October 31, 2014

FOR IMMEDIATE RELEASE

1st Capital Bank Announces:
Third Quarter and Year to Date 2014 Financial Results;
Regulatory Approval for a New Full Service Branch Office

Monterey, California – October 31, 2014. **1st Capital Bank** (OTCQB: FISB) (the "Bank" or "we") today announced third quarter and year to date financial results through September 30, 2014. The Bank achieved record levels of loans, shareholders' equity, and tangible book value per share at September 30, 2014.

Commenting on the Bank's performance during the third quarter of 2014, Susan Freeland, a Director and Chairman of the Board Asset / Liability Management Committee, stated: "We successfully implemented a number of key initiatives which, in aggregate, better position the Bank for enhanced future earnings and ongoing growth. Our recent investments in key infrastructure are designed to allow the Bank to expand efficiently while also continuing to provide the superior client service for which we are well known."

Net income during the third quarter of 2014 was $470 thousand, equivalent to $0.12 per diluted common share. This compares to net income of $457 thousand, equivalent to $0.13 per diluted common share, during the third quarter of 2013. Net income for the second quarter of 2014 (the immediately preceding quarter) was $455 thousand, equivalent to $0.12 per diluted common share.

Net income for the first nine months of 2014 was $1.3 million, equivalent to $0.35 per diluted common share, compared to net income of $1.1 million, equivalent to $0.30 per diluted common share, for the first nine months of 2013. The improved earnings during 2014 stemmed from: (i) increased net interest income associated with a greater level of average interest earnings assets; (ii) a lower provision for loan losses; and (iii) gains on the sale of securities during 2014, as the Bank reallocated duration from its security portfolio to its loan portfolio in conjunction with its interest rate risk management program. The higher provision for loan losses during the first nine months of 2013 was primarily driven by the charge off a $500 thousand impaired commercial loan during the first quarter of 2013, which increased loan loss provision expense by $277 thousand during that three month period. The Bank has since received a partial recovery of that charge-off in the amount of $56 thousand.

The Bank has received approval from its regulators to open a full service branch office in the City of San Luis Obispo, about 80 miles south of the Bank's King City branch office along the 101 freeway corridor. The Bank is currently awaiting local permitting approval for the new branch office and related tenant improvements. At this time, we anticipate opening the branch office late in the first quarter or early during the second quarter of 2015. In recent months, the Bank has been successful in attracting a sufficiently large base of business and professional clients from San Luis Obispo County to justify proceeding to open a branch office.

The Bank significantly repositioned its balance sheet during the third quarter of 2014 with the objectives of improving its prospective earnings capacity and preparing for the addition of a fourth full service branch office. As subsequently expanded upon in this earnings release, the Bank increased its loan portfolio by 7.8% during the third quarter of 2014 while reducing its positions in cash equivalents, time deposits at other banks, investment securities, and bank owned life insurance. In addition, the ratio of shareholders' equity to total assets increased from 8.69% at June 30, 2014 to 9.08% at September 30, 2014, which better positions the Bank to capitalize the projected growth resulting from a new branch office.

Commenting on the third quarter of 2014 financial performance, Mark Andino, the Bank's President and Chief Executive Officer, stated: "The third quarter of 2014 was a very active period for the Bank. We surrendered $1.2 million of comparatively low performing bank owned life insurance, sold $1.7 million in relatively higher duration municipal securities at a gain, processed the outflow of certain transaction related funds deposited at the Bank late in the second quarter of 2014, and purchased a $16.4 million pool of seasoned residential hybrid mortgages --- all in addition to continuing to attract new local deposits and loans. The third quarter also included the Bank's directors exercising $186 thousand in vested stock options, which, along with the quarter's net income and the impact of ongoing use of restricted shares as a form of director and officer compensation, resulted in the Bank's attaining record levels of shareholders' equity and tangible book value per share at September 30, 2014." Mr. Andino then continued: "A number of these trends continued during October 2014, including additional stock option exercises, capital formation through the use of restricted share based compensation, and the purchase of an $8.6 million pool of similarly seasoned residential hybrid mortgages that are based upon the 1 year LIBOR Index."

Michael Winiarski, the Bank's Chief Financial Officer, added: "We concluded the third quarter of 2014 with a balance sheet more reflective of that targeted by the Bank. The ratio of net loans to deposits increased from 71.33% at June 30, 2014 to 80.58% at September 30, 2014. Because loans currently provide a much higher yield than the types of investment securities purchased by the Bank, this is projected to result in increased net interest income during the fourth quarter of 2014. At the same time, the Bank continued to maintain excellent credit quality, with a ratio of nonperforming assets to total assets of 0.18% at September 30, 2014." Mr. Winiarski then continued: "Ideally, we would like the Bank to present a ratio of shareholders' equity to total assets of approximately 9.25% in conjunction with the opening the San Luis Obispo branch office in order to maintain that ratio in the targeted range of 8.50% to 9.00% during an inflow of new deposits from an adjacent market."

Kurt Gollnick, the Bank’s Chairman of the Board, stated: “We are excited about the opportunity to expand into an adjacent market along the Central Coast. The Bank has already attracted some excellent clients in San Luis Obispo County by leveraging the market knowledge of officers added to our team over the past two years and by referrals from some of our existing customers who conduct business in that market.” Mr. Gollnick then added: “The Board of Directors remains highly focused on generating shareholder value and recognizes the importance of providing a higher return on equity to our shareholders. We believe the balance sheet changes during the past four months will contribute to improved future earnings capacity. At the same time, the Board of Directors continues to work closely with the management team in investing in the Bank’s infrastructure to ensure that we continue providing the type of concierge service that is fundamental to our mission and vision.”

