

January 31, 2017

**FOR IMMEDIATE RELEASE**



**1st Capital Bank Announces  
Fourth Quarter 2016 Financial Results;  
Record Quarterly Net Income of \$1.03 Million and  
Earnings per Share (Diluted) of \$0.23**

*Monterey, California* – January 31, 2017. **1st Capital Bank** (OTC Pink: FISB) reported unaudited net income of \$1.03 million for the three months ended December 31, 2016, an increase of 52.8% compared to net income of \$674 thousand in the three months ended December 31, 2015 and an increase of 59.7% compared to net income of \$645 thousand in the three months ended September 30, 2016, the immediately preceding quarter. Earnings per share were \$0.23 (diluted), compared to \$0.15 (diluted) for the prior quarter.

Unaudited net income for the year ended December 31, 2016 increased 28.9% to \$3.07 million, compared to \$2.38 million for the year ended December 31, 2015, when operating results included \$249 thousand of non-recurring, non-taxable bank-owned life insurance benefits.

Net interest income before provision for loan losses for the three-month period ended December 31, 2016 was \$4.57 million, an increase of \$390 thousand, or 9.3% compared to \$4.18 million recognized in the three-month period ended September 30, 2016. On a year-over-year basis, quarterly net interest income before provision for loan losses increased \$555 thousand, or 13.8%, from \$4.02 million recognized in the fourth quarter of 2015. For the year ended December 31, 2016, net interest income before provision for loan losses increased 12.9%, from \$15.04 million in the year ended December 31, 2015 to \$16.98 million in the year ended December 31, 2016. Average gross loans outstanding increased \$19 million, to \$409 million for the three months ended December 31, 2016 from \$390 million for the three months ended September 30, 2016, and increased \$32 million, or 8.6%, from an average balance of \$377 million for the three months ended December 31, 2015. Net interest margin increased from 3.20% in the third quarter of 2016 to 3.41% in the fourth quarter of 2016.

Annual loan growth was concentrated in commercial real estate loans, which organically grew \$22 million, or 12.4%, in 2016, from \$176 million as of December 31, 2015 to \$198 million as of December 31, 2016. Over the same period, commercial and industrial loans grew \$3 million, or 6.3%, from \$43 million as of December 31, 2015 to \$45 million as of December 31, 2016, while the single-family residential portfolio, which consists primarily of purchased loans, decreased \$1 million, or 0.6%, from \$133 million as of December 31, 2015 to \$132 million as of December 31, 2016. Overall, the loan portfolio increased \$29 million, or 7.6%, from \$377 million as of December 31, 2015 to \$405 million as of December 31, 2016.

For the year ended December 31, 2016, the Bank recorded a provision for loan losses of \$295 thousand, compared to a provision for loan losses of \$565 thousand in the year ended

December 31, 2015. The Bank did not record a provision for loan losses in the fourth quarter of 2016 or 2015, while it recorded a provision for loan losses of \$255 thousand in the third quarter of 2016. Non-performing assets declined from \$1.7 million as of December 31, 2015 and \$1.6 million as of September 30, 2016 to \$139 thousand as of December 31, 2016.

“Our fourth quarter operating results are a reflection of the success we have had in building our team of skilled relationship managers and their success in expanding our core loan portfolio in 2016,” said Thomas E. Meyer, President and Chief Executive Officer. “Our gross loans outstanding now exceed \$400 million, and our core commercial and industrial and commercial real estate portfolios make up an increasing percentage of the total. This growth in our core business, while maintaining the Bank’s exceptional asset quality, is the key to our increased momentum.”

Total deposits increased \$25 million, or 5.3% to \$500 million as of December 31, 2016, from \$475 million as of September 30, 2016, and increased \$32 million, or 6.9% from \$468 million as of December 31, 2015. In addition to the \$500 million carried on the Bank’s balance sheet as of December 31, 2016, the Bank manages \$24 million in additional deposits placed into Promontory Interfinancial Network’s Insured Cash Sweep (“ICS”) product, compared to \$27 million as of September 30, 2016 and \$0 as of December 31, 2015. These funds may be moved back into the Bank’s deposit portfolio at the Bank’s discretion.

