Executive Officer. The members of the Committee are each “independent” as defined under NASDAQ Listing Rule 5605(a)(2). The Committee did not engage the services of any outside consultants to provide advice regarding compensation and benefits during 2019. The members of the Committee during 2019 were Directors Ruhnke (Chair), Giudici, Hightower, and Thelen. The Committee met one time during 2019.

**Loan Committee.** The Loan Committee is responsible for fulfilling Loan Committee duties in accordance with the Bank’s Credit Policy, including (i) review and approval of loan and credit requests exceeding certain thresholds, (ii) establishing loan and credit related policies, and

(iii) reviewing the Bank's loan portfolio. The Committee also monitors loan officer compliance with lending policies, verifies that management follows proper procedures in monitoring and maintaining the allowance for loan and lease losses, and assesses concentrations of credit. The Committee also has general oversight responsibility for the Bank's policy and performance under the lending component of the Community Reinvestment Act. The members of the Committee during 2019 were Directors Wayland (Chair), Freeland, Giudici, Gollnick, Meyer, Ruhnke, and Thelen. The Committee held thirty-four meetings during 2019, of which eleven were joint meetings with the Board of Directors.

**Information Systems Steering Committee.** The Information Systems Steering Committee is responsible for ensuring that the Bank effectively follows the information technology related policies approved by the Board. The Committee assesses technology infrastructure and the Bank's business continuity plan and reviews current trends in technology with the objective of ensuring that the Bank is effectively conducting technology planning. The Committee also reviews information technology related audits and regulatory examination reports, ensuring that any corrective actions are timely and effectively implemented. The members of the Committee during 2019 were Directors Hightower (Chair), Freeland, Meyer, and Ruhnke. The Committee met three times during 2019.

**Availability of Committee Charters.** Each of the Audit and Compliance Committee, Corporate Governance and Nominating Committee, and Human Resources and Compensation Committee operates pursuant to a separate written charter adopted by the Board of Directors. Each Committee reviews its charter at least annually. All of the Committee charters can be viewed at the "Shareholder-Information" link under "About Us" on our website [www.1stCapital.Bank](http://www.1stCapital.Bank). Each charter is also available in print form upon request by any shareholder to: Corporate Secretary, 1st Capital Bank, 150 Main Street, Suite 150, Salinas, California 93901.

## **DIRECTOR COMPENSATION**

Directors are entitled to receive compensation in the form of fees for attendance at meetings of the Board of Directors and committees of the Board on which they serve and awards of stock options and restricted shares under the Bank's 2016 Equity Incentive Plan (the "2016 Plan"). Prior to the adoption of the 2016 Plan, directors were entitled to similar compensation under the Bank's 2007 Equity Incentive Plan (the "2007 Plan"). The ten-year term of the 2007 Plan expired as to further awards on April 2, 2017. As of the Record Date, there were no option or restricted stock awards to directors outstanding for shares reserved for issuance under the 2007 Plan. The 2016 Plan set aside 358,703 shares (subsequently adjusted for stock dividends to 452,774 shares) of the Bank's no par value common stock to be reserved for issuance under the 2016 Plan for the award of incentive and nonstatutory stock options and restricted shares to non-employee directors, officers, employees, and consultants of the Bank. Only nonstatutory stock options may be granted to non-employee directors and consultants under the 2016 Plan. As of the Record Date, there were 16,050 shares reserved under the 2016 Plan for issuance of outstanding time-based restricted share awards to non-employee directors, none of which were then vested or would vest within 60 days of the Record Date.

The following table reflects the compensation earned and paid to the Bank's non-employee directors during the fiscal year 2019.

### Director Compensation

(In Whole Dollars)							
Name	Fees Earned or Paid in Cash	Time- Based Restricted Share Awards <sup>(1)</sup>	Stock Option Awards <sup>(2)</sup>	Non- Equity Incentive Plan Compen- sation	Non- Qualified Deferred Compen- sation Earnings	All Other Compen- sation	Total
Susan C. Freeland	\$ 24,000	\$ 32,742	--	--	--	--	\$ 56,742
Francis Giudici	\$ 24,000	\$ 32,742	--	--	--	--	\$ 56,742
Kurt J. Gollnick	\$ 36,000	\$ 49,113	--	--	--	--	\$ 85,113
Daniel R. Hightower, M.D.	\$ 24,000	\$ 32,742	--	--	--	--	\$ 56,742
Henry P. Ruhnke, Jr.	\$ 24,000	\$ 32,742	--	--	--	--	\$ 56,742
Gregory T. Thelen	\$ 24,000	\$ 32,742	--	--	--	--	\$ 56,742
F. Warren Wayland	\$ 24,000	\$ 32,742	--	--	--	--	\$ 56,742

- (1) The amounts shown reflect the grant date fair value under FASB ASC Topic 718 of all restricted share awards to the Bank's non-employee directors for the year ended December 31, 2019. Please also refer to Notes 1 and 13 of Notes to Financial Statements in the Bank's audited financial statements for the years ended December 31, 2019 and 2018 included in the Bank's 2019 Annual Report to Shareholders for discussion of the assumptions related to calculation of the grant date fair values under ASC Topic 718. All awards were granted December 19, 2019 and vest December 19, 2020.
- (2) No nonstatutory stock options were awarded to directors for the year ended December 31, 2018. As of December 31, 2018, there were no vested and exercisable nonstatutory stock options held by individual directors.

At a regularly scheduled Board meeting held on December 19, 2019, the Board approved the award of 3,210 time-based restricted shares to Chairman Gollnick and the award of 2,140 time-based restricted shares to each of Directors Freeland, Giudici, Hightower, Ruhnke, Thelen, and Wayland, for a total of 16,050 restricted share awards. The fair value of the Bank's common stock on December 19, 2019 was \$15.30 per share. The foregoing time-based restricted share awards vest on December 19, 2020. The aggregate fair value of the foregoing restricted share awards granted on December 19, 2019 was \$245,565.