Performance Highlights

- The Bank presented a high quality credit profile at September 30, 2014, with a nonperforming asset ratio of 0.18% and a ratio of allowance for loan losses to nonperforming loans of 671.30%. The Bank recorded net recoveries during the first nine months of 2014.

- Nonaccrual loans totaled $784 thousand at September 30, 2014, equivalent to 0.24% of loans outstanding. No new loans were transferred to nonaccrual status during the first nine months of 2014, and the inventory of nonaccrual loans at December 31, 2013 continued to pay down. At September 30, 2014, the Bank did not have any loans which were past due 30 or more days.

- Net loans increased $22.9 million or 7.8% during the third quarter of 2014 to a record $317.9 million. In addition to the aforementioned residential mortgage pool purchase, the Bank was successful in notably increasing its portfolio of multifamily loans during the third quarter following a proactive marketing effort to enlarge that asset class in light of the low vacancy rates, rising rents, and strong investor demand for apartments in much of the Bank’s market area.

- At June 30, 2014, the Bank maintained a regulatory total risk-based capital ratio of 14.76%, substantially in excess of the 10.00% threshold to be categorized in the highest regulatory capital classification of “well capitalized.” The Bank’s regulatory capital ratios at September 30, 2014 benefited from an increase of $186 thousand in Tier 1 Regulatory Capital from payments received for the exercise of vested stock options during the third quarter of 2014. This brought September 30, 2014 year to date capital inflows from the exercise of vested stock options to $551 thousand. Should the price of the Bank’s common stock remain at or near current levels, the Bank expects additional capital inflows from the exercise of vested stock options over the next year, including from vested stock options that expire during that time period.

- Tangible book value per share rose to a record $10.77 as of September 30, 2014, as compared to $10.28 per share at December 31, 2013.

Financial Condition Analysis

Funds held at the Federal Reserve Bank of San Francisco ("FRB-SF") decreased from $15.5 million at December 31, 2013 to $8.7 million at September 30, 2014. During the third quarter of 2014, the Bank reallocated substantially all excess on balance sheet liquidity to funding the growth in the loan portfolio.

Time deposits at other financial institutions declined from $4.6 million at December 31, 2013 to $3.2 million at September 30, 2014, as funds from maturing time deposits were reinvested into other earning assets.

Securities categorized as available for sale decreased from $104.0 million at December 31, 2013 to $101.6 million at September 30, 2014. Security purchases during the first nine months of 2014 were entirely composed of floating rate tranches of collateralized mortgage obligations ("CMO") or floating rate commercial mortgage-backed securities ("MBS") issued by the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"). The Bank purchased variable rate securities during the first nine months of 2014 in order to allocate most of its balance sheet duration to meeting client demand for primarily intermediate term fixed rate loans in the current interest rate environment. In addition, the Bank sold all of its Small Business Administration ("SBA") fixed rate loan pools and about one-half of its FNMA and FHLMC fixed rate MBS during the second quarter of 2014 and a majority of its fixed rate municipal securities during the third quarter of 2014. These sales were also in support of allocating more balance sheet duration to meeting client loan demand. In recent periods, the Bank has been able to achieve approximately twice the yield relative to duration for fixed rate loans versus fixed rate Agency securities, thereby rendering duration allocation to loan originations advantageous from a shareholder value perspective. The following table presents the Bank's security portfolio profile at September 30, 2014, June 30, 2014, and March 31, 2014, and highlights the sales of the fixed rate securities and the purchases of additional variable rate securities:

(Dollars In Thousands) Type of Security	September 30, 2014 Fair Value (Unaudited)	June 30, 2014 Fair Value (Unaudited)	March 31, 2014 Fair Value (Unaudited)
SBA fixed rate loan pools	$ --	$ --	$ 2,754
Municipal fixed rate securities	472	2,239	2,213
Agency[(1)] variable rate residential MBS	2,813	2,945	3,042
Agency fixed rate residential MBS	2,467	2,718	5,693
Agency variable rate commercial MBS	20,248	23,353	23,253
Agency variable rate residential CMO	72,261	70,723	64,593
Agency variable rate commercial CMO	3,364	4,695	5,704
Total	$ 101,625	$ 106,673	$ 107,252

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

The fair value of the Bank's $101.6 million in securities at September 30, 2014 exceeded its amortized cost basis by $369 thousand.

At September 30, 2014, the Bank maintained a strong liquidity profile, consisting of a significant volume of on-balance sheet assets (including cash & cash equivalents and securities available for sale) and significant off-balance sheet borrowing capacity. In recent months, the Bank has been successful in further augmenting its off-balance sheet borrowing capacity, with additional steps in that regard planned for the forthcoming quarters. In order to improve earnings while still maintaining a more than adequate level of liquidity, the Bank is currently targeting a ratio of net loans to deposits of approximately 85.0%.

Net loans increased from $250.8 million at December 31, 2013 to a record $317.9 million at September 30, 2014. The Bank originated or purchased $48.3 million in new credit commitments during the second quarter of 2014, followed by $44.9 million during the third quarter, representing the two most active lending quarters in the Bank's history. This loan production was partially offset by payoffs and curtailments, principal reductions on lines of credit, and scheduled principal amortization. The Bank maintained $61.2 million in undisbursed credit commitments (e.g., undrawn balances on lines of credit) at September 30, 2014.

