FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
For the transition period from_____ to _____

FDIC Certificate No. 58485

1st CAPITAL BANK
(Exact name of registrant as specified in its charter)

State of California	20-8231967
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

5 Harris Court, Building N, Suite 3, Monterey, California 93940
(Address of principal executive offices)

(831) 264-4000
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [X]

Indicate by check whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: No par value common stock – 3,157,699 shares outstanding at November 12, 2009.

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TO 1st CAPITAL BANK FORM 10-Q
FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2009

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

1ST CAPITAL BANK
CONDENSED BALANCE SHEETS
(Unaudited)

	September 30, 2009	December 31, 2008
Assets		
Cash and due from banks	$ 3,282,000	$ 4,383,000
Federal funds sold and overnight deposits	8,215,000	7,850,000
Total cash and cash-equivalents	11,497,000	12,233,000
Interest-bearing deposits in other financial institutions	2,034,000	3,862,000
Available-for-sale investment securities at estimated fair value	11,327,000	11,610,000
Loans:		
Commercial	65,292,000	56,263,000
Real estate-construction	997,000	3,726,000
Real estate-other	63,585,000	41,648,000
Consumer	1,579,000	1,448,000
Deferred loan costs, net	428,000	331,000
Total loans	131,881,000	103,416,000
Allowance for loan losses	(2,008,000)	(1,552,000)
Net loans	129,873,000	101,864,000
Premises and equipment, net	906,000	1,036,000
Accrued interest receivable and other assets	1,253,000	837,000
Total assets	$ 156,890,000	$ 131,442,000
Liabilities and Shareholders' Equity		
Deposits:		
Demand, non-interest-bearing	$ 30,351,000	$ 31,782,000
Demand, interest-bearing	35,845,000	24,046,000
Savings	22,620,000	12,240,000
Time	40,115,000	35,349,000
Total deposits	128,931,000	103,417,000
Accrued interest payable and other liabilities	814,000	639,000
Total liabilities	129,745,000	104,056,000
Commitments and contingencies (Note 8)		
Shareholders' Equity:		
Common stock - no par value; authorized 20,000,000 shares; outstanding: 3,157,699 shares at September 30, 2009 and December 31, 2008	32,772,000	32,382,000
Accumulated deficit	(5,918,000)	(5,162,000)
Accumulated other comprehensive income, net of taxes	291,000	166,000
Total shareholders' equity	27,145,000	27,386,000
Total liabilities and shareholders' equity	$ 156,890,000	$ 131,442,000

The accompanying notes are an integral part of these interim unaudited condensed financial statements.

1ST CAPITAL BANK
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three month period ended September 30, 2009	2008	For the nine month period ended September 30, 2009	2008
Interest Income				
Loans, including fees	$1,738,000	$1,208,000	$ 4,633,000	3,072,000
Federal funds sold and overnight deposits	11,000	57,000	35,000	180,000
Available-for-sale investment securities	132,000	74,000	414,000	265,000
Interest on deposits in other financial institutions	38,000	72,000	119,000	216,000
Total interest income	1,919,000	1,411,000	5,201,000	3,733,000
Interest Expense				
Interest on deposits	376,000	421,000	1,349,000	1,086,000
Net Interest Income before Provision for Loan Losses	1,543,000	990,000	3,852,000	2,647,000
Provision for Loan Losses	(116,000)	(70,000)	(456,000)	(718,000)
Net Interest Income after Provision for Loan Losses	1,427,000	920,000	3,396,000	1,929,000
Non-interest Income				
Service charges on deposits	13,000	12,000	37,000	38,000
Other income	12,000	7,000	42,000	13,000
Total non-interest income	25,000	19,000	79,000	51,000
Non-interest Expenses				
Salaries and benefits	693,000	625,000	2,253,000	1,956,000
Occupancy	118,000	109,000	373,000	280,000
Furniture and equipment	86,000	59,000	205,000	158,000
Other	480,000	366,000	1,399,000	1,166,000
Total non-interest expenses	1,377,000	1,159,000	4,230,000	3,560,000
Income (Loss) Before Provision for Income Taxes	75,000	(220,000)	(755,000)	(1,580,000)
Provision for Income Taxes	-	-	1,000	-
Net Income (Loss)	$ 75,000	$(220,000)	$ (756,000)	$(1,580,000)
Basic and Diluted Earnings (Loss) Per Share	$ 0.02	$ (0.07)	$ (0.24)	$ (0.50)
Weighted Average Basic Number of Shares Outstanding	3,157,699	3,157,699	3,157,699	3,157,699
Weighted Average Diluted Number of Shares Outstanding	3,159,453	N/A	N/A	N/A

The accompanying notes are an integral part of these interim unaudited condensed financial statements.

1ST CAPITAL BANK
CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE LOSS
(Unaudited)

	Common Stock		Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Deficit	Income	Total
Balances, January 1, 2008	3,157,699	$ 31,905,000	$(3,037,000)	$ 90,000	$28,958,000
Net loss			(2,125,000)		(2,125,000)
Changes in unrealized gains on available-for-sale investment securities, net of taxes of $116,000				76,000	76,000
Total comprehensive loss					(2,049,000)
Share-based compensation expense		477,000			477,000
Balances, December 31, 2008	3,157,699	32,382,000	(5,162,000)	166,000	27,386,000
Net loss			(756,000)		(756,000)
Changes in unrealized gains on available-for-sale investment securities, net of taxes of $90,000				125,000	125,000
Total comprehensive loss					(631,000)
Share-based compensation expense		390,000			390,000
Balances, September 30, 2009	3,157,699	$ 32,772,000	$(5,918,000)	$ 291,000	$27,145,000

The accompanying notes are an integral part of these interim unaudited condensed financial statements.