At a regularly scheduled Board meeting held on December 14, 2018, the Board approved monthly cash director fees of \$2,000 for each of Directors Freeland, Giudici, Hightower, Ruhnke, Thelen, and Wayland and \$3,000 to Chairman Gollnick, effective January 1, 2019, which continued in effect throughout 2019.

## **EXECUTIVE OFFICERS**

The following table sets forth the names of and certain information, as of the Record Date, concerning the Bank's executive officers.

<b><u>Name, Position, Tenure and Age</u></b>	<b><u>Principal Occupation and Business Experience During the Past Five Years</u></b>
Samuel D. Jimenez Chief Executive Officer since 2020 Age 55	Mr. Jimenez has served as Chief Executive Officer since April 2020. Prior to joining the Bank, Mr. Jimenez served as Executive Vice President and Chief Operating Officer of Bank of Commerce Holdings, the \$1.5 billion (assets) parent company of Merchants Bank of Commerce, Sacramento, California, from 2013 to 2020. He served as Chief Financial Officer of Bank of Commerce Holdings from 2009 through 2014, and previously served as Director of Risk Management of subsidiary bank Redding Bank of Commerce from 2003 to 2009. Previously, Mr. Jimenez was a Federal Deposit Insurance Corporation Examiner, from 1993 to 2003. He is a certified public accountant.
Jon D. Ditlevsen President since 2020 Vice President & Chief Lending Officer June 2013 to April 2020 Age 64	Mr. Ditlevsen has served as President since April 2020 and as Executive Vice President and Chief Lending Officer from June 2013 to April 2020. Mr. Ditlevsen is a veteran California banker, with over thirty-five years of financial institution experience, including working at community, regional, and national banks. He has served the Bank's primary market area and adjacent counties for many years. Over his career, Mr. Ditlevsen has worked in a variety of credit and lending related capacities, including service as Senior Vice President and Regional Manager for Comerica Bank, a subsidiary of Comerica Inc., from 1994 to 2010 and as Senior Vice President and Central Coast Regional Manager for Wells Fargo Bank, a subsidiary of Wells Fargo & Company, from 2010 to 2013. Mr. Ditlevsen earned an undergraduate degree from San Jose State University and has pursued ongoing education throughout his career with emphasis in leadership, sales management, and credit underwriting. Mr. Ditlevsen has been active in local community groups on an ongoing basis, with a focus on education and health related organizations.

<b>Name, Position, Tenure and Age</b>	<b>Principal Occupation and Business Experience During the Past Five Years</b>
<p>Dale R. Diederick Executive Vice President &amp; Chief Credit Officer since 2013 Age 70</p>	<p>Mr. Diederick was appointed Executive Vice President and Chief Credit Officer effective April 2013. He previously served the Bank as First Vice President and Senior Credit Officer since September 2011. Mr. Diederick is an experienced credit professional who has more than forty years of credit and risk management experience. Before he joined 1st Capital Bank in 2011, his experience included serving in the capacities of Senior Credit Administrator, Chief Risk Officer, and Chief Credit Officer at Pacific Capital Bancorp, its subsidiaries, and/or its predecessor companies from 1983 to 2005, and again from 2008 to 2011.</p>
<p>Michael J. Winiarski Executive Vice President &amp; Chief Financial Officer since 2014 Age 63</p>	<p>Mr. Winiarski has served as Executive Vice President and Chief Financial Officer since March 2014, and served as Acting Chief Executive Officer of the Bank from March 2020 to April 2020. Mr. Winiarski has more than thirty-five years of experience in the financial services industry and for more than fifteen has served as Chief Financial Officer for publicly traded and privately held commercial banks, including four years with Hanmi Financial Corporation. After earning a Bachelor of Science degree in accounting from California State University, Long Beach, Mr. Winiarski served eight years with Deloitte. He is a certified public accountant (inactive).</p>

**EXECUTIVE COMPENSATION / COMPENSATION DISCUSSION AND ANALYSIS (“CD&A”)**

The Human Resource and Compensation Committee is responsible for overseeing the Bank’s compensation and benefits structure, policies, and programs. During 2019, none of the members of the Committee was an officer (or former officer) or employee of the Bank. No executive officers of the Bank had any interlocking relationship with any other for-profit entity during 2019, including serving on the compensation committee or serving as a director of another entity that would present an interlocking relationship. The Committee makes recommendations to the Board of Directors regarding the compensation and benefits for directors, officers (including executive officers), and employees. A key function of this Committee is to ensure that executive officers are compensated in a manner consistent with the Bank’s compensation strategies, internal equity considerations, competitive practices, and the requirements of applicable regulatory bodies.

The Committee also:

- develops the Bank’s overall compensation strategies;
- reviews the effectiveness of the Bank’s compensation strategies in ensuring that executive management is rewarded appropriately, with a balance between short-term and long-term objectives and remuneration;
- establishes performance objectives for the Chief Executive Officer;

- determines the individual elements of compensation and benefits for the Chief Executive Officer and other executive officers;
- reviews executive management's recommendations for equity-based compensation awards to employees and makes appropriate recommendations to the full Board of Directors; and
- reviews other incentive compensation programs, including those for relationship officers.

### **Compensation Philosophy**

The objectives of the Bank's compensation program are:

- to provide motivation for the executive officers to enhance shareholder value by linking their compensation to the generation of core earnings and the operation of the Bank in a safe and sound manner;
- to integrate total compensation with the Bank's short-term and long-term performance goals and the objective of increasing shareholder value;
- to attract high performing executive officers by providing total compensation opportunities which are consistent with externally competitive norms of the financial services industry and the Bank's level of performance;
- to retain qualified executives vital to the success of the organization;
- to align pay with performance; and
- to reward above average individual and corporate performance as measured by financial results and strategic achievements.

There are five key elements to the Bank's compensation program for executives:

1. base salary;
2. equity compensation;
3. incentive compensation;
4. participation in nonqualified benefit plans; and
5. other benefits.