The Bank's loan mix shifted during the first nine months of 2014, with an increase in the percentage of the loan portfolio composed of residential and multifamily real estate loans, and a reduction in the percentage of the portfolio composed of commercial and industrial business loans. Residential one to four unit loans outstanding increased by $47.3 million during the first nine months of 2014, primarily due to the purchase of the following residential mortgage pools:

Purchase Month	Pool Size
February	$19.2 million
April	$13.2 million
September	$16.4 million
Total	$48.8 million

In addition, the Bank purchased an $8.6 million residential mortgage pool during October 2014. The loans in the pools were mainly seasoned 5/1 or 7/1 mortgages that reprice based upon a margin over the one year LIBOR index. The loans in the mortgage pools met the Bank's standard underwriting criteria, were individually underwritten by the Bank, and are secured by first deeds of trust on homes located in several California counties.

Multifamily loans increased $9.4 million during the first nine months of 2014, as the Bank has sought to originate more of this type of loan given the favorable trends in rents, vacancies, and real estate values in many of the market areas along the Central Coast. Certain of the multifamily loans originated by the Bank during the third quarter of 2014 met the criteria for consideration under the Community Reinvestment Act ("CRA"). By extending this financing, the Bank supported the availability of relatively low cost housing in low to moderate income census tracts within the Bank's CRA Assessment Area.

While construction and land (including farmland) loans increased by just $0.5 million during the first nine months of 2014, the Bank is seeing some client demand along the Central Coast for customized owner-occupant construction or real estate improvements designed for a specific tenant. Construction and land loans may therefore increase in future periods. The Bank does not have any construction loans that are associated with speculative housing development.

Commercial and industrial loans outstanding declined $4.2 million during the first nine months of 2014 primarily due to the payoff in full of $5.4 million in commercial and industrial loans graded Substandard at December 31, 2013.

The Bank's allowance for loan losses increased from $4.7 million, or 1.84% of total loans, at December 31, 2013 to $5.3 million, or 1.63% of total loans, at September 30, 2014. The allowance was increased during the first nine months of 2014 by $525 thousand in loan loss provision and $47 thousand in recoveries. The Bank did not record any charge-offs during the first nine months of 2014. The reduction in the ratio of allowance for loan losses to total loans during the first nine months of 2014 was associated with the aforementioned shift in loan portfolio mix and an improvement in the loan portfolio aggregate credit profile.

Nonaccrual loans decreased $50 thousand from December 31, 2013 to September 30, 2014 due to principal payments received. All of the Bank's non-accrual loans were current or less than 30 days delinquent in scheduled payments as of September 30, 2014. The ratio of the Bank's allowance for loan losses to nonperforming loans rose from 562.47% at December 31, 2013 to 671.30% at September 30, 2014. The Bank has never owned any foreclosed real estate.

Loans graded Substandard increased from $8.7 million at December 31, 2013 to $9.7 million at September 30, 2014. The effect of the aforementioned collection in full of the largest credit relationship ($5.4 million) graded Substandard at December 31, 2013 was more than offset by:

- A $1.6 million credit relationship being downgraded to Substandard during the first half of 2014. The borrower for this credit relationship continues to be cooperative with the Bank and was current in payments at September 30, 2014.

- A $4.8 million credit relationship being downgraded to Substandard during the third quarter of 2014. The borrower for this credit relationship continues to be cooperative with the Bank, pledged additional real estate collateral during the third quarter of 2014, and was current in payments at September 30, 2014.

Loans graded Special Mention decreased from $5.9 million at December 31, 2013 to $2.1 million at September 30, 2014, primarily due to the upgrade of one credit relationship following much improved financial results during the client's most recent fiscal year. Loans graded Watch declined from $3.3 million at December 31, 2013 to $2.5 million at September 30, 2014.

Because of the credit profile of the residential mortgage pools purchased during 2014 (including loan to value ratio, borrower credit score, and borrower debt to income ratio), the Bank assigns a lower general, formula reserve ratio to these loans versus, for example, investor commercial real estate and commercial and industrial business loans. The change in loan mix during the first nine months of 2014 therefore contributed to the reduction in the ratio of allowance for loan losses to loans outstanding from 1.84% at December 31, 2014 to 1.63% at September 30, 2014.

Premises and equipment, net of accumulated depreciation, totaled $1.5 million at both December 31, 2013 and September 30, 2014, as the effect of new asset purchases approximately offset the impact of periodic depreciation. Premises and equipment is expected to increase during the fourth quarter of 2014 in conjunction with: (i) new and much more visible signage for the Salinas branch office; and (ii) a series of technology investments by the Bank. The Bank has now completed the implementation of a significant upgrade to its technology infrastructure to provide much greater bandwidth and support faster processing speeds, while also enhancing redundancy in order to better position the Bank to respond to a range of potential natural disasters or other events presenting challenges to the continued provision of financial services to the Bank's clients.

The Bank's investment in bank owned life insurance ("BOLI") decreased from $3.6 million at December 31, 2013 to $2.5 million at September 30, 2014, as the impact of surrendering approximately $1.2 million in relatively lower performing separate account insurance policies more than offset the effect of dividends credited. While the Bank generated positive net income from the separate account BOLI, the effective rate of return since purchase (approximately two years ago) and the forecast effective yield was not sufficient to warrant continued investment. The surrender of the BOLI generated additional income tax expense for the Bank during the third quarter of 2014, as subsequently discussed.

The Bank's investment in the capital stock of the Federal Home Loan Bank ("FHLB") increased from $1.5 million at December 31, 2013 to $2.0 million at September 30, 2014 due to the standard asset-based investment requirement applicable to FHLB members. In recent quarters, the dividend yield declared and paid on FHLB stock by the Federal Home Loan Bank of San Francisco has been attractive, most recently equaling 7.35% (annualized) during the second quarter of 2014.