“During the fourth quarter, our reported operating results were enhanced by certain non-recurring items, including \$78 thousand in interest income recognized in connection with the payoff of a non-accrual loan, a special dividend of \$117 declared by the Federal Home Loan Bank of San Francisco, and the resolution of a dispute involving Enterprise Zone income tax credits with the California Franchise Tax Board that reduced our provision for income taxes by \$69 thousand,” said Michael J. Winiarski, Chief Financial Officer. “In addition, demand deposits as of December 31, 2016 include \$20 million received shortly before year-end that we believe are transitory in nature.”

## NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES

Net interest income before provision for credit losses was \$4.57 million in the fourth quarter of 2016, an increase of \$555 thousand, or 13.8%, compared to \$4.02 million in the fourth quarter of 2015 and an increase of \$390 thousand, or 9.3%, compared to \$4.18 million in the third quarter of 2016.

Average earning assets were \$533 million during the fourth quarter of 2016, an increase of 2.6% compared to \$519 million in the third quarter of 2016. The yield on earning assets was 3.53% in the fourth quarter, compared to 3.33% in the third quarter of 2016, primarily due to an increase in the average balance of loans from \$390 million in the third quarter of 2016 to \$409 million in the fourth quarter of 2016. In addition, interest and dividend income included \$78 thousand of interest recognized in connection with the payoff of a non-accrual loan and a special dividend of \$117 thousand declared by the Federal Home Loan Bank of San Francisco. The average balance of the investment portfolio decreased \$5 million, from \$87 million in the third quarter of 2016 to \$82 million in the fourth quarter of 2016, reflecting normal amortization and

prepayments on the Bank's investments in mortgage-backed securities and collateralized mortgage obligations. The yield on the investment portfolio increased from 0.93% in the third quarter of 2016 to 1.03% in the fourth quarter of 2016.

The cost of interest-bearing liabilities declined from 0.23% in the fourth quarter of 2015 and the third quarter of 2016 to 0.22% in the fourth quarter of 2016, while the average balance of interest-bearing liabilities decreased from \$282 million in the third quarter of 2016 to \$277 million in the fourth quarter of 2016, as the Bank experienced a seasonal decrease in deposits, particularly from larger depositors. The average balance of noninterest-bearing demand deposit accounts ("DDAs") increased from \$194 million, or 40.8% of total deposits, in the third quarter of 2016 to \$215 million, or 43.7% of total deposits, in the fourth quarter of 2016. The Bank's overall cost of funds decreased, from 0.14% in the fourth quarter of 2015 to 0.13% in the third and fourth quarters of 2016.

## PROVISION FOR CREDIT LOSSES

The provision for credit losses is a charge against current earnings in an amount determined by management to be necessary to maintain the allowance for loan losses at a level sufficient to absorb estimated probable losses inherent in the loan portfolio in light of losses historically incurred by the Bank and adjusted for qualitative factors associated with the loan portfolio. The Bank did not record a provision for loan losses in the fourth quarter of 2016 or 2015, whereas in the third quarter of 2016, the Bank recorded a \$255 thousand provision for losses, primarily to recognize the increased exposure to credit losses associated with growth in the loan portfolio.

The changes in the provision reflect the growth of the portfolio, changes in the mix of loan types within the portfolio and their respective loss histories, as well as management's assessment of the amounts expected to be realized from certain loans identified as impaired. Impaired loans totaled \$8.0 million at December 31, 2016, compared to \$9.5 million at September 30, 2016, and \$9.1 million at December 31, 2015.

At December 31, 2016, non-performing loans were 0.03% of the total loan portfolio, compared to 0.39% at September 30, 2016 and 0.46% at December 31, 2015. At December 31, 2016, the allowance for loan losses was 1.55% of outstanding loans, compared to 1.52% at September 30, 2016 and 1.57% at December 31, 2015, respectively. The Bank recorded net recoveries of \$12 thousand in the fourth quarter of 2016, compared to net recoveries of \$13 thousand in the third quarter of 2016 and net charge-offs of \$4 thousand in the fourth quarter of 2015.