The Committee believes that this five-part program best serves the interests of the Bank and its shareholders. This program allows the Bank to be competitive within the industry, and ensures retention of high quality executive officers. At the same time, it advances both the short-term and the long-term interests of shareholders by linking a significant amount of executive compensation to the Bank's performance.

## Compensation Review Process

The Committee generally meets on at least an annual basis to review salaries and other forms of compensation and benefits.

***Peer Group and Benchmark Targets.*** The Committee selected a compensation peer group, based on the asset ranges of the institutions and their geographical locations, from publicly traded banks headquartered in California. The combined peer group provides a benchmark against banks that have executive positions with responsibilities similar in breadth and scope to the Bank and that compete with the Bank for executive talent. Using the survey data, the Committee considered “marketplace compensation,” adjusted for reviews of Bank and individual performance.

***Review of Executive Performance.*** The Committee reviews, on an annual basis, each compensation element for each executive officer. In each case, the Committee takes into account the scope of responsibilities and years of experience and balances these against competitive salary levels and other information contained in survey data. The Committee members had the opportunity to interact with the executive officers throughout the year, allowing the Committee to form its own assessment of each executive officer’s performance. Following review of survey data and interaction with executive officers, the Committee makes its own assessments and approves compensation for recommendation to the Board of Directors for each executive officer.

## Long-Term Incentives

***2016 Equity Incentive Plan.*** The Bank has two share-based compensation plans, the 2016 Equity Incentive Plan (“2016 Plan”) and the 2007 Equity Incentive Plan (“2007 Plan”). The 2016 Plan was adopted by the Board of Directors on March 30, 2016 and ratified and approved by the Bank’s shareholders at the Bank’s annual shareholders’ meeting held June 8, 2016. The ten-year term of the 2007 Plan expired as to further awards on April 2, 2017. In anticipation of the expiration, the Board of Directors determined that it was advisable to adopt the 2016 Plan; provided, however, that the 2007 Plan and 253,373 shares of the Bank’s common stock reserved thereunder as of March 30, 2016 (subsequently adjusted for stock dividends to 319,820 shares) remained in effect for issuance pursuant to then outstanding awards of restricted stock and stock options. All other shares formerly reserved for the 2007 Plan that were not granted or awarded were restored to the category of authorized and unissued shares of Bank common stock. No awards of restricted stock or stock options were made under the 2016 Plan until after it was ratified and approved by the Bank’s shareholders.

The 2016 Plan permits the award of incentive stock options, nonstatutory stock options, and restricted stock for up to 452,774 shares, as adjusted to account for stock dividends, of the Bank's common stock reserved under the 2016 Plan. The 2016 Plan is designed to attract and retain officers, employees and directors, and provide additional incentive to promote the success of the Bank’s business, while also aligning the interests of award recipients with the creation of long-term shareholder value. The amount, frequency, and terms of awards may vary based on competitive practices, the Bank's operating results, and government regulations. New shares may be issued upon option exercise or lapse of restrictions for restricted stock awards. The 2016 Plan does not provide for the settlement of awards in cash. In addition, the 2016 Plan requires that the exercise price of options

may not be less than the fair market value of shares of the Bank's common stock at the date the option is awarded, and that the exercise price must be paid in full at the time the option is exercised.

The 2016 Plan provides that stock options and restricted stock may be awarded to non-employee directors, officers, employees, and consultants of the Bank. All stock options and restricted stock awards are adjusted to protect against dilution in the event of certain changes in the Bank's capitalization, including stock splits and stock dividends. The Bank's practice is that the full Board of Directors acting as the administrator of the 2016 Plan approves all stock options and restricted stock awards at regularly scheduled meetings.

### *Stock Options*

The 2016 Plan provides for the issuance of both incentive stock options and nonstatutory stock options. Any stock options awarded under the 2016 Plan have an exercise price equal to the fair value of shares of the Bank's common stock on the date of award. The Board of Directors sets the exercise price for each stock option using the closing price of shares of the Bank's common stock as quoted on the OTC Pink Marketplace on the date of the award. Stock options become exercisable in accordance with a vesting schedule established at the award date. Generally, stock option vesting may vary among participants, but will not be less than 20% per year over five years following the award date, and stock options expire ten years from the date of award.

### *Restricted Stock Awards*

Awards of restricted stock consist of shares of the Bank's common stock that are subject to forfeiture until specific conditions or goals are met. The 2016 Plan allows for both time-based and performance-based restricted stock awards. Conditions for vesting may be based on continuing employment or service and/or achieving specified performance goals. During the period of restriction, Plan participants holding restricted stock awards have no voting or cash dividend rights. The restrictions lapse in accordance with a schedule or with other conditions determined by the Board of Directors as reflected in each award agreement.

### *Change In Control*

Upon a change in control of the Bank or upon the occurrence of certain other events as further described in the 2016 Plan, outstanding stock options and restricted stock awards become fully vested and exercisable in the case of stock options and fully vested without restrictions in the case of restricted stock awards. Stock options and restricted stock awards or equivalent equity based compensation may be substituted by a successor corporation.

See the "Equity Compensation Plan Information," "Director Compensation," "Summary Compensation" and "Outstanding Equity Awards at Fiscal Year-End" tables and any related footnotes thereto in this Proxy Statement and Notes 1 and 14 in the Bank's audited financial statements included in the Bank's Annual Report to Shareholders for the year ended December 31, 2019 for more information regarding outstanding stock options and outstanding restricted stock under the 2016 Plan and 2007 Plan.

**Section 401(k) Retirement Plan.** The Bank maintains the 1st Capital Bank 401(k) Profit Sharing Plan and Trust (“Plan”) to enable employees to save for retirement under a tax-advantaged plan and to furnish employees the opportunity to directly manage their retirement assets through a variety of investment options. The Plan allows eligible employees to elect to contribute from 0.00% to 92.00% of their eligible compensation to the Plan, subject to the annual contribution limit established by the Internal Revenue Service applicable to each employee.