Total deposits increased 13.2% from $348.4 million at December 31, 2013 to $394.5 million at September 30, 2014. However, total deposits declined by $19.1 million during the third quarter of 2014 due to:

- Certain transactional funds (e.g., proceeds from the sale of real estate or the receipt of trust distributions) that were deposited late in the second quarter of 2014 outflowed, as expected, during the third quarter.

- The third quarter is a period of seasonal deposit outflows for the Bank because of cash flow patterns in certain of the local industries served by the Bank (e.g., some agriculture related businesses). The Bank has recorded a seasonal decline in deposits during the third quarter of each of the three most recent years.

The weighted average interest rate on the Bank's deposits at September 30, 2014 was 0.16%. The Bank continued to enjoy success in attracting deposit accounts from local businesses and professionals during the first nine months of 2014, in part due to its comprehensive suite of cash management services combined with a dedicated Cash Management Department. The Bank plans to introduce further enhancements to its cash management services and online and mobile banking platforms later this year.

Noninterest bearing demand deposits increased from $144.2 million at December 31, 2013 to $147.2 million at September 30, 2014. The Bank's deposit related marketing during the first nine months of 2014 focused on attracting additional demand deposit accounts from local businesses and professionals.

Interest bearing checking accounts increased from $20.3 million at December 31, 2013 to $23.1 million at September 30, 2014. Given the historically low interest rate environment, the Bank has attracted these consumer, sole proprietor, and non-profit organization checking accounts by its focus on a concierge level of service rather than based upon interest rate.

Money market deposits increased from $81.3 million at December 31, 2013 to $109.4 million at September 30, 2014. Savings deposits rose from $75.7 million at December 31, 2013 to $83.7 million at September 30, 2014. Both money market and savings deposits have been an attractive alternative for liquid funds in the current historically low interest rate environment.

Time deposits increased from $27.0 million at December 31, 2013 to $31.1 million at September 30, 2014, primarily due to the placement of an $8.0 million time deposit with the Bank by the State of California during the second quarter of 2014. Other certificates of deposit therefore decreased by $3.9 million during the first nine months of 2014. Factors contributing to this decline included transfers from certain maturing time deposits into transaction accounts and the Bank's moderating its time deposit pricing in response to its favorable liquidity position and the availability of alternative low cost funding. $14.0 million of the $31.1 million in time deposits at September 30, 2014 were comprised of low cost State of California term funds. None of the Bank's deposits at September 30, 2014 or December 31, 2013 were brokered deposits or sourced from deposit listing services.

Commenting on the Bank's deposit performance, Irene Shippee, the Bank's Chief Banking Officer, stated: "The Bank continues to average opening approximately 200 new deposit accounts each quarter, with all three full service branch offices performing well. During the third quarter of 2014, we introduced our enhanced integrated, electronic, and combined deposit statements. These new statements present all account activity, including check images, for all deposit accounts under a common ownership, in a single, easy to use PDF file format that can be accessed virtually anytime, anywhere, through our Online Banking service. This improved statement format and delivery is much more convenient for our clients, further enhanced by our plan to retain at least two years of electronic statements online for our customers, which will facilitate tax return preparation."

Borrowings increased from none at December 31, 2014 to $8.0 million at September 30, 2014. All of the borrowings outstanding at the end of the third quarter were composed of low cost, overnight advances from the FHLB. The Bank obtained these advances to fund a peak in loan originations at the end of the third quarter.

Shareholders' equity rose from $37.7 million at December 31, 2013 to a record $40.3 million at September 30, 2014. This increase resulted from: (i) 2014 year to date net income of $1.3 million; (ii) $392 thousand in equity compensation expense (primarily associated with restricted shares); (iii) $551 thousand from the exercise of vested stock options; and (iv) a $259 thousand increase in the accumulated other comprehensive income associated with changes in unrealized gains and losses on securities classified as available for sale. During the first nine months of 2014, the Bank's Board of Directors continued to be compensated solely via restricted shares (i.e., no cash compensation). The Bank also continued to gradually shift its compensation mix for officers toward a greater percentage of restricted shares versus cash. The more extensive use of restricted share awards as a form of compensation highlights the directors' and officers' commitment to enhancing shareholder value.

Operating Results Analysis

Net interest income before provision for loan losses rose from $3.19 million during the three months ended September 30, 2013 and from $3.19 million during the three months ended June 30, 2014 (the immediately preceding quarter) to $3.34 million during the three months ended September 30, 2014. This increase was primarily due to: (i) a larger average balance of loans outstanding, which rose from $253.7 million during the third quarter of 2013 and $289.1 million during the second quarter of 2014 to $302.3 million during the third quarter of 2014; and (ii) a larger average balance of investment securities. A key objective for the Bank over the past year has been increasing the size of the loan portfolio while maintaining strong credit quality. The effect upon net interest income of the rise in interest earning assets more than offset the impact of a decrease in net interest margin between the third quarter of 2013 and the third quarter of 2014.

The rise in the size of the loan portfolio from the third quarter of 2013 to the third quarter of 2014 was more than sufficient to offset a reduction in the average effective yield from 4.90% during the third quarter of 2013 to 4.32% during the third quarter of 2014. This reduction in yield stemmed from: (i) continued amortization and repayment of older loans with higher interest rates, particularly those originated in 2008 through 2010; (ii) ongoing aggressive pricing competition from both large banks and smaller financial institutions for high quality loans in the Bank's primary market area; and (iii) the purchase of residential mortgage pools over the past year which presented a lower yield than that typically generated through the Bank's origination of commercial and industrial business loans and income property real estate loans.