1ST CAPITAL BANK
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

For the nine months ended September 30,	2009	2008
Cash Flows from Operating Activities:		
Net loss	$ (756,000)	$ (1,581,000)
Adjustment to reconcile net loss to net cash used in operating activities:		
Provision for loan losses	456,000	718,000
Depreciation	214,000	161,000
Share-based compensation expense	390,000	358,000
Amortization and accretion	(3,000)	(26,000)
Increase in deferred loan costs, net	(97,000)	(141,000)
Increase in accrued interest receivable and other assets	(416,000)	(440,000)
Increase in accrued interest payable and other liabilities	85,000	95,000
Net cash used in operating activities:	(127,000)	(856,000)
Cash Flows from Investing Activities:		
Decrease in interest-bearing deposits in other financial institutions, net	1,828,000	1,287,000
Proceeds from maturities of available-for-sale investment securities	2,978,000	2,440,000
Purchase of available-for-sale investment securities	(2,477,000)	-
Net increase in loans	(28,368,000)	(50,833,000)
Purchases of equipment	(84,000)	(476,000)
Net cash used in investing activities	(26,123,000)	(47,582,000)
Cash Flows from Financing Activities:		
Net increase in deposits	25,514,000	45,760,000
Net cash provided by financing activities	25,514,000	45,760,000
Net decrease in cash and equivalents	(736,000)	(2,678,000)
Cash and equivalents, beginning of period	12,233,000	18,222,000
Cash and equivalents, end of period	$11,497,000	$ 15,544,000
Noncash Investing and Financing Activities:		
Unrealized holding gains (losses) on available-for-sale investment securities	$ 215,000	$ (8,000)
Other Cash Flow Information:		
Interest paid	$ 1,253,000	$ 972,000
Income taxes paid	$ 1,000	$ 1,000

The accompanying notes are an integral part of these interim unaudited condensed financial statements.

1ST CAPITAL BANK
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION AND MANAGEMENT REPRESENTATION

The accompanying interim unaudited condensed financial statements of 1st Capital Bank (the "Bank") have been prepared pursuant to the rules and regulations of the Federal Deposit Insurance Corporation ("FDIC") and the Securities and Exchange Commission ("SEC") for interim reporting on Form 10-Q. Accordingly, certain disclosures normally presented in the notes to the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. The Bank believes that the disclosures are adequate to make the information not misleading. These interim condensed financial statements should be read in conjunction with the financial statements and related footnotes as of and for the year ended December 31, 2008, included in the Bank's Annual Report on Form 10-K on file with the Federal Deposit Insurance Corporation. In the opinion of management, the unaudited condensed financial statements presented herein include all adjustments (consisting of normal recurring adjustments) necessary to present fairly, in all material respects, the financial position of the Bank as of September 30, 2009 and December 31, 2008 and the Bank's results of operations, for the three and nine months ended September 30, 2009 and 2008 and its cash flows for the nine-month periods ended September 30, 2009 and 2008. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

The preparation of condensed financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Management has determined that because all of the commercial banking products and services offered by the Bank are available in each branch of the Bank, all branches are located within the same economic environment and management does not allocate resources based on the performance of different lending or transaction activities, it is appropriate to aggregate the Bank branches and report them as a single operating segment. No single customer accounts for more than 10% of the revenues of the Bank.

NOTE 2 – EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options, result in the issuance of common stock which share in the earnings of the Bank. The treasury stock method is applied to determine the dilutive effect of stock options in computing diluted earnings per share. However, diluted earnings (loss) per share are not presented when a net loss occurs because the conversion of potential common stock equivalents would be anti-dilutive.

NOTE 3 – AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Investment securities are classified as available-for-sale and are measured at fair value, with unrealized gains and losses, net of applicable income taxes, reported as a separate component of shareholders' equity. Any gains or losses on sales of investments are computed on a specific identification basis. The following tables reflect the composition of available-for-sale investment securities, amortized cost, unrealized gains and losses and estimated fair values as of September 30, 2009 and December 31, 2008.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2009				
U.S. Treasury and agency securities	$1,000,000	$1,000	$ -	$1,001,000
Government guaranteed mortgage-backed securities	9,830,000	496,000	-	10,326,000
Total available-for-sale investment securities	$10,830,000	$ 497,000	$ -	$11,327,000
December 31, 2008				
U.S. Treasury and agency securities	$ 2,000,000	$ 45,000	$ -	$ 2,045,000
Government guaranteed mortgage-backed securities	9,328,000	237,000	-	9,565,000
Total available-for-sale investment securities	$11,328,000	$ 282,000	$ -	$11,610,000

Unrealized gains on available-for-sale investment securities totaling $497,000 and $282,000 were recorded net of $206,000 and $116,000 in deferred tax liabilities, respectively, as accumulated other comprehensive income within shareholders' equity at September 30, 2009 and December 31, 2008, respectively.

The amortized cost and estimated fair value of available-for-sale investment securities at September 30, 2009 by contractual maturity are shown below. Expected maturities differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

As of September 30, 2009, $1,001,000 of investments at an interest rate of 5.00% are callable in the next quarter. The remainder of the Bank's investment portfolio consists of asset-backed securities which do not have a stated maturity.

At September 30, 2009 and December 31, 2008, all of the Bank's available-for-sale investment securities were pledged to secure deposits of public funds or borrowing arrangements. As of September 30, 2009 and December 31, 2008, respectively, $6,035,000 and $5,000,000 of public funds deposits were outstanding and no borrowings were outstanding.

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES

As of September 30, 2009 and December 31, 2008, the Bank had no impaired or nonaccrual loans, troubled debt restructurings, or other real estate owned. During the three and nine months ended September 30, 2009, the Bank recorded a provision for loan losses of $116,000 and $456,000, respectively. During the three and nine months ended September 30, 2008, the Bank recorded a provision for loan losses of $70,000 and $718,000, respectively. There were no charge-offs or recoveries recorded during the three or nine months ended September 30, 2009 or the three months ended September 30, 2008. Charge-offs totaling $3,000 were recorded during the nine months ended September 30, 2008.