The Plan was converted to a “safe harbor” plan effective January 1, 2014. In conjunction with this change, the Bank commenced 100% matching of the employee Plan contributions up to 1.00% of their eligible compensation and then 50% matching of the employee Plan contributions above 1.00% and up to 6.00% of their eligible compensation. In addition, all Bank matching contributions became immediately fully vested effective with the transition of the Plan to a safe harbor classification.

Effective January 1, 2019, the Bank commenced matching 50% of the employee Plan contributions up to 8.00% of their eligible compensation and relinquished the Plan’s “safe harbor” status. As such, highly compensated employees’ contributions may be subject to taxation in the year following any year in which the aggregate contribution rate of highly compensated employees, as defined, exceeds the aggregate contribution rate of non-highly compensated employees by more than 2.00%.

The 401(k) Plan does not provide the employees the option to invest directly in the Bank’s common stock, nor does the Bank use its common stock for matching purposes.

**Nonqualified Deferred Compensation Plan.** The Bank established the 1st Capital Bank Nonqualified Deferred Compensation Plan (“Plan”) effective December 1, 2012. The Plan is a defined contribution program. Participants in the Plan are general unsecured creditors of the Bank. The Plan was established for the purpose of providing the executive officers and certain other highly compensated employees an opportunity to defer compensation. Participants in the Plan may elect to defer annually (i) any bonus or incentive compensation and (ii) any amount of base salary in excess of \$3,000 per month. At the time of election to defer compensation, the participants must also elect a distribution date and a distribution method. Participants may elect to receive amounts payable to him or her in a lump sum or in annual installments over a designated period to not exceed ten years. The Bank pays the administrative costs of the Plan, but does not make contributions to the Plan aside from interest credited. The Plan requires the Bank to pay interest on the deferred balances at a rate equal to The Wall Street Journal Prime Rate on November 1 of the preceding year, set annually for each calendar year, subject to a floor of 0.00%. Participants were first eligible to contribute to the Plan on January 1, 2013. For 2019, the interest rate credited was 5.25%.

**Health and Welfare Benefits.** The Bank offers health and welfare programs to all eligible employees. The executive officers generally are eligible for the same benefit programs on the same basis as the general employee base. The health and welfare programs are intended to protect employees against catastrophic loss and encourage a healthy lifestyle. The health and welfare programs include medical, pharmacy, dental, vision, life insurance, and accidental death and dismemberment benefits; flexible spending accounts for both health and dependent care costs;

Health Savings Accounts, paid vacation; and paid sick time. Effective January 1, 2014, the Bank modified its life insurance benefit program to provide a consistent \$50,000 death benefit to all eligible employees. The Bank pays 100% of the premiums for the health and welfare programs for the executive officers.

The Bank offers a long-term disability program that provides income replacement to the executive officers and other eligible employees after a 180-day disability period at a rate of 66 2/3% of basic monthly earnings up to a maximum benefit of \$10,000 per month until age 65 or recovery per the terms and conditions of the program.

***Termination Severance Benefits.*** The Bank has entered into an employment agreement with the Chief Executive Officer and change in control agreements with its other executive officers under which termination severance benefits are provided to the executive officers as part of their overall compensation and benefits to promote long-term retention of the executives and provide security against early termination events. See “Employment Agreements and Potential Post-Employment Payments” in this Proxy Statement for a description of the employment agreement and change of control agreements.

### **Short-Term Incentives**

***Salary and Bonus Compensation.*** Base salary and bonus compensation are intended to reward short-term performance. Base salary is reviewed annually by the Board’s Human Resource and Compensation Committee, and recommendations are made to the Board of Directors based on evaluation of compensation data from peer banks and financial and other performance factors reflected in the results of operations of the Bank. Effective January 1, 2013, the Board adopted a program under which bonus compensation may be paid based upon achievement of Bank-wide and individual performance criteria, with the Board of Directors approving the Bank-wide performance criteria and also retaining discretionary authority over the program and any bonus compensation paid. Effective beginning calendar year 2017, the Committee determined that any bonus compensation paid to executive officers may be paid in cash and/or shares of restricted stock, subject to the Board of Directors continuing to approve the Bank-wide performance criteria and also retaining the discretionary authority over the program and any bonus compensation paid to the executive officers. Each year, in consultation with management, the Board of Directors approves key Bank-wide metrics that may include operating results, growth, balance sheet composition, credit quality, and the execution of strategic initiatives, as well as other measures related to the executive’s individual goals and responsibilities, which together form the basis for bonus compensation. See the “Summary Compensation Table” and footnotes thereto in this Proxy Statement for more information regarding the base salaries and other compensation and benefits applicable to the Bank’s executive officers.

See the discussion regarding the Committee’s functions under the heading “Human Resource and Compensation Committee” in this Proxy Statement.

The following table reflects the compensation earned and paid to the Bank’s executive officers for the fiscal years indicated. “EVP” represents “Executive Vice President.”

### Summary Compensation Table

(In Whole Dollars)								
Name and Principal Positions	Year	Salary <sup>(1)</sup>	Bonus <sup>(2)</sup>	Restricted Share Awards <sup>(3)</sup>	Stock Option Awards <sup>(3)</sup>	Non-qualified Deferred Compensation Earnings <sup>(4)</sup>	All Other Compensation <sup>(5)</sup>	Total
Thomas E. Meyer President and Chief Executive Officer (retired)	2019	\$ 341,250	\$ 30,100	\$ 66,203	--	--	\$ 52,837	\$ 490,390
	2018	\$ 341,250	\$ 121,100	\$ 77,669	--	--	\$ 55,543	\$ 595,563
Dale R. Diederick EVP and Chief Credit Officer	2019	\$ 210,000	\$ 45,100	\$ 61,200	--	--	\$ 25,958	\$ 342,258
	2018	\$ 199,500	\$ 56,100	\$ 71,800	--	--	\$ 24,968	\$ 352,368
Jon D. Ditlevsen EVP and Chief Lending Officer	2019	\$ 227,500	\$ 45,100	\$ 61,200	--	--	\$ 32,664	\$ 366,464
	2018	\$ 215,000	\$ 56,100	\$ 71,800	--	--	\$ 30,498	\$ 373,398
Michael J. Winiarski EVP and Chief Financial Officer	2019	\$ 228,250	\$ 45,100	\$ 61,200	--	\$ 1,316	\$ 27,337	\$ 363,203
	2018	\$ 218,500	\$ 57,100	\$ 71,800	--	\$ 1,602	\$ 26,036	\$ 375,038