## NON-INTEREST INCOME

Non-interest income recognized in the fourth quarter of 2016 was \$183 thousand, including \$78 thousand in gain on sale of Small Business Administration guaranteed loans, compared to \$75 thousand in the third quarter of 2016, when no gain on sale was recognized. This represents an increase of \$108 thousand compared to third quarter of 2016, and an increase of \$109 thousand compared to the fourth quarter of 2015.

## NON-INTEREST EXPENSES

Non-interest expenses increased \$226 thousand, or 7.8%, to \$3.14 million in the fourth quarter of 2016, compared to \$2.91 million for the third quarter of 2016, and increased \$194 thousand, or 6.6%, compared to \$2.95 million recognized in the fourth quarter of 2015. Salaries and benefits increased \$109 thousand, or 6.1%, from \$1.80 million in the third quarter of 2016 to \$1.91 million in the fourth quarter of 2016.

For the year ended December 31, 2016, non-interest expenses were \$12.06 million, an increase of \$797 thousand, or 7.1%, compared to \$11.26 million recognized in the year ended December 31, 2015. Salaries and benefits increased \$598 thousand, or 8.7%, from \$6.89 million to \$7.49 million over the same period, reflecting an increase in average headcount from 68 employees for the year ended December 31, 2015 to 74 employees for the year ended December 31, 2016, including the opening of a branch office in San Luis Obispo, California in June 2015.

The efficiency ratio (non-interest expenses divided by the sum of net interest income before provision for loan losses and non-interest income) was 66.0% for the fourth quarter of 2016, compared to 68.4% for the third quarter of 2016 and 72.0% for the fourth quarter of 2015. Annualized non-interest expenses as a percent of average total assets were 2.31%, 2.21%, and 2.33% for the fourth quarter of 2016, the third quarter of 2016, and the fourth quarter of 2015, respectively.

## PROVISION FOR INCOME TAXES

The Bank's effective book tax rate was 36.2% in the fourth quarter of 2016, compared to 40.7% for the third quarter of 2016 and 41.1% for the fourth quarter of 2015. The lower effective rate in the fourth quarter reflects the settlement of certain disputed Enterprise Zone interest deductions dating from 2011.

## **About 1st Capital Bank**

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

*Member FDIC / Equal Opportunity Lender / SBA Preferred Lender*

## **Forward-Looking Statements**

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

**This news release is available at the [www.1stCapital.bank](http://www.1stCapital.bank) internet site for no charge.**

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--- financial data follow ---