During the three months ended September 30, 2009 and 2008, the Bank deferred salaries and employee benefits of $121,000 and $114,000 related to loan origination activities. During the nine months ended September 30, 2009 and 2008, the Bank deferred salaries and employee benefits of $345,000 and $305,000 related to loan origination activities.

NOTE 5 – STOCK-BASED COMPENSATION

At September 30, 2009, the Bank had one shareholder approved share-based compensation plan, the 1st Capital Bank 2007 Stock Option Plan (the "Plan"). Under the Plan, 947,309 shares of the Bank's common stock were reserved for issuance to employees and directors and 489,615 shares are available for future grants under incentive and nonstatutory agreements. New shares are issued upon option exercise. The Plan does not provide for the settlement of awards in cash. The Plan requires that the option price may not be less than the fair market value of the stock at the date the option is granted, and that the stock acquired upon exercise must be paid in full at the time the option is exercised. The Bank granted 24,348 options in the nine

month period ended September 30, 2009. The weighted average grant date fair value of options granted during the nine months ended September 30, 2009 was $2.61 per share.

A summary of option activity under the Plan for the nine months ended September 30, 2009 and the year ended December 31, 2008 is as follows:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2008	437,846	$10.03		
Granted	1,500	$11.00		
Exercised	-	-		
Forfeited	(2,000)	$10.75		
Outstanding at December 31, 2008	437,346	$10.03		
Granted	24,348	7.37		
Exercised	-	-		
Forfeited	(4,000)	10.00		
Outstanding at September 30, 2009	457,694	$ 9.89	7.7	$ 8,000
Exercisable at September 30, 2009	297,582	$ 10.02	7.6	$ -
Vested or expected to vest at September 30, 2009	454,575	$ 9.89	7.7	$ 8,000

As of September 30, 2009, the unrecognized compensation cost related to non-vested stock option awards totaled $344,000. That cost is expected to be amortized on a straight-line basis over a remaining weighted average period of 0.5 years and will be adjusted for subsequent changes in estimated forfeitures. Share-based compensation cost recognized in operating results for the three months ended September 30, 2009 and September 30, 2008 was $123,000 and $119,000. Share-based compensation cost recognized in operating results for the nine months ended September 30, 2009 and September 30, 2008 was $390,000 and $358,000. The associated future income tax benefit recognized was not considered significant.

NOTE 6 - INCOME TAXES

Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. A valuation allowance is recognized if, based on the weight of available evidence, management believes it is more likely than not that some portion or all of the deferred tax assets will not be realized. Due to the losses recognized during the organizational period and since operations commenced, a valuation allowance has been recorded for substantially all of the Bank's net deferred tax assets.

The Bank considers all tax positions recognized in its financial statements for the likelihood of realization. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the positions taken or the amounts of the positions that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above, if any, would be reflected as a liability for unrecognized tax benefits in the accompanying condensed balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Bank recognizes accrued interest and penalties, if any, related to unrecognized tax benefits as a component of tax expense in the condensed statement of income. The Bank does not have any uncertain income tax positions and has not accrued for any interest or penalties as of September 30, 2009.

NOTE 7 - FAIR VALUE MEASUREMENT

Fair Value of Financial Instruments

The carrying and estimated fair value of the Bank's financial instruments are as follows:

	2009		2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and due from banks	$ 3,282,000	$ 3,282,000	$ 3,764,000	$ 3,764,000
Federal funds sold and overnight deposits	8,215,000	8,215,000	11,780,000	11,780,000
Interest-bearing deposits in other financial institutions	2,034,000	2,042,000	4,456,000	4,456,000
Available-for-sale investment securities	11,327,000	11,327,000	5,911,000	5,911,000
Loans, net	129,873,000	129,685,000	86,275,000	86,715,000
Federal Home Loan Bank common stock	489,000	489,000	200,000	200,000
Accrued interest receivable	489,000	489,000	388,000	388,000
Financial liabilities:				
Deposits	$128,931,000	$127,536,000	$ 85,899,000	$ 83,038,000
Accrued interest payable	310,000	310,000	214,000	214,000

These estimates do not reflect any premium or discount that could result from offering the Bank's entire holdings of a particular financial instrument for sale at one time, nor do they attempt to estimate the value of anticipated future business related to the instruments. In addition, the tax ramifications related to the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of these estimates.

The following methods and assumptions were used to estimate the fair value of financial instruments. For cash and due from banks, Federal funds sold and overnight deposits, variable-rate loans, accrued interest receivable and payable, FHLB stock and demand deposits, the carrying amount is estimated to be fair value. For investment securities, fair values are based on quoted market prices, quoted market prices for similar securities and indications of value provided by brokers. The fair values for fixed-rate loans are estimated using discounted cash flow analyses, using interest rates currently being offered at each reporting date for loans with similar terms to borrowers of comparable creditworthiness. Fair values for interest-bearing deposits in other financial institutions and fixed-rate certificates of deposit are estimated using discounted cash flow analyses using interest rates offered by or to the Bank at each reporting date for certificates with similar remaining maturities. The fair values of commitments are estimated using the fees currently charged to enter into similar agreements and are not significant and, therefore, not included in the above table.

Fair Value Measurements

The following table presents information about the Bank's assets and liabilities measured at fair value on a recurring basis as of September 30, 2009. The Bank did not have any assets or liabilities required to be measured on a nonrecurring basis at September 30, 2009. The table also indicates the fair value hierarchy of the valuation techniques utilized by the Bank to determine such fair value based on the following hierarchy:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Bank's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Assets recorded at fair value on a recurring basis are summarized below:

		Fair Value Measurements at September 30, 2009 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities	$ 11,327,000	$ -	$ 11,327,000	$ -

The fair values of securities available-for-sale are valued based on quoted market prices for similar securities, if available. If quoted market prices are not available, fair value is determined using quoted prices for similar securities. There were no changes in valuation techniques used for the quarter ended September 30, 2009.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

From time to time, the Bank may be a party to claims and legal proceedings arising in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such claims and proceedings will not have a material adverse effect on the financial condition or results of operations of the Bank.