- Amounts shown include cash and non-cash compensation earned and received by executive officers as well as amounts earned but deferred at the election of those officers under the 401(k) Plan and/or the Bank’s Nonqualified Deferred Compensation Plan. The Bank entered into an employment agreement with Mr. Meyer dated as of August 10, 2015 and thereafter amended the agreement effective December 31, 2016. The Bank entered into change in control agreements with each of Messrs. Diederick, Ditlevsen and Winiarski dated between December 30 and 31, 2016, respectively. The employment agreement and change in control agreements are discussed hereafter in this Proxy Statement under the heading “Employment Agreements and Potential Post-Employment Payments.”
- Discretionary bonus payments were approved by the Board of Directors after evaluation of individual performance. Amounts indicated as bonus payments were earned for performance during the year indicated.
- These columns show the grant date fair value of awards in accordance with stock-based compensation accounting rules (Financial Accounting Standards Board Accounting Standards Codification Topic 718). For more information concerning the assumptions used for these calculations, please refer to Notes 1 and 14 in the Bank’s audited financial statements included in the Bank’s Annual Report to Shareholders for the year ended December 31, 2019. The named executive officers received the following time-based awards during 2018 and 2019:

Name	Grant Date	Shares	Stock Dividend-Adjusted Shares	Vesting Date
Thomas E. Meyer	November 19, 2018	4,327	4,953	November 19, 2023
	December 19, 2019	4,327	4,327	December 19, 2024
Dale R. Diederick	November 19, 2018	4,000	4,579	November 19, 2022
	December 19, 2019	4,000	4,000	December 19, 2023
Jon D. Ditlevsen	November 19, 2018	4,000	4,579	November 19, 2023
	December 19, 2019	4,000	4,000	December 19, 2024
Michael J. Winiarski	November 19, 2018	4,000	4,579	November 19, 2023
	December 19, 2019	4,000	4,000	December 19, 2024

Amounts in the Stock Dividend-Adjusted Shares column above give effect to the 7% stock dividends payable December 14, 2018 and December 20, 2019 declared by the Board of Directors. See the “Outstanding Equity Awards at Fiscal Year-End” table for additional information regarding these awards.

- Amounts represent interest credited by the Bank on amounts deferred under the Nonqualified Deferred Compensation Plan. See the “Nonqualified Deferred Compensation” table and footnotes thereto hereafter in this Proxy Statement for additional information regarding interest credited.

(5) Amounts in the “All Other Compensation” column for 2019 are composed of the benefits listed in the table below.

(In Whole Dollars) Name	Health & Welfare Benefits	Auto Allowance	Social Club Memberships	401(k) Plan Match	Total
Thomas E. Meyer	\$ 22,656	\$ 9,000	\$ 9,990	\$ 11,191	\$ 52,837
Dale R. Diederick	\$ 21,758	--	--	\$ 4,200	\$ 25,958
Jon D. Ditlevsen	\$ 10,240	\$ 6,000	\$ 8,370	\$ 8,054	\$ 32,664
Michael J. Winiarski	\$ 18,883	--	--	\$ 8,454	\$ 27,337

The following table shows contributions and interest credited during 2019 and account balances as of December 31, 2019 for participating executive officers named in the “Summary Compensation Table” under the Bank’s Nonqualified Deferred Compensation Plan. Interest credited was paid by the Bank.

### Nonqualified Deferred Compensation

(In Whole Dollars) Name	Executive Contributions During 2019 <sup>(1)</sup>	Bank Contributions During 2019	Aggregate Earnings During 2019 <sup>(1)(2)</sup>	Aggregate Withdrawals / Distributions During 2019	Aggregate Balance At 12/31/2019 <sup>(3)</sup>
Michael J. Winiarski	--	--	\$ 1,316	\$ 27,189	\$ 25,789

(1) This amount was reported for the year 2019 in the “Summary Compensation Table.”

(2) Earnings are credited to the accounts based upon the terms of the Plan. The earnings credit rate is equal to The Wall Street Journal Prime Rate on November 1 of the preceding year. The rate credited for 2019 was 5.25%.

(3) The Plan is an unfunded plan. For additional information regarding the Plan, please see “Long-Term Incentives – Nonqualified Deferred Compensation Plan” in this Proxy Statement.

The following table shows the outstanding stock option and restricted share awards under the Bank’s 2007 and 2016 Equity Incentive Plans held at the end of fiscal year 2019 by the executive officers named in the “Summary Compensation Table.”

### Outstanding Equity Awards at Fiscal Year-End

Name	Stock Option Awards				Restricted Share Awards	
	Number Of Securities Underlying Unexercised Options <sup>(1)</sup> Exercisable	Number of Securities Underlying Unexercised Options <sup>(1)</sup> Unexercisable	Option Exercise Price <sup>(2)</sup>	Option Expiration Date	Number Of Shares That Have Not Vested	Market Value of Shares That Have Not Vested <sup>(3)</sup>
Thomas E. Meyer <sup>(4)</sup>	--	--	--	--	25,421	\$ 387,924
Dale R. Diederick <sup>(5)</sup>	7,095	--	\$ 8.21	1/25/2022	18,195	\$ 277,656
Jon D. Ditlevsen <sup>(6)</sup>	--	--	--	--	23,003	\$ 351,026
Michael J. Winiarski <sup>(7)</sup>	--	--	--	--	23,003	\$ 351,026

(1) Reflects incentive stock options which vest ratably in arrears over the first three years following the award date. Each incentive stock option has a ten-year term from the award date to the stock option expiration date.