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

<b><u>Financial Condition Data</u></b> <sup>1</sup>	December 31, <u>2016</u>	September 30, <u>2016</u>	June 30, <u>2016</u>	December 31, <u>2015</u>
<b>Assets</b>				
Cash and due from banks	\$ 2,754	\$ 3,585	\$ 33,927	\$ 3,334
Funds held at the Federal Reserve Bank <sup>2</sup>	50,884	17,482	32,219	42,857
Time deposits at other financial institutions	2,490	996	1,245	2,241
Available-for-sale securities, at fair value	77,870	84,175	89,178	84,203
<b>Loans receivable held for investment:</b>				
Construction / land (including farmland)	18,993	16,453	15,655	17,499
Residential 1 to 4 units	120,983	127,010	112,899	124,741
Home equity lines of credit	11,609	11,578	8,805	8,594
Multifamily	53,338	53,763	49,868	36,862
Owner occupied commercial real estate	50,887	52,526	51,419	56,046
Investor commercial real estate	94,018	94,378	88,920	83,532
Commercial and industrial	45,219	47,440	49,530	42,528
Other loans	10,259	9,259	7,263	6,909
Total loans	<u>405,306</u>	<u>412,407</u>	<u>384,359</u>	<u>376,711</u>
Allowance for loan losses	<u>(6,267)</u>	<u>(6,255)</u>	<u>(5,987)</u>	<u>(5,921)</u>
Net loans	399,039	406,152	378,372	370,790
Premises and equipment, net	1,477	1,433	1,471	1,612
Bank owned life insurance	7,433	2,395	2,380	2,350
Investment in FHLB <sup>3</sup> stock, at cost	2,939	2,939	2,939	2,593
Accrued interest receivable and other assets	5,541	4,551	4,313	3,970
<b>Total assets</b>	<b><u>\$ 549,927</u></b>	<b><u>\$ 523,708</u></b>	<b><u>\$ 546,044</u></b>	<b><u>\$ 513,950</u></b>
<b>Liabilities and shareholders' equity</b>				
<b>Deposits:</b>				
Noninterest bearing demand deposits	\$ 239,799	\$ 191,079	\$ 194,904	\$ 204,624
Interest bearing checking accounts	33,888	36,479	28,742	29,838
Money market deposits	113,289	120,181	146,228	110,490
Savings deposits	100,601	113,052	112,934	94,315
Time deposits	13,044	14,503	15,298	29,121
Total deposits	<u>500,621</u>	<u>475,294</u>	<u>498,106</u>	<u>468,388</u>
Accrued interest payable and other liabilities	1,661	1,403	1,672	1,073
Shareholders' equity	<u>47,645</u>	<u>47,011</u>	<u>46,266</u>	<u>44,489</u>
<b>Total liabilities and shareholders' equity</b>	<b><u>\$ 549,927</u></b>	<b><u>\$ 523,708</u></b>	<b><u>\$ 546,044</u></b>	<b><u>\$ 513,950</u></b>
Shares outstanding	4,350,721	4,127,686	4,090,186	4,064,485
Nominal and tangible book value per share	\$ 10.96	\$ 11.23	\$ 11.11	\$ 10.95
Ratio of net loans held for investment to total deposits	79.71%	85.45%	75.96%	76.16%

<sup>1</sup> = Loans held for investment are presented according to definitions applicable to the regulatory Call Report.

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

<sup>3</sup> = Federal Home Loan Bank

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

	Three Months Ended			
	December 31, <u>2016</u>	September 30, <u>2016</u>	June 30, <u>2016</u>	December 31, <u>2015</u>
<b><u>Operating Results Data</u></b> <sup>1</sup>				
Interest and dividend income				
Loans	\$ 4,298	\$ 4,028	\$ 3,933	\$ 3,938
Investment securities	213	203	190	160
Federal Home Loan Bank stock	169	64	62	58
Other	48	48	100	23
Total interest and dividend income	<u>4,728</u>	<u>4,343</u>	<u>4,285</u>	<u>4,179</u>
Interest expense				
Interest bearing checking	5	3	2	3
Money market deposits	75	79	112	71
Savings deposits	69	68	82	72
Time deposits	7	11	9	14
Total interest expense on deposits	<u>156</u>	<u>161</u>	<u>205</u>	<u>160</u>
Interest expense on borrowings	--	--	--	2
Total interest expense	<u>156</u>	<u>161</u>	<u>205</u>	<u>162</u>
Net interest income	4,572	4,182	4,080	4,017
Provision for loan losses	--	255	40	--
Net interest income after provision for loan losses	<u>4,572</u>	<u>3,927</u>	<u>4,040</u>	<u>4,017</u>
Noninterest income				
Service charges on deposits	41	32	32	34
BOLI dividend income	38	14	15	15
Gain on sale of loans	78	--	19	11
Gain on sale of securities	--	--	10	--
Other	26	29	28	14
Total noninterest income	<u>183</u>	<u>75</u>	<u>104</u>	<u>74</u>

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

	Three Months Ended			
	December 31, 2016	September 30, 2016	June 30, 2016	December 31, 2015
Noninterest expenses				
Salaries and benefits	1,910	1,801	1,883	1,817
Occupancy	250	231	216	219
Data and item processing	154	149	151	149
Professional services	205	108	142	132
Furniture and equipment	127	114	112	127
Provision for unfunded loan commitments	(9)	(10)	(25)	19
Other	503	521	496	483
Total noninterest expenses	3,140	2,914	2,975	2,946
Income before provision for income taxes	1,615	1,088	1,169	1,145
Provision for income taxes	585	443	480	471
Net income	\$ 1,030	\$ 645	\$ 689	\$ 674