Net interest income before provision for loan losses rose from $9.32 million during the nine months ended September 30, 2013 to $9.59 million during the nine months ended September 30, 2014. This increase was primarily due to a rise in average interest earning assets, which more than offset a decline in the Bank's net interest margin from 3.60% during the first nine months of 2013 to 3.06% during the first nine months of 2014. At September 30, 2014, the Bank maintained a $72.3 million investment in Agency residential floating rate CMOs yielding 0.53%. The planned reinvestment of cash flows from these securities into new loan originations and purchases during the fourth quarter of 2014 is a key strategy for supporting the Bank's net interest margin.

Interest income on investment securities declined from $180 thousand during the second quarter of 2014 to $151 thousand during the third quarter of 2014, despite a greater average balance of securities, due to:

- The fixed rate securities sold by the Bank during 2014 were higher yielding than the variable rate securities purchased.

- The Bank recognized $15 thousand in accelerated purchase premium amortization during the third quarter of 2014 due to the payoff in full of an Agency multifamily MBS.

Commenting on the Bank's net interest margin, Jon Ditlevsen, the Bank's Chief Lending Officer, stated: "Because much of the loan portfolio growth during the third quarter of 2014 occurred towards the end of the period, the Bank's net interest income for the quarter did not reflect the improvement in core earnings associated with the new originations. At this time, we anticipate an expansion in the Bank's net interest margin during the fourth quarter of 2014, as the $8.6 million mortgage pool purchased during October 2014 combines with the third quarter loan production and acquisition to notably augment the amount of interest income generated by the loan portfolio."

The provision for loan losses was $250 thousand during the third quarter of 2014, compared to $89 thousand during the third quarter of 2013 and $155 thousand during the second quarter of 2014 (the immediately preceding quarter). Factors contributing to the provision for loan losses during the third quarter of 2014 included:

- The $23.2 million increase in the size of the gross loan portfolio.

- The establishment of $293 thousand in specific reserves associated with the aforementioned credit relationship which was downgraded to Substandard during the third quarter of 2014.

The above factors were partially offset by reductions during the third quarter of 2014 in the volume of loans graded Special Mention (down $338 thousand) and Watch (down $4.2 million).

Factors contributing to the $89 thousand in provision for loan losses recorded during the third quarter of 2013 included:

- Additional specific loan loss reserves of $53 thousand for impaired loans associated with two credit relationships.

- Increased formula general reserves associated with one credit relationship placed on Watch status.

The provision for loan losses decreased from $868 thousand during the nine months ended September 30, 2013 to $525 thousand during the nine months ended September 30, 2014. Factors contributing to the provision for loan losses during the first half of 2013 (i.e., in addition to those specified above for the third quarter of 2013) included:

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

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

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

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

- Increased formula general reserves associated with a credit relationship downgraded to Special Mention.

- The growth in the size of the loan portfolio.

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

- $47 thousand in net recoveries during the nine months ended September 30, 2014 versus $496 thousand in net charge-offs during the nine months ended September 30, 2013.

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

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

Noninterest income increased from $100 thousand during the third quarter of 2013 and $124 thousand during the second quarter of 2014 (the immediately preceding quarter) to $182 thousand during the third quarter of 2014. Noninterest income rose from $240 thousand during the nine months ended September 30, 2013 to $379 thousand during the nine months ended September 30, 2014. Factors contributing to these increases included:

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

- The Bank sold the majority of its position in fixed rate municipal bonds during the third quarter of 2014, generating a $116 thousand gain on sale. The only municipal bond retained by the Bank at September 30, 2014 was associated with its CRA program.

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

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

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

While the Bank did not record any gain on the sale of loans during the first nine months of 2014, the Bank plans to sell the guaranteed portion one or more SBA loans during the fourth quarter of 2014. The Bank's gain on the sale of loans during 2013 was also associated with the sale of SBA loans. Robert Skeen, a veteran commercial banker with over two decades of credit and lending experience, was recently hired by the Bank to direct its Government Guaranteed Lending Department, including loans originated under various SBA, USDA, and California programs.

BOLI dividend income declined from $23 thousand and $71 thousand during the three and nine months ended September 30, 2013 to $19 thousand and $61 thousand during the three and nine months ended September 30, 2014, respectively. This was in part due to the Bank's decision to voluntarily surrender $1.2 million in separate account BOLI during the third quarter of 2014. Absent an incremental BOLI purchase, the Bank expects future BOLI dividend income to therefore decline from its historical run rate.

Noninterest expense increased slightly from $2.44 million during the third quarter of 2013 and $2.38 million during the second quarter of 2014 (the immediately preceding quarter) to $2.46 million during the third quarter of 2014. Noninterest expense rose 4.7% from $6.86 million during the nine months ended September 30, 2013 to $7.17 million during the nine months ended September 30, 2014. The Bank maintained 63 full-time equivalent employees at September 30, 2014 versus 61 at September 30, 2013.

Salaries and benefits expense decreased from $1.52 million during the third quarter of 2013 to $1.44 million during the third quarter of 2014. The third quarter of 2013 included $120 thousand in severance expenses versus none during the third quarter of 2014. This reduction in severance expense was partially offset by:

- Two more full-time equivalent employees.

- Higher costs for temporary labor and overtime in response to the volume of business conducted by the Bank.

- Periodic base salary increases for employees other than executive officers.

- The Bank's recruiting more experienced and higher cost bankers to fill certain open positions over the past twelve months.

- The Bank's shift to a safe harbor 401(k) plan effective January 1, 2014 that resulted in an increased level of employer matching contributions.