(2) The stock option exercise price equals the fair market value based on the closing price of the common stock on the award date.

- (3) Based upon a closing price of \$15.26 per share for the Bank's common stock on December 31, 2019.
- (4) For Mr. Meyer, 5,737 restricted shares (20% of the August 26, 2015 award) vest on August 26, 2020; 5,203 shares awarded February 22, 2017 vest on August 26, 2021; 5,201 shares awarded October 27, 2017 vest on October 27, 2022; 4,953 shares awarded November 19, 2018 vest on November 19, 2023; and 4,327 shares awarded December 19, 2019 vest on December 19, 2024.
- (5) For Mr. Diederick, 4,808 restricted shares awarded February 22, 2017 vest on July 27, 2020; 4,808 restricted shares awarded October 27, 2017 vest on October 27, 2021; 4,579 shares awarded November 19, 2018 vest on November 19, 2022; and 4,000 shares awarded December 19, 2019 vest on December 19, 2023.
- (6) For Mr. Ditlevsen, 4,808 shares awarded October 27, 2017 vest on each of October 27, 2020, 2021, and 2022; 4,579 shares awarded November 19, 2018 vest on November 19, 2023; and 4,000 shares awarded December 19, 2019 vest on December 19, 2024.
- (7) For Mr. Winiarski, 4,808 shares awarded February 22, 2017 vest on March 26, 2020; 4,808 shares awarded October 27, 2017 vest on each of October 27, 2021 and 2022; 4,579 shares awarded November 19, 2018 vest on November 19, 2023; and 4,000 shares awarded December 19, 2019 vest on December 19, 2024.

The following table lists stock option exercises and restricted stock vested during the year ended December 31, 2019.

### Stock Option Exercises and Restricted Stock Vested

(In Whole Dollars) Name	Stock Option Awards		Restricted Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting <sup>(1)</sup>
Thomas E. Meyer	--	--	5,362	\$ 86,864
Dale R. Diederick	--	--	4,718	\$ 79,121
Jon D. Ditlevsen	--	--	4,494	\$ 74,870
Michael J. Winiarski	--	--	5,202	\$ 84,012

- (1) Represents the product of the number of shares acquired on vesting and the closing price of the Bank's common stock on the vesting date.

### Equity Compensation Plan Information

The table below lists information regarding Bank common stock issuable under the 2016 and 2007 Equity Incentive Plans at December 31, 2019. The Bank has no other equity compensation plan, and there are no warrants or other rights outstanding that would result in the issuance of shares of the Bank's common stock.

Plan Category	Number of Securities To Be Issued upon Exercise of Outstanding Options, Warrants, and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	14,190	\$ 8.25	562,971
Equity compensation plans not approved by security holders	--	--	--
Total	14,190	\$ 8.25	562,971

## **Employment Agreements and Potential Post-Employment Payments**

**Employment Agreement with Mr. Jimenez.** The Bank entered into an employment agreement with Mr. Jimenez to be effective as of April 8, 2020 and terminate, unless extended, on December 31, 2022 (the “Agreement”). The Agreement includes payment of a base salary of \$250,000 per year, which is subject to an annual review by the Human Resource and Compensation Committee of the Board, and, subject to satisfactory evaluation of his performance, may increase to \$275,000 for 2021 and \$300,000 for 2022. The Agreement also provides that Mr. Jimenez is eligible to receive an annual incentive bonus of up to 35% of his base salary, with the final amount to be determined by the Board of Directors of the Bank based upon evaluation of Mr. Jimenez’s performance and that of the Bank. Within the cap of 35% of his base salary, the amount of bonus compensation payable to Mr. Jimenez is based upon the terms of the Bank’s incentive compensation plan, Mr. Jimenez’s performance, the Bank’s operating results, and the discretion of the Board of Directors. Any incentive compensation is subject to potential “claw-back” by the Bank for a two year period in certain circumstances. The Agreement provides for other incidental compensation and benefits, including group life, health, and disability insurance, the premiums for which are paid by the Bank, four weeks annual vacation, an automobile allowance, and reimbursement for business expenses. As required by the Agreement, on April 22, 2020, the Bank awarded Mr. Jimenez 25,000 restricted shares that vest 20% per year in arrears over five years.

The Agreement is an at-will contract that may be terminated by either party at any time. If the Bank terminates Mr. Jimenez’s employment for reasons that constitute cause as described in the Agreement, he will not be entitled to any further amounts except as earned through his last day of employment. If the Bank terminates Mr. Jimenez’s employment without cause, he will be entitled to (i) his earned compensation through his last day of employment and (ii) a lump sum severance payment equal to three months’ of his then annual base salary for each full year of service, with a maximum severance equal to twelve months of such base salary, less applicable deductions,. If Mr. Jimenez’s employment terminates in connection with or within twelve months after consummation of a change in control (as defined in the Agreement), including a resignation by Mr. Jimenez for good reason (as defined in the Agreement) during such twelve months, Mr. Jimenez is entitled to (i) his earned compensation through his last day of employment and (ii) a lump sum severance payment equal to his then annual base salary less applicable deductions. Amounts paid or payable to Mr. Jimenez under the Agreement in any annual period may be limited in order to eliminate taxes upon the payments to Mr. Jimenez and the Bank’s loss of deductibility of the amounts paid under Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended. As part of the Agreement, Mr. Jimenez agreed to refrain from disclosing any confidential, trade secret, or proprietary information of the Bank and to refrain from using any such information to compete with the Bank or solicit its employees or customers for a period of one year following his termination of employment.