Financial Instruments with Off-Balance-Sheet Risk

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business in order to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. At September 30, 2009, these financial instruments consisted of commitments to extend credit and stand-by letters of credit of $36,679,000 and $363,000, respectively. At December 31, 2008, these financial instruments consisted of commitments to extend credit and stand-by letters of credit of $34,885,000 and $267,000, respectively.

The Bank's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments as it does for loans included on the balance sheet. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Of the loan commitments outstanding at September 30, 2009, $31,764,000, or approximately 87%, are commercial loan commitments and are generally unsecured or secured by collateral other than real estate and have variable interest rates. Real estate loan commitments of $41,000 represent approximately 0.1% of total commitments and are generally secured by property with a loan-to-value ratio not to exceed 75%. Home equity lines of credit of $4,467,000 and consumer loans of $407,000 represent the remaining 12% and 1%, respectively, of total commitments and are generally secured by residential real estate and have both variable and fixed interest rates.

NOTE 9 - RECENT ACCOUNTING DEVELOPMENTS

FASB Accounting Standards Codification (ASC or Codification): In June 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-01 (formerly Statement No. 168), "*Topic 105 - Generally Accepted Accounting Principles - FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*." The Codification is the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP). The Codification does not change current GAAP, but is intended to simplify user access to all authoritative GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents are superseded and all other accounting literature not included in the Codification is considered non-authoritative. The Codification is effective for interim or annual reporting periods ending after September 15, 2009. References to the non-authoritative literature have been updated

to reference the applicable sections of the Codification.

Measuring Liabilities at Fair Value: In August 2009, the FASB issued ASU No. 2009-05, *"Fair Value Measurements and Disclosures (Topic 820) – Measuring Liabilities at Fair Value"*. This ASU provides amendments for fair value measurements of liabilities. It provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more techniques. ASU 2009-05 also clarifies that when estimating a fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. ASU 2009-05 is effective for the first reporting period (including interim periods) beginning after issuance or fourth quarter 2009. The Bank is continuing to assess the impact of ASU 2009-05 on its financial condition, results of operations, and disclosures.

Accounting for Transfers of Financial Assets: In June 2009, the FASB issued Statement No. 166, *"Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140"* (SFAS No. 166). SFAS 166 amends the de-recognition accounting and disclosure guidance relating to SFAS 140. SFAS 166 eliminates the exemption from consolidation for QSPEs, it also requires a transferor to evaluate all existing QSPEs to determine whether it must be consolidated in accordance with SFAS 167. SFAS 166 is effective as of the beginning of the first annual reporting period that begins after November 15, 2009. The Bank is continuing to assess the impact of SFAS 166 on its financial condition, results of operations, and disclosures.

FASB Amends Disclosures about Fair Value of Financial Instruments: In April 2009, the FASB issued ASC 825 (formerly FASB Staff Position (FSP) 107-1 and APB 28-1), *"Interim Disclosures about Fair Value of Financial Instruments."* ASC 825 requires a public entity to provide disclosures about fair value of financial instruments in interim financial information. ASC 825 is effective for interim and annual financial periods ending after June 15, 2009. The Bank adopted the provisions of ASC 825 on April 1, 2009 and the impact on its disclosures is presented in Note 7 – Fair Value Measurement.

FASB Clarifies Other-Than-Temporary Impairment: In April 2009, the FASB issued ASC 320 (formerly FSP FAS 115-2, FAS124-2 and EITF 99-20-2), *"Recognition and Presentation of Other-Than-Temporary-Impairment."* ASC 320 (i) changes existing guidance for determining whether an impairment is other than temporary to debt securities and (ii) replaces the existing requirement that the entity's management assert it has both the intent and ability to hold an impaired security until recovery with a requirement that management assert: (a) it does not have the intent to sell the security; and (b) it is more likely than not it will not have to sell the security before recovery of its cost basis. Under ASC 320, declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of impairment related to other factors is recognized in other comprehensive income. ASC 320 is effective for interim and annual periods ending after June 15, 2009. We adopted the provisions of ASC 320 on April 1, 2009. The provisions of ASC 320 did not have an impact on the Bank's financial condition and results of operations.

FASB Clarifies Application of Fair Value Accounting: In April 2009, the FASB issued ASC 820 (formerly FSP FAS 157-4), *"Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly."* ASC 820 affirms the objective of fair value when a market is not active, clarifies and includes additional factors for determining whether there has been a significant decrease in market activity, eliminates the presumption that all transactions are distressed unless proven otherwise, and requires an entity to disclose a change in valuation technique. ASC 820 is effective for interim and annual periods ending after June 15, 2009. We adopted the provisions of ASC 820 on April 1, 2009. The provisions of ASC 820 did not have a material impact on our financial condition and results of operations.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 12, 2009, the date which this Quarterly Report on Form 10-Q was filed with the FDIC. Subsequent to the end of the quarter, the FDIC announced plans to change the denovo period for new banks from three years to seven. 1st Capital Bank will therefore be subject to the controls and responsibilities placed on denovo institutions until April of 2012. There were no other subsequent events considered material for disclosure purposes through November 12, 2009.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is designed to provide an understanding of the significant changes and trends related to the Bank's financial condition, results of operations, cash flows, and capital resources. This discussion should be read in conjunction with the condensed financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 and the financial statements and notes thereto included in Item 8 of the Bank's Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Federal Deposit Insurance Corporation ("FDIC").