- An increase in equity compensation expense associated with restricted share awards (partially offset by lower expense recognition for stock options), as the Bank continues to gradually increase the percentage of employees with equity compensation as a means of fostering an "ownership orientation" that aligns employee interests with the generation of long term shareholder value.

Salaries and benefits expense was little changed between the second and third quarters of 2014. Salaries and benefits expense rose from $4.2 million during the nine months ended September 30, 2014 to $4.3 million during the nine months ended September 30, 2014, primarily due to similar factors as presented above in regard to the quarterly comparison.

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

Occupancy expenses were little changed for the three month and nine month periods ending September 30, 2014 and September 30, 2013, respectively. The term of the lease for the Bank's administrative facility recently concluded. The Bank and the landlord have agreed on a new lease that: (i) provides the Bank with additional space in the building at a cost of just under $1 thousand per month; and (ii) allows the Bank to relocate without penalty with at least six months advance notice. The Bank is continuing to evaluate potential alternative sites for housing its administrative functions, including possibly pursuing a larger facility that would better support the Bank's future growth.

Data and item processing expenses increased from $121 thousand during the third quarter of 2013 to $166 thousand during the third quarter of 2014 due to a wider use of technology by the Bank and because of the associated costs for processing a greater number of client accounts and transactions. Due to the same factors, data and item processing expenses rose from $349 thousand during the nine months ended September 30, 2013 to $426 thousand during the nine months ended September 30, 2014. We expect this trend to continue in the near term, as the Bank has multiple technology related initiatives planned for the remainder of 2014 and into 2015. However, the Bank is currently in negotiations with its primary provider of data processing services to renew its contract, including seeking new and enhanced technologies and improvement in the cost effectiveness of its technology expenditures.

Professional services expenses increased from $111 thousand during the third quarter of 2013 to $142 thousand during the third quarter of 2014. Professional services expenses during the second quarter of 2014 (the immediately preceding quarter) totaled $118 thousand. The Bank hired consultants during the third quarter of 2014 to assist on a range of projects, including implementation of new systems and enhancing the integration and application of existing systems. These technology projects are designed to enhance client service while also bolstering employee productivity. Professional services expenses increased from $318 thousand during the nine months ended September 30, 2013 to $399 thousand during the nine months ended September 30, 2014 due to the aforementioned increase in consulting and $41 thousand in professional recruiter fees associated with the sourcing of the Bank's new Chief Financial Officer earlier in 2014.

Furniture and equipment expense increased from $70 thousand during the third quarter of 2013 to $88 thousand during the third quarter of 2014. Furniture and equipment expense during the second quarter of 2014 (the immediately preceding quarter) was $76 thousand. Furniture and equipment expense increased from $195 thousand during the nine months ended September 30, 2013 to $236 thousand during the nine months ended September 30, 2014. The primary reason for these increases was greater depreciation expense associated with new technology purchases.

Other noninterest expense was little changed from $416 thousand during the third quarter of 2013 to $420 thousand during the third quarter of 2014. Other noninterest expense totaled $419 thousand during the second quarter of 2014 (the immediately preceding quarter). Other noninterest expense was relatively little changed at about $1.2 million during the nine month periods ended September 30, 2013 and 2014, respectively. The Bank has been pursuing various initiatives to moderate the rise in operating costs associated with growth and general periodic cost increases for various vendor services.

The Bank's efficiency ratio (operating costs compared to income from operations), improved from 74.08% during the third quarter of 2013 to 69.77% during the third quarter of 2014, as the impact of the growth in the balance sheet, the gain on sale of securities, and the absence of the 2013 severance pay expense more than offset the effect of a tighter net interest margin. The annualized ratio of the Bank's noninterest expense to average total assets favorably declined from 2.66% during the third quarter of 2013 to 2.21% during the third quarter of 2014. The Bank has therefore achieved progress in leveraging its expense base, with that progress partially offset by the constrained net interest margin. The Bank's efficiency ratio for the first nine months of 2013 and 2014 was relatively constant at approximately 72%.

The Bank increased its total assets by 20.5% during the twelve months ended September 30, 2014 without adding additional physical locations and while increasing full-time equivalent employees by just 3.3%. The Bank's use of technology has enabled the processing of an increasing volume of client transactions without adding significant overhead expense. The Bank offers both qualified businesses and consumers check deposit processing via scanner, with check deposit via smartphone planned for introduction in coming months.

The Bank's effective book tax rate increased from 40.1% during the three months ended September 30, 2013 to 42.4% during the three months ended September 30, 2014. This increase was almost entirely due to $17 thousand in additional taxation associated with the surrender of the BOLI during the third quarter of 2014. Because the surrendered BOLI was providing a relatively low rate of return, we anticipate relatively quickly recapturing the financial impact of the additional taxation through reinvestment of the surrender proceeds.

The Bank's effective book tax rate for the nine months ended September 30, 2013 and 2014, respectively, was relatively constant at about 41.1%. On a 2014 year to date basis, the beneficial impact of increased income from tax qualified municipal bonds and reduced expenses for social club dues offset the effect of the increased taxation associated with the BOLI surrender.

About 1st Capital Bank

The Bank's primary target markets are commercial enterprises, professionals, real estate investors, family business entities, and residents along the Central Coast Region of California. The Bank provides a wide range of credit products, including loans under various government programs such as those provided through the U.S. Small Business Administration ("SBA") and the U.S. Department of Agriculture ("USDA"). A full suite of deposit accounts is also furnished, complemented by robust cash management services. The Bank operates full service branch offices in Monterey, Salinas, and King City. The Bank's corporate offices are located at 5 Harris Court, Building N, Suite 3, Monterey, California 93940. The Bank's website is www.1stCapitalBank.com. The main telephone number is 831.264.4000. The primary facsimile number is 831.264.4001.