**Change in Control Agreements with Executive Officers.** The Bank has entered into a Change in Control Agreement with each of Messrs. Diederick, Ditlevsen and Winiarski (each an “Executive”). If the employment of an Executive is terminated in connection with or within twelve months after consummation of a change in control of the Bank (as defined in the Agreement), including a termination by the Executive for Good Reason (which may include a material diminution of the Executive’s base salary or other compensation, certain authorities, duties or responsibilities, or change in primary work location), the Executive is entitled to receive (i) his or her earned compensation through the last day of employment and (ii) a lump sum severance payment equal to twelve months of his or her base salary less applicable deductions, in effect immediately prior to termination, but without diminution or decrease in amount in contemplation of termination, payable seventy days following termination.

**Payments to Mr. Meyer upon Retirement.** Consistent with the employment agreement between the Bank and Mr. Meyer, upon his separation from the Bank and retirement, Mr. Meyer was paid a total of \$355,000, and provided a release of claims in favor of the Bank.

### **Change in Control**

Management is not aware of any arrangements, including the pledge by any person of shares of the Bank, the operation of which may at a subsequent date result in a change in control of the Bank.

### **Transactions with Related Persons**

There have been no material transactions (other than loans in the ordinary course of business described below) during the year ended December 31, 2019, nor are there any presently proposed transactions, to which the Bank was or is to be a party in which the amount involved exceeds the lesser of \$120,000 or 1% of the average of the Bank’s total assets for the two-year period ended December 31, 2019, and in which any director, executive officer, nominee for director, or 5% shareholder, or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

### **Indebtedness of Management and Directors**

Certain of the Bank’s directors and executive officers, as well as members of their immediate families, associates, and companies and organizations with which they are affiliated or associated, are also customers of, and have had banking transactions with, the Bank in the ordinary course of business. The Bank expects to continue to have such ordinary banking transactions with these persons and entities in the future. In the opinion of the management of the Bank, all loans and commitments to lend to the Bank’s directors, executive officers, and principal shareholders:

- have been made in the ordinary course of business and in compliance with applicable laws;
- were made on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the time for comparable transactions with the Bank’s other customers; and
- do not involve more than the normal risk of collectability or present other unfavorable features.

In addition, the Bank has policies regarding such loans to ensure that they are made using credit underwriting procedures that are no less stringent than those applicable for comparable transactions with persons outside the Bank. Loans to individual directors and executive officers must comply with certain statutory lending limits. In addition, prior approval of the Bank's Board of Directors is required for all such loans. At December 31, 2019, the Bank maintained \$10.4 million in credit commitments to directors and executive officers. These credit commitments had outstanding balances of \$3.1 million at December 31, 2019, equivalent to 4.5% of shareholders' equity.

The Bank does not lease any property from its directors or executive officers.

### **Shareholder Communications**

A majority of the members of the Board of Directors, each of whom is "independent" as defined under NASDAQ Listing Rule 5605(a)(2), has established procedures for receipt and delivery of shareholder communications addressed to the Board of Directors. Any such shareholder communications, including communications by employees of the Bank solely in their capacity as shareholders, should be mailed or delivered to the Bank addressed as follows: Board of Directors, 1st Capital Bank, 150 Main Street, Suite 150, Salinas, California 93901.

## **PROPOSAL NUMBER 2 RATIFICATION OF THE SELECTION OF INDEPENDENT ACCOUNTANTS**

The firm of Crowe LLP served as independent accountants for the audit of the Bank's financial statements as of and for the years ended December 31, 2019 and 2018. Crowe LLP provided various services to the Bank as described below during the fiscal years 2019 and 2018.

Crowe LLP has no interests, financial or otherwise, in the Bank, and the Bank has had no disagreements with its accountants with respect to accounting principles, practices, or financial statement disclosure. It is anticipated that one or more representatives of Crowe LLP will be present at the Annual Meeting and will be able to make a statement if they so desire and answer appropriate questions.

The Audit and Compliance Committee approved 100% of all professional services rendered by Crowe LLP during 2019 and 2018, including pre-approval of all audit and non-audit services. The Audit and Compliance Committee has discussed with management and Crowe LLP independence issues regarding the following fees billed by Crowe LLP for 2019 and 2018 and concluded that there were no independence issues.

The table below summarizes the fees for services rendered to the Bank by Crowe LLP during the years ended December 31, 2019 and 2018.

(In Whole Dollars)	Amount Billed for 2019	Amount Billed for 2018
Type of Fees Paid to Crowe LLP		
Audit Fees <sup>(1)</sup>	\$ 93,870	\$ 99,275
Audit-Related Fees <sup>(2)</sup>	2,550	4,200
Tax Services <sup>(3)</sup>	14,342	17,786
All Other Fees <sup>(4)</sup>	--	--
Total	<u>\$ 110,562</u>	<u>\$ 121,261</u>

- (1) Audit fees consist of fees for professional services rendered for the attestation audit of the Bank's financial statements.
- (2) Audit-related fees represent fees for professional services such as the audit of employee benefit plans, technical accounting, consulting, and research.
- (3) Tax services consist of tax payment planning services and tax compliance services.
- (4) All other fees, if any, consist of miscellaneous consulting services related to accounting, finance, planning, or regulatory matters.

The Board of Directors has appointed Crowe LLP to serve as the Bank's independent accountants for the fiscal year 2020. The ratification of the appointment of Crowe LLP as the Bank's independent accountants requires a majority of the shares voting at the Annual Meeting to vote "FOR" Proposal No. 2. If shareholders do not ratify the selection of Crowe LLP, the Board of Directors will reconsider the selection. The Board of Directors reserves the right, in its discretion, to select alternative independent accountants notwithstanding ratification by shareholders, at any time that the Board of Directors determines that such a change would be in the best interests of the Bank and its shareholders.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NUMBER 2.**

**PROPOSAL NUMBER 3  
ADVISORY (NON-BINDING) VOTE  
TO APPROVE THE BANK'S NAMED EXECUTIVE OFFICER COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provides shareholders with the opportunity to vote, on an advisory (non-binding) basis, to approve the compensation of the Bank's named executive officers as further described in the "Compensation Discussion and Analysis" and "Executive Compensation" sections of this Proxy Statement, including the related compensation tables and narrative discussion. This proposal, commonly known as a "Say-On-Pay" proposal, provides the Bank's shareholders the opportunity to express their views on our executive compensation program, as it relates to our named executive officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies, and practices described in this Proxy Statement.