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

Certain matters discussed or incorporated by reference in this Quarterly Report on Form 10-Q including, but not limited to, matters described in "Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations," are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, Section 27A of the Securities Act of 1933, as amended, and subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may contain words related to future projections including, but not limited to, words such as "believe," "expect," "anticipate," "intend," "may," "will," "should," "could," "would," and variations of those words and similar words that are subject to risks, uncertainties and other factors that could cause actual results to differ significantly from those projected. Factors that could cause or contribute to such differences include, but are not limited to, the following: (1) the duration of financial and economic volatility and actions taken by the United States Congress and governmental agencies, including the United States Department of the Treasury, to deal with challenges to the U.S. financial system; (2) variances in the actual versus projected growth in assets and return on assets; (3) loan and lease losses; (4) expenses; (5) changes in the interest rate environment including interest rates charged on loans, earned on securities investments and paid on deposits and other borrowed funds; (6) competition effects; (7) fee and other noninterest income earned; (8) general economic conditions nationally, regionally, and in the operating market areas of 1st Capital Bank; (9) changes in the regulatory environment including government intervention in the U.S. financial system; (10) changes in business conditions and inflation; (11) changes in securities markets, public debt markets, and other capital markets; (12) data processing and other operational systems failures or fraud; (13) a decline in real estate values in 1st Capital Bank's operating market areas; (14) the effects of uncontrollable events such as terrorism, the threat of terrorism or the impact of the current military conflicts in Afghanistan and Iraq and the conduct of the war on terrorism by the United States and its allies, worsening financial and economic conditions, natural disasters, and disruption of power supplies and communications; and (15) changes in accounting standards, tax laws or regulations and interpretations of such standards, laws or regulations, as well as other factors. The factors set forth under "Item 1A-Risk Factors" in the Bank's Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the FDIC, in addition to other cautionary statements and information set forth in this Form 10-Q should be carefully considered and understood as being applicable to all related forward-looking statements contained in this report, when evaluating the business prospects of the Bank.

Forward-looking statements are not guarantees of performance. By their nature, they involve risks, uncertainties and assumptions. The future results and shareholder values may differ significantly from those expressed in these forward-looking statements. You are cautioned not to put undue reliance on any forward-looking statement. Any such statement speaks only as of the date of this report, and in the case of any documents that may be incorporated by reference, as of the date of those documents. We do not undertake any obligation to update or release any revisions to any forward-looking statements, to report any new information, future event or other circumstances after the date of this report or to reflect the occurrence of unanticipated events, except as required by law. However, your attention is directed to any further disclosures made on related subjects in our subsequent reports filed with the FDIC on Forms 10-K, 10-Q and 8-K.

BUSINESS ORGANIZATION

1st Capital Bank (the "Bank") was incorporated December 12, 2006 and commenced operations April 16, 2007 as a California state-chartered financial institution licensed by the California Commissioner of Financial Institutions ("Commissioner") with its deposits insured by the FDIC up to the maximum legal limits permissible. 1st Capital Bank is also participating in the FDIC Transaction Account Guarantee Program (the "TAGP"). Under the TAGP, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account initially through December 31, 2009 and subsequently by extension through June 30, 2010 for participating banks. Coverage under the TAGP is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules. The Bank operates as a community business bank from its headquarters office located at 5 Harris Ct., Building N, Suite 3, Monterey, California 93940 in the Ryan Ranch business park. The Bank also conducts business in its three branch offices located at 470 Tyler St., Monterey, California 93940, at 1097 South Main St., Salinas, California 93901, and at 432 Broadway St., King City, California 93930.

The Bank provides a wide array of financial services to small and mid-market businesses, business service professionals, commercial property owners and residents throughout its primary market area of Monterey County. As primarily a business bank, the Bank extends commercial and industrial loans to its business clients. The Bank's loan portfolio includes commercial real estate loans that are collateralized primarily by industrial and small office buildings in its market area. The Bank also provides construction financing with an emphasis on owner-occupied properties. The Bank's credit services include the following:

- Loans to businesses and other service professionals;
- Term loans to finance equipment;
- Commercial lines of credit;
- Overdraft lines of credit;
- Accounts receivable and inventory financing;
- Loans qualifying under the SBA guarantee program;
- Commercial real estate loans;
- Construction loans;
- Home equity loans and lines of credit;
- Vehicle and recreational vehicle loans;
- Multifamily real estate loans;
- Commercial and industrial loans; and
- Letters of credit.

The Bank utilizes its technology systems to support deposit, checking and cash management services, as well as commercial transactions for its business depositors including the following:

- ACH transactions;
- Account analysis;
- Attorney/client trust accounts;
- Checking and savings accounts;
- Merchant services;
- Interest checking accounts;
- Certificates of deposit;
- Medical and educational savings accounts;
- Retirement accounts;
- Cash management services;
- Electronic bill presentment and payment;
- Check orders for customers;
- Customer service inquiries;
- Overdraft protection;
- Point of sale check conversion;
- Statement of account;
- Stop payment; and
- Telephone and wire transfers.

WEBSITE ACCESS

1st Capital Bank maintains a website, www.1stCapitalBank.com, where certain information about the Bank is posted. You may also obtain information regarding the Bank, including financial information filed by the Bank with the FDIC in quarterly reports of condition and income, through the website maintained by the FDIC at www.fdic.gov and in reports filed on Forms 10-K, 10-Q, 8-K and insider reports on Forms 3, 4 and 5, by emailing the filing desk at publicbankreports@fdic.gov or calling (202) 898-8913. The Bank's website includes information regarding the Bank's directors and officers, investor relations matters, services, locations, contact addresses and telephone numbers. The Bank's reports on Forms 10-K, 10-Q and 8-K, and amendments thereto, are also available free of charge and can be accessed through the Bank's website.

CRITICAL ACCOUNTING POLICIES

There have been no changes to the Bank's critical accounting policies from those discussed in the Bank's report on Form 10-K for the year ended December 31, 2008, filed with the FDIC.