Member FDIC / Equal Opportunity Lender / SBA Preferred Lender

Forward-Looking Statements:

Certain of the statements contained herein that are not historical facts are "forward-looking statements" within the meaning of and subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may contain words or phrases including, but not limited to: "believe," "expect," "anticipate," "intend," "estimate," "target," "plans," "may increase," "may fluctuate," "may result in," "are projected," and variations of those words and similar expressions. All such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Factors that might cause such a difference include, among other matters, changes in interest rates; economic conditions including inflation and real estate values in California and the Bank's market areas; governmental regulation and legislation; credit quality; competition affecting the Bank's businesses generally; the risk of natural disasters and future catastrophic events including terrorist related incidents and other factors beyond the Bank's control; and other factors. The Bank does not undertake, and specifically disclaims any obligation, to update or revise any forward-looking statements, whether to reflect new information, future events, or otherwise, except as required by law.

This news release is available at the www.1stCapitalBank.com Internet site for no charge.

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--- *financial data follows* ---

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

Financial Condition Data[1]	September 30, 2014	June 30, 2014	December 31, 2013	September 30, 2013
Assets				
Cash and due from banks	$ 2,393	$ 2,841	$ 1,734	$ 1,688
Funds held at the Federal Reserve Bank[2]	8,693	33,790	15,548	18,521
Time deposits at other financial institutions	3,237	4,333	4,582	4,582
Available-for-sale securities, at fair value	101,625	106,673	103,961	86,623
Loans receivable held for investment:				
Construction / land (including farmland)	16,038	15,862	15,555	15,175
Residential 1 to 4 units	91,627	78,359	44,322	32,300
Home equity lines of credit	11,125	11,779	9,092	10,506
Multifamily	15,324	10,222	5,963	5,127
Owner occupied commercial real estate	53,278	53,171	49,747	49,712
Investor commercial real estate	77,873	70,766	67,019	65,223
Commercial and industrial	52,365	54,340	56,564	65,989
Other loans	5,506	5,484	7,268	6,842
Total loans	323,136	299,983	255,530	250,874
Allowance for loan losses	(5,263)	(5,001)	(4,691)	(4,686)
Net loans	317,873	294,982	250,839	246,188
Premises and equipment, net	1,497	1,478	1,484	1,387
Bank owned life insurance	2,532	3,691	3,648	3,626
Investment in FHLB[3] stock, at cost	2,007	2,007	1,494	1,494
Accrued interest receivable and other assets	3,752	3,966	3,774	3,987
Total assets	$ 443,609	$ 453,761	$ 387,064	$ 368,096
Liabilities and shareholders' equity				
Deposits:				
Noninterest bearing demand deposits	$ 147,186	$ 156,704	$ 144,173	$ 127,132
Interest bearing checking accounts	23,098	22,230	20,268	18,167
Money market	109,367	119,040	81,266	78,221
Savings	83,741	83,287	75,685	72,991
Time	31,083	32,272	26,983	27,423
Total deposits	394,475	413,533	348,375	323,934
Borrowings	8,000	--	--	7,000
Accrued interest payable and other liabilities	857	809	947	988
Shareholders' equity	40,277	39,419	37,742	36,174
Total liabilities and shareholders' equity	$ 443,609	$ 453,761	$ 387,064	$ 368,096
Shares outstanding[4]	3,738,784	3,718,364	3,672,050	3,546,556
Nominal and tangible book value per share[4]	$ 10.77	$ 10.60	$ 10.28	$ 10.20
Ratio of net loans to total deposits	80.58%	71.33%	72.00%	76.00%

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

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

3 = Federal Home Loan Bank

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

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

	3 Months Ended		
Operating Results Data[1]	September 30, 2014	June 30, 2014	September 30, 2013
Interest and dividend income			
Loans	$ 3,291	$ 3,113	$ 3,137
Investment securities	151	180	151
Federal Home Loan Bank stock	39	33	21
Other	21	21	27
Total interest and dividend income	3,502	3,347	3,336
Interest expense			
Interest bearing checking accounts	6	8	6
Money market deposits	76	76	68
Savings deposits	61	61	57
Time deposits	14	14	17
Total interest expense on deposits	157	159	148
Interest expense on borrowings	1	--	1
Total interest expense	158	159	149
Net interest income	3,344	3,188	3,187
Provision for loan losses	250	155	89
Net interest income after provision for loan losses	3,094	3,033	3,098
Noninterest income			
Service charges on deposits	28	34	31
BOLI dividend income	19	21	23
Gain on sale of loans	--	--	21
Gain on sale of securities	116	46	--
Other	19	23	25
Total noninterest income	182	124	100

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

	3 Months Ended		
	September 30, 2014	June 30, 2014	September 30, 2013
Noninterest expenses			
Salaries and benefits	1,444	1,441	1,516
Occupancy	188	188	191
Data and item processing	166	133	121
Professional services	142	118	111
Furniture and equipment	88	76	70
Provision for unfunded loan commitments	12	7	10
Other	420	419	416
Total noninterest expenses	2,460	2,382	2,435
Income before provision for income taxes	816	775	763
Provision for income taxes	346	320	306
Net income	$ 470	$ 455	$ 457
Common Share Data[2]			
Earnings per share			
Basic	$ 0.13	$ 0.12	$ 0.13
Diluted	$ 0.12	$ 0.12	$ 0.13
Weighted average shares outstanding			
Basic	3,725,249	3,699,361	3,515,443
Diluted	3,807,084	3,742,457	3,591,226