**Common Share Data<sup>2</sup>**

Earnings per share				
Basic	\$ 0.24	\$ 0.15	\$ 0.16	\$ 0.16
Diluted	\$ 0.23	\$ 0.15	\$ 0.16	\$ 0.16
Weighted average shares outstanding				
Basic	4,340,153	4,329,406	4,311,116	4,255,278
Diluted	4,392,963	4,377,177	4,357,571	4,338,245

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

<sup>2</sup> = Earnings per share and weighted average shares outstanding have been restated to reflect the effect of the 5% stock dividend declared November 23, 2016 and paid December 15, 2016.

1ST CAPITAL BANK  
CONDENSED FINANCIAL DATA  
(Unaudited)  
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	Twelve Months Ended	
	December 31, 2016	December 31, 2015
<b><u>Operating Results Data</u><sup>1</sup></b>		
Interest and dividend income		
Loans	\$ 16,279	\$ 14,732
Investment securities	796	617
Federal Home Loan Bank stock	347	279
Other	266	82
Total interest and dividend income	17,688	15,710
Interest expense		
Interest bearing checking	13	11
Money market deposits	352	319
Savings deposits	297	280
Time deposits	40	51
Total interest expense in deposits	702	661
Interest expense on borrowings	--	4
Total interest expense	702	665
Net interest income	16,986	15,045
Provision for loan losses	295	565
Net interest income after provision for loan losses	16,691	14,480
Noninterest income		
Service charges on deposits	140	123
BOLI dividend income	82	60
BOLI benefits	--	249
Gain on sale of loans	97	100
Gain on sale of securities	10	--
Other	102	78
Total noninterest income	431	610

1ST CAPITAL BANK  
CONDENSED FINANCIAL DATA  
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	Twelve Months Ended	
	December 31, 2016	December 31, 2015
Noninterest expenses		
Salaries and benefits	7,488	6,890
Occupancy	919	841
Data and item processing	602	596
Professional services	537	532
Furniture and equipment	476	459
Provision for unfunded loan commitments	(29)	31
Other	2,069	1,916
Total noninterest expenses	12,062	11,265
Income before provision for income taxes	5,060	3,825
Provision for income taxes	1,992	1,444
Net income	\$ 3,068	\$ 2,381
<b><u>Common Share Data</u></b> <sup>2</sup>		
Earnings per share		
Basic	\$ 0.71	\$ 0.56
Diluted	\$ 0.70	\$ 0.55
Weighted average shares outstanding		
Basic	4,314,335	4,226,917
Diluted	4,363,723	4,296,133

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

<sup>2</sup> = Earnings per share and weighted average shares outstanding have been restated to reflect the effect of the 5% stock dividend declared November 23, 2016 and paid December 15, 2016.

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

	December 31, <u>2016</u>	September 30, <u>2016</u>	June 30, <u>2016</u>	December 31, <u>2015</u>
<b><u>Asset Quality</u></b>				
Loans past due 90 days or more and accruing interest	\$ --	\$ --	\$ --	\$ --
Nonaccrual restructured loans	--	1,465	1,491	1,526
Other nonaccrual loans	139	154	248	205
Other real estate owned	--	--	--	--
	<u>\$ 139</u>	<u>\$ 1,619</u>	<u>\$ 1,739</u>	<u>\$ 1,731</u>
Allowance for loan losses to total loans	1.55%	1.52%	1.56%	1.57%
Allowance for loan losses to nonperforming loans	4,508.63%	386.35%	344.28%	342.06%
Nonaccrual loans to total loans	0.03%	0.39%	0.45%	0.46%
Nonperforming assets to total assets	0.03%	0.31%	0.32%	0.34%

**Regulatory Capital and Ratios**

Common equity tier 1 capital	\$ 48,093	\$ 46,924	\$ 46,143	\$ 44,258
Tier 1 regulatory capital	\$ 48,093	\$ 46,924	\$ 46,143	\$ 44,258
Total regulatory capital	\$ 52,740	\$ 51,469	\$ 50,447	\$ 48,461
Tier 1 leverage ratio	8.89%	8.94%	8.33%	8.82%
Common equity tier 1 risk based capital ratio	12.99%	12.97%	13.47%	13.24%
Tier 1 risk based capital ratio	12.99%	12.97%	13.47%	13.24%
Total risk based capital ratio	14.25%	14.23%	14.73%	14.49%