FINANCIAL CONDITION OVERVIEW

Net income for the three months ended September 30, 2009 was $75,000 or $0.02 per diluted share which represented an increase of $295,000 when compared to a net loss of ($220,000) or ($0.07) per share for the three months ended September 30, 2008. Net loss for the nine months ended September 30, 2009 decreased ($824,000) (52%) to ($756,000) from ($1,580,000) for the nine months ended September 30, 2008. Net loss per share decreased to ($0.24) for the nine months ended September 30, 2009 from ($0.50) for the nine months ended September 30, 2008. The decrease in net loss and net loss per share is primarily due to increases in net interest income resulting from the growth in loans partially offset by increased interest expenses from the growth in deposits. Additionally, the decrease in the net loss was attributed to decreases in the provision for loan losses. These decreases were partially offset by increases in salary and benefits and occupancy expense due to the continued infrastructure growth of the Bank.

The Bank's total assets increased $25,448,000 or 19% from December 31, 2008 to September 30, 2009. As of September 30, 2009, total assets were $156,890,000 compared to $131,442,000 as of December 31, 2008. The increase in total assets from December 31, 2008 was primarily due to an increase in loans.

Loans, net of the allowance for loan losses, at September 30, 2009 were $129,873,000 compared to $101,864,000 at December 31, 2008. This represents an increase in net loans of $28,009,000 or 28% from December 31, 2008.

The primary funding source for the growth in loans was the increase in total deposits of $25,514,000 or 25% to $128,931,000 at September 30, 2009 compared to $103,417,000 at December 31, 2008. Decreases in non-interest-bearing demand deposit accounts ("DDA") of 5% from $31,782,000 at December 31, 2008 to $30,351,000 at September 30, 2009 were offset by increases in interest-bearing deposits of $26,945,000 or 38% to $98,580,000 at September 30, 2009 compared to $71,635,000 at December 31, 2008.

RESULTS OF OPERATIONS - FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009

Net income for the three months ended September 30, 2009 was $75,000 or $0.02 per diluted share which represented an increase of $295,000 when compared to a net loss of ($220,000) or ($0.07) per share for the three months ended September 30, 2008. The decrease in net loss for the three months ended September 30, 2009 was primarily the result of an increase in net interest income of $553,000 or 55.9% due to increased interest income resulting from the growing loan portfolio. This increase in interest income was partially offset by an increase of $46,000 or 65.7% in the provision for loan losses and increased non-interest expense of $218,000 or 18.8%, primarily in salaries and benefits and occupancy expense.

Basic and diluted earnings (loss) per share for the three months ended September 30, 2009 improved by $0.09 to net income of $0.02 per share compared to a net loss of $(0.07) for the three months ended September 30, 2008. Diluted loss per share is not presented when there are net operating losses because the conversion of potential common stock equivalents is anti-dilutive.

Net Interest Income and Net Interest Margin

Net interest income, the primary component of the net earnings of a financial institution, refers to the difference between the interest received on interest earning assets (loans and investments) and the interest paid on interest bearing liabilities (deposits and borrowings). The amount of interest income and expense is affected by changes in the volume and mix of interest earning assets and interest-bearing liabilities, along with changes in interest rates. The following table sets forth average balance sheet information, interest income and expense, average yields and rates, and net interest income and margin for the three months ended September 30, 2009 and 2008. Average balances are based on daily balances, and non-accrual loans, if any, are included in the calculation of average loans.

Schedule of Average Balances and Average Yields and Rates

	For the three months ended September 30,					
	2009			2008		
	Average Balance	Interest	Average Yield(2)	Average Balance	Interest	Average Yield(2)
Assets:						
Interest-earning assets:						
Loans (1)	$128,641,000	$1,738,000	5.4%	$84,571,000	$1,208,000	5.7%
Federal funds sold and overnight deposits	10,815,000	11,000	0.4%	11,831,000	57,000	1.9%
Interest-bearing deposits in other financial institutions	4,935,000	38,000	3.1%	5,165,000	72,000	5.6%
Taxable investment securities	11,578,000	132,000	4.5%	6,030,000	74,000	4.9%
Total interest-earning assets	155,969,000	1,919,000	4.9%	107,597,000	1,411,000	5.3%
Cash & due from banks	4,443,000			3,250,000		
Other assets	2,100,000			1,644,000		
Allowance for loan losses	(1,920,000)			(1,239,000)		
Total average assets	$160,592,000			$111,252,000		
Liabilities & Shareholders' Equity						
Interest-bearing liabilities:						
Demand deposits	$ 35,784,000	$ 106,000	1.2%	$ 24,550,000	$ 152,000	2.5%
Savings	23,056,000	101,000	1.7%	10,307,000	62,000	2.4%
Time deposits	40,755,000	169,000	1.6%	26,966,000	207,000	3.1%
Total interest-bearing liabilities	99,595,000	376,000	1.5%	61,823,000	421,000	2.7%
Non-interest-bearing demand deposits	33,091,000			21,106,000		
Other liabilities	854,000			531,000		
Total liabilities	133,540,000			83,460,000		
Shareholders' equity	27,052,000			27,792,000		
Total average liabilities and shareholders' equity	$160,592,000			$111,252,000		
Net interest income and net margin (3)		$1,543,000	3.9%		$ 990,000	3.7%

1. Interest income on loans includes amortized loan costs of $72,000 and $54,000 for the three months ended September 30, 2009 and 2008, respectively.
2. Yields are not computed on a tax-equivalent basis
3. Net interest margin is computed by dividing net interest income by total average interest-earning assets.

Analysis of Volume and Rate Changes on Net Interest Income and Expenses

For the three months ended September 30, 2009 compared to the three months ended September 30, 2008

Increase (decrease) due to change in:

Interest-earning assets:	Volume	Rate (1)	Net Change
Net loans and leases	$ 631,000	$(101,000)	$530,000
Federal funds sold	(5,000)	(41,000)	(46,000)
Interest-bearing deposits in other financial institutions	(3,000)	(31,000)	(34,000)
Taxable investment securities	68,000	(10,000)	58,000
Total	691,000	(183,000)	508,000
Interest-bearing liabilities:			
Demand deposits	70,000	(116,000)	(46,000)
Savings deposits	77,000	(38,000)	39,000
Time deposits	106,000	(144,000)	(38,000)
Total	253,000	(298,000)	(45,000)
Interest differential	$ 438,000	$ 115,000	$553,000

(1) Changes in interest income and expense caused by changes in mix have been attributed to changes in rates.