The Board of Directors currently anticipates submitting the Bank's executive officer compensation program to a non-binding advisory vote of our shareholders every year as a best practice and in response to the non-binding shareholder vote in favor of an annual voting frequency at our 2013 Annual Meeting.

We ask our shareholders to indicate their support for our executive compensation program for our named executive officers and vote "FOR" the following resolution at the Annual Meeting:

*"RESOLVED, that the Bank's shareholders approve, on an advisory basis, the compensation paid to the Bank's named executive officers as disclosed in this Proxy Statement, including the discussion in the "Executive Compensation" and "Compensation Discussion and Analysis" sections of this Proxy Statement and the related compensation tables and narrative discussion."*

Because your vote is advisory, it will not be binding upon the Board of Directors or the Human Resource and Compensation Committee and may not be construed as overruling any decision by the Board or the Committee. However, the Board of Directors and the Committee may, in their respective sole discretion, take into account the outcome of the vote when considering future executive compensation arrangements.

Shareholders are encouraged to carefully review the "Executive Compensation" and "Compensation Discussion and Analysis" sections of this Proxy Statement and the related compensation tables and narrative discussion for a detailed discussion of the Bank's executive compensation program for our named executive officers.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NUMBER 3.**

### **REPORT OF THE HUMAN RESOURCE AND COMPENSATION COMMITTEE**

The Human Resource and Compensation Committee reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with management. Based on such review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement. The Committee reviewed and evaluated the potential for any adverse risk to the Bank as a result of the compensation policies and practices.

Submitted by: Henry P. Ruhnke, Jr., Chairman  
Francis Giudici  
Daniel R. Hightower, M.D.  
Gregory T. Thelen

## **REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE**

The Bank's management is responsible for internal controls, the financial reporting process, and the preparation of the financial statements. The Bank's independent accountants, Crowe LLP, are responsible for performing an audit of the Bank's financial statements in accordance with auditing standards generally accepted in the United States of America and for expressing an opinion as to their conformity in all material respects with accounting principles generally accepted in the United States of America. It is the Committee's responsibility to monitor and oversee these processes.

The Committee has discussed the audited financial statements of the Bank for the fiscal year ended December 31, 2019 with management and Crowe LLP, the Bank's independent accountants. Management has represented that these reports were prepared in accordance with accounting principles generally accepted in the United States. The Committee has discussed with Crowe LLP the matters required to be discussed by the American Institute of Certified Public Accountants ("AICPA") Statement on Auditing Standards No. 114, *The Auditor's Communication with Those Charged with Governance*. In addition, the Committee has received and reviewed the disclosures required by Public Company Accounting Oversight Board ("PCAOB") Rule 3520, *Auditor Independence*, which applies to companies subject to Part 363 of the Federal Deposit Insurance Corporation's regulations requiring such companies to comply with the independence standards and interpretations of the AICPA and the Securities and Exchange Commission. The Committee has discussed the accountants' independence from the Bank and its management and believes Crowe LLP to be independent.

The Committee discussed fraud notification with management and the independent accountants. The Committee has received no notifications regarding fraudulent activity.

Based on the Committee's review and discussions noted above, the Committee recommended to the Board of Directors that the Bank's audited financial statements be included in the Bank's Annual Report to Shareholders for the fiscal year ended December 31, 2019.

Submitted by: Gregory T. Thelen, Chairman  
Susan C. Freeland  
Kurt J. Gollnick  
F. Warren Wayland

## **WEBSITE ACCESS**

The Bank maintains a website at [www.1stCapital.Bank](http://www.1stCapital.Bank) where additional information regarding the Bank may be obtained.

## **ANNUAL REPORT**

The Annual Report to Shareholders for the year ended December 31, 2019 is being made available concurrently with this Proxy Statement to all shareholders of record as of the Record Date as described under the heading "Notice of Internet Availability of Proxy Materials" located

on page 1 of this Proxy Statement. The 2019 Annual Report is also available on the Bank's website.

### **ANNUAL DISCLOSURE STATEMENT**

The Bank has prepared an Annual Disclosure Statement as required by Federal Deposit Insurance Corporation regulations, a copy of which may be obtained upon written request to: Corporate Secretary, 1st Capital Bank, 150 Main Street, Suite 150, Salinas, California 93901.

### **SHAREHOLDER PROPOSALS**

Next year's Annual Meeting of Shareholders is currently scheduled to be held on June 10, 2021. Any shareholder wishing to submit a proposal for action at the 2021 Annual Meeting of Shareholders which is desired to be presented in the Bank's Proxy Statement with respect to the 2021 Annual Meeting of Shareholders, should mail the proposal by certified mail, return receipt requested, to: 1st Capital Bank, 150 Main Street, Suite 150, Salinas, California 93901, Attention: Corporate Secretary. All such proposals must be received by the Bank not later than December 31, 2020. Matters pertaining to such proposals, including the number and length thereof, eligibility of persons entitled to have such proposals included, and other aspects, are subject to all applicable laws and regulations.

### **OTHER MATTERS**

The Board of Directors does not know of any matters to be presented at the Annual Meeting other than those presented in this Proxy Statement. However, if other matters properly come before the Annual Meeting, it is the intention of the persons named in the accompanying Proxy to vote the Proxy in accordance with the recommendations of the Bank's Board of Directors on such matters, and discretionary authority to do so is included in the Proxy.

April 29, 2020

By Order of the Board of Directors:



Michael J. Winiarski  
*Corporate Secretary*

**YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE REQUESTED TO COMPLETE, SIGN, DATE, AND PROMPTLY RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE.**