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

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

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

	9 Months Ended	
Operating Results Data[1]	September 30, 2014	September 30, 2013
Interest and dividend income		
Loans	$ 9,355	$ 9,218
Investment securities	532	424
Federal Home Loan Bank stock	100	43
Other	64	94
Total interest and dividend income	10,051	9,779
Interest expense		
Interest bearing checking accounts	21	20
Money market deposits	218	204
Savings deposits	182	173
Time deposits	44	66
Total interest expense on deposits	465	463
Interest expense on borrowings	1	1
Total interest expense	466	464
Net interest income	9,585	9,315
Provision for loan losses	525	868
Net interest income after provision for loan losses	9,060	8,447
Noninterest income		
Service charges on deposits	92	82
BOLI dividend income	61	71
Gain on sale of loans	--	21
Gain on sale of securities	162	--
Other	64	66
Total noninterest income	379	240

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

	9 Months Ended	
	September 30, 2014	September 30, 2013
Noninterest expenses		
Salaries and benefits	4,322	4,193
Occupancy	558	570
Data and item processing	426	349
Professional services	399	318
Furniture and equipment	236	195
Provision for unfunded loan commitments	5	13
Other	1,228	1,217
Total noninterest expenses	7,174	6,855
Income before provision for income taxes	2,265	1,832
Provision for income taxes	932	754
Net income	$ 1,333	$ 1,078
Common Share Data[2]		
Earnings per share		
Basic	$ 0.36	$ 0.31
Diluted	$ 0.35	$ 0.30
Weighted average shares outstanding		
Basic	3,701,129	3,454,098
Diluted	3,759,070	3,538,358

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

Asset Quality	September 30, 2014	June 30, 2014	December 31, 2013	September 30, 2013
Loans past due 90 days or more and accruing	$ --	$ --	$ --	$ --
Nonaccrual restructured loans	224	226	230	230
Other nonaccrual loans	560	575	604	628
Other real estate owned	--	--	--	--
	$ 784	$ 801	$ 834	$ 858
Allowance for loan losses to total loans	1.63%	1.67%	1.84%	1.87%
Allowance for loan losses to nonperforming loans	671.30%	624.34%	562.47%	546.15%
Nonaccrual loans to total loans	0.24%	0.27%	0.33%	0.34%
Nonperforming assets to total assets	0.18%	0.18%	0.22%	0.23%
Regulatory Capital and Ratios				
Tier 1 regulatory capital	$ 40,060	$ 39,210	$ 37,783	$ 36,152
Total regulatory capital	$ 43,789	$ 42,877	$ 41,087	$ 39,450
Tier 1 leverage ratio	8.99%	9.14%	10.04%	9.88%
Tier 1 risk based capital ratio	13.50%	13.43%	14.38%	13.78%
Total risk based capital ratio	14.76%	14.69%	15.63%	15.04%

	3 Months Ended		
Selected Financial Ratios[1]	September 30, 2014	June 30, 2014	September 30, 2013
Return on average total assets	0.42%	0.43%	0.50%
Return on average shareholders' equity	4.66%	4.68%	5.06%
Net interest margin	3.03%	3.03%	3.51%
Net interest income to average total assets	2.98%	2.98%	3.45%
Efficiency ratio	69.77%	71.92%	74.08%

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

	9 Months Ended	
Selected Financial Ratios[1]	September 30, 2014	September 30, 2013
Return on average total assets	0.42%	0.41%
Return on average shareholders' equity	4.56%	4.12%
Net interest margin	3.06%	3.60%
Net interest income to average total assets	3.00%	3.52%
Efficiency ratio	72.00%	71.74%

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

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

	3 Months Ended		
Selected Average Balances[1]	September 30, 2014	June 30, 2014	September 30, 2013
Gross loans	$ 302,342	$ 289,061	$ 253,739
Investment securities	106,885	102,791	79,497
Federal Home Loan Bank stock	2,007	1,872	1,494
Other interest earning assets	27,108	27,784	25,205
Total interest earning assets	$ 438,342	$ 421,508	$ 359,935
Total assets	$ 445,717	$ 429,255	$ 366,011
Interest bearing checking accounts	$ 22,276	$ 23,001	$ 17,347
Money market	109,478	107,349	83,730
Savings	82,918	81,581	72,088
Time deposits	31,486	30,985	27,664
Total interest bearing deposits	246,158	242,916	200,829
Noninterest bearing demand deposits	157,831	145,423	127,919
Total deposits	$ 403,989	$ 388,339	$ 328,748
Borrowings	$ 870	$ 1,051	$ 576
Shareholders' equity	$ 39,989	$ 38,969	$ 35,858

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

	9 Months Ended	
Selected Average Balances[1]	September 30, 2014	September 30, 2013
Gross loans	$ 284,910	$ 247,177
Investment securities	104,554	67,126
Federal Home Loan Bank stock	1,793	1,298
Other interest earning assets	28,037	30,488
Total interest earning assets	$ 419,294	$ 346,089
Total assets	$ 426,550	$ 353,869
Interest bearing checking accounts	$ 22,299	$ 16,818
Money market	104,863	77,824
Savings	81,403	68,932
Time deposits	29,790	28,536
Total interest bearing deposits	238,355	192,110
Noninterest bearing demand deposits	147,618	124,353
Total deposits	$ 385,973	$ 316,463
Borrowings	$ 643	$ 232
Shareholders' equity	$ 39,050	$ 35,000

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