Net interest income for the three months ended September 30, 2009 increased $553,000 or 55.9% to $1,543,000 compared to $990,000 for the same period in 2008. Average interest-earning assets for the three months ended September 30, 2009 were $155,969,000 compared to $107,597,000 during the same period in 2008. The increase in net interest income was primarily the result of an increase in the average balance of loans outstanding of $44,070,000 or 52.1% partially offset by the increase in the average balance of interest-bearing liabilities of $37,772,000 or 61.1%. The increases in both earning assets and interest-bearing liabilities were mitigated by the decrease in yields earned and rates paid for the three months ended September 30, 2009 compared to the same period in 2008 reflective of the continuing declining interest rate environment. Loan growth for the three months ended September 30, 2009was funded primarily by a $23,983,000 or 68.8% increase in the average balance of interest-bearing deposits and savings accounts and a $13,789,000 or 51.1% increase in the average balance of time deposits. The yield earned on average interest-earning assets decreased during the three months ended September 30, 2009 to 4.9% compared to 5.3% during the same period in 2008 due to the significant decreases in the prime rate as the Federal funds rate has decreased by 425basis points since December 31, 2007. As of September 30, 2009, variable rate loans comprised approximately 24% of the loan portfolio and the majority of those loans included interest rate “floors” below which the variable rate cannot reprice. During these times of decreasing interest rates, these loan floors have helped to stabilize or slow down the loss of income from decreasing interest rates. During times of increasing interest rates, these loans will not reprice until interest rates have exceeded the floor rate, slowing the rate at which the Bank realizes the benefit of increasing interest rates. The average rate paid on interest-bearing liabilities showed a corresponding decrease to 1.5% during the three months ended September 30, 2009 compared to 2.7% during same period in 2008. Overall, the net interest margin increased from 3.7% for the three months ended September 30, 2008 to 3.9% for the three months ended September 30, 2009.

Non-Interest Income

Non-interest income for the three months ended September 30, 2009 was $25,000 compared to $19,000 for the three months ended September 30, 2008 and consists primarily of fees from service charges on deposit accounts. The income from these fees is dependent on both the number and type of deposit accounts at the Bank and the increase is a result of the increased number of accounts since September 30, 2008.

Non-Interest Expense

Salaries and employee benefits for the three months ended September 30, 2009 increased $68,000 or 10.9% to $693,000 compared to $625,000 for the three months ended September 30, 2008. The number of full-time equivalent employees increased by 6 or 19.4% to 37 at September 30, 2009 compared to 31 at September 30, 2008.

Occupancy expense, furniture and equipment expense and other expense for the three months ended September 30, 2009 increased $150,000 or 28.1% to $684,000 compared to $534,000 for the three months ended September 30, 2008. The $150,000 increase was primarily due to the $38,000 increase in dues and assessments charged by the FDIC, $28,000 of increased depreciation expense and $27,000 of increased technology costs due to growth in the size of the Bank. The remaining increases in operating expenses for the three months ended September 30, 2009 compared to the same period in 2008 were due to the continued growth of the Bank, including the costs associated with a new branch office in King City which was not opened until the fourth quarter of the previous year.

RESULTS OF OPERATIONS - FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

Net loss for the nine months ended September 30, 2009 decreased ($824,000) or (52.2%) to ($756,000) compared to ($1,580,000) for the nine months ended September 30, 2008. The decrease in net loss for the nine months ended September 30, 2009 was primarily the result of an increase in net interest income of $1,205,000 or 45.5% resulting mainly from the growing loan portfolio, and a decrease of $262,000 or 36.5% in the provision for loan losses partially offset by increased non-interest expense of $670,000 or 18.8% primarily due to increased salaries and benefits and occupancy expense.

Basic loss per share for the nine months ended September 30, 2009 improved by $0.26 to $(0.24) per share compared to $(0.50) for the nine months ended September 30, 2008. Diluted loss per share is not presented when there are net operating losses because the conversion of potential common stock equivalents is anti-dilutive.

Net Interest Income and Net Interest Margin

Net interest income, the primary component of the net earnings of a financial institution, refers to the difference between the interest received on interest earning assets (loans and investments) and the interest paid on interest bearing liabilities (deposits and borrowings). The amount of interest income and expense is affected by changes in the volume and mix of interest earning assets and interest-bearing liabilities, along with changes in interest rates. The following table sets forth average balance sheet information, interest income and expense, average yields and rates, and net interest income and margin for the nine months ended September 30, 2009 and 2008. Average balances are based on daily balances, and non-accrual loans, if any, are included in the calculation of average loans.

Schedule of Average Balances and Average Yields and Rates

	For the nine months ended September 30,					
	2009			2008		
	Average Balance	Interest	Average Yield(2)	Average Balance	Interest	Average Yield(2)
Assets:						
Interest earning assets:						
Loans (1)	$ 117,123,000	$ 4,633,000	5.3%	$ 69,942,000	$3,072,000	5.9%
Federal funds sold and overnight deposits	16,352,000	35,000	0.3%	10,183,000	180,000	2.4%
Interest-bearing deposits in other financial institutions	3,926,000	119,000	4.1%	5,413,000	216,000	5.3%
Taxable investment securities	11,666,000	414,000	4.7%	6,884,000	265,000	5.1%
Total interest earning assets	149,067,000	5,201,000	4.7%	92,422,000	3,733,000	5.4%
Cash & due from banks	4,324,000			2,921,000		
Other assets	1,662,000			1,379,000		
Allowance for loan losses	(1,751,000)			(1,020,000)		
Total average assets	$ 153,302,000			$ 95,702,000		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
Demand deposits	$ 34,856,000	$ 378,000	1.4%	$ 22,450,000	$ 470,000	2.8%
Savings	21,686,000	308,000	1.9%	9,510,000	190,000	2.7%
Time deposits	40,380,000	663,000	2.2%	16,571,000	426,000	3.4%
Total interest-bearing liabilities	96,922,000	1,349,000	1.9%	48,531,000	1,086,000	3.0%
Non-interest-bearing demand deposits	28,779,000			18,481,000		
Other liabilities	402,000			436,000		
Total liabilities	126,103,000			67,448,000		
Shareholders' equity	27,199,000			28,254,000		
Total average liabilities and shareholders' equity	$ 153,302,000			$ 95,702,000		
Net interest income and net margin (2)		$ 3,852,000	3.5%		$2,647,000	3.8%