	Three Months Ended			
	December 31, <u>2016</u>	September 30, <u>2016</u>	June 30, <u>2016</u>	December 31, <u>2015</u>
<b><u>Selected Financial Ratios<sup>1</sup></u></b>				
Return on average total assets	0.76%	0.49%	0.50%	0.53%
Return on average shareholders' equity	8.59%	5.48%	6.01%	6.04%
Net interest margin	3.41%	3.20%	2.99%	3.21%
Net interest income to average total assets	3.36%	3.17%	2.96%	3.17%
Efficiency ratio	66.04%	68.45%	71.10%	72.03%

<sup>1</sup> = All Selected Financial Ratios are annualized other than the Efficiency Ratio.

	Three Months Ended			
	December 31, <u>2016</u>	September 30, <u>2016</u>	June 30, <u>2016</u>	December 31, <u>2015</u>
<b><u>Selected Average Balances</u></b>				
Gross loans	\$ 409,396	\$ 389,580	\$ 383,020	\$ 376,956
Investment securities	82,195	87,364	77,748	86,974
Federal Home Loan Bank stock	2,939	2,939	2,848	2,593
Other interest earning assets	38,435	39,513	84,807	29,366
Total interest earning assets	<u>\$ 532,982</u>	<u>\$ 519,396</u>	<u>\$ 548,423</u>	<u>\$ 495,889</u>
Total assets	\$ 540,925	\$ 524,905	\$ 553,957	\$ 502,349
Interest bearing checking accounts	\$ 35,366	\$ 32,142	\$ 29,327	\$ 31,352
Money market deposits	114,818	121,476	146,985	114,281
Savings deposits	112,046	113,052	120,792	96,740
Time deposits	14,287	15,062	15,434	29,460
Total interest bearing deposits	<u>276,517</u>	<u>281,732</u>	<u>312,538</u>	<u>271,833</u>
Noninterest bearing demand deposits	214,675	194,335	193,762	183,569
Total deposits	<u>\$ 491,192</u>	<u>\$ 476,067</u>	<u>\$ 506,300</u>	<u>\$ 455,402</u>
Borrowings	\$ --	\$ 65	\$ 12	\$ 2,283
Shareholders' equity	\$ 47,722	\$ 46,844	\$ 46,071	\$ 44,308

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CONDENSED FINANCIAL DATA  
(Unaudited)  
(Dollars in thousands)

	Twelve Months Ended	
	December 31, <u>2016</u>	December 31, <u>2015</u>
<b>Selected Financial Ratios<sup>1</sup></b>		
Return on average total assets	0.57%	0.49%
Return on average shareholders' equity	6.61%	5.51%
Net interest margin	3.20%	3.14%
Net interest income to average total assets	3.16%	3.10%
Efficiency ratio	69.25%	71.96%

<sup>1</sup> = All Selected Financial Ratios are annualized other than the Efficiency Ratio.

	Twelve Months Ended	
	December 31, <u>2016</u>	December 31, <u>2015</u>
<b>Selected Average Balances<sup>1</sup></b>		
Gross loans	\$ 390,544	\$ 352,971
Investment securities	81,707	96,676
Federal Home Loan Bank stock	2,830	2,411
Other interest earning assets	55,641	27,700
Total interest earning assets	\$ 530,722	\$ 479,758
Total assets	\$ 536,792	\$ 485,551
Interest bearing checking accounts	\$ 32,109	\$ 27,709
Money market deposits	126,528	118,298
Savings deposits	113,795	94,087
Time deposits	16,519	29,868
Total interest bearing deposits	288,952	269,963
Noninterest bearing demand deposits	199,641	169,419
Total deposits	\$ 488,593	\$ 439,381
Borrowings	\$ 19	\$ 2,056
Shareholders' equity	\$ 46,436	\$ 43,244

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