1. Interest income on loans includes amortized loan costs of $202,000 and $147,000 for the nine months ended September 30, 2009 and 2008, respectively.
2. Yields are not computed on a tax-equivalent basis
3. Net interest margin is computed by dividing net interest income by total average interest-earning assets.

Analysis of Volume and Rate Changes on Net Interest Income and Expenses

For the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008

Increase (decrease) due to change in:	Volume	Rate (1)	Net Change
Interest-earning assets:			
Net loans and leases	$ 2,070,000	$ (509,000)	$ 1,561,000
Federal funds sold and overnight deposits	109,000	(254,000)	(145,000)
Interest-bearing deposits in other financial institutions	(59,000)	(38,000)	(97,000)
Taxable investment securities	184,000	(35,000)	149,000
Total	2,304,000	(836,000)	1,468,000
Interest-bearing liabilities:			
Demand deposits	259,000	(351,000)	(92,000)
Savings deposits	243,000	(125,000)	118,000
Time deposits	604,000	(367,000)	237,000
Total	1,106,000	(843,000)	263,000
Interest differential	$ 1,198,000	$ 7,000	$ 1,205,000

(1) Changes in interest income and expense caused by changes in mix have been attributed to changes in rates.

Net interest income for the nine months ended September 30, 2009 increased $1,205,000 or 45.5% to $3,852,000 compared to $2,647,000 for the same period in 2008. Average interest-earning assets for the nine months ended September 30, 2009 were $149,067,000 compared to $92,422,000 during the same period in 2008. The increase in net interest income was primarily the result of an increase in the average balance of loans outstanding of $47,181,000 or 67.5% partially offset by the increase in the average balance of interest-bearing liabilities of $48,391,000 or 99.7%. The increases in both earning assets and interest-bearing liabilities were both mitigated by the decrease in yields earned and rates paid for the nine months ended September 30, 2009 compared to the same period in 2008 reflective of the continuing declining interest rate environment. This growth in loans was funded primarily by a $23,809,000 or 143.7% increase in the average balance of time deposits and a $24,582,000 or 76.9% increase in the average balance of interest-bearing demand and savings deposits for the nine months ended September 30, 2009. The yield earned on average interest-earning assets decreased during the nine months ended September 30, 2009 to 4.7% compared to 5.4% during the same period in 2008 due to the significant decreases in the prime rate as the Federal funds rate has decreased by 500 basis points since September of 2007. The average rate paid on interest-bearing liabilities decreased 110 basis points to 1.9% during the nine months ended September 30, 2009 compared to 3.0% during the same period in 2008. Overall, the net interest margin decreased from 3.8% for the nine months ended September 30, 2008 to 3.5% for the nine months ended September 30, 2009.

Non-Interest Income

Non-interest income for the nine months ended September 30, 2009 was $79,000 compared to $51,000 for the nine months ended September 30, 2008 and consisted primarily of fees from service charges on deposit accounts. The income from these fees is dependent on both the number and type of deposit accounts at the Bank and the increase is a result of the increased number of accounts since September 30, 2008.

Non-Interest Expense

Salaries and employee benefits for the nine months ended September 30, 2009 increased $297,000 or 15.2% to $2,253,000 compared to $1,956,000 for the nine months ended September 30, 2008. The number of full-time equivalent employees increased by 6 or 19.4% to 37 at September 30, 2009 compared to 31 at September 30, 2008.

Occupancy expense, furniture and equipment expense and other expense for the nine months ended September 30, 2009 increased $373,000 or 23.3% to $1,977,000 compared to $1,604,000 for the nine months ended September 30, 2008. The

increase was primarily due to a $233,000 increase in other expense consisting largely of a $114,000 increase in FDIC assessments, a $47,000 increase in the provision for unfunded loan commitments due to growth in those commitments, and a $58,000 increase in technology related expenses due to growth in the size of the Bank. These increases were partially offset by a decrease of $45,000 in marketing expenses. In addition, occupancy expense increased $93,000 or 33.2% due to growth in the size of the Bank, including the opening of a branch office in King City. The remaining variance is due to increases in various operating expenses for the nine months ended September 30, 2009 compared to the same period in 2008 primarily due to the continued growth of the Bank.

FINANCIAL CONDITION

The Bank's total assets increased $25,448,000 or 19.4% from December 31, 2008 to September 30, 2009. As of September 30, 2009, total assets were $156,890,000 compared to $131,442,000 as of December 31, 2008. The increase in total assets from December 31, 2008 was primarily due to an increase in loans.

Net loans at September 30, 2009 were $129,873,000 compared to $101,864,000 at December 31, 2008. This represents an increase in net loans of $28,009,000 or 27.5% from December 31, 2008. As anticipated in the Bank's business plan, available liquidity is being utilized to grow the loan portfolio as the Bank continues to leverage its capital. The growth experienced in the nine months ended September 30, 2009 is consistent with both the Bank's business plan and its 2009 budget.

Cash and cash equivalents decreased $(736,000) or 6.2% from $12,233,000 at December 31, 2008 to $11,497,000 at September 30, 2009. Available-for-sale investment securities and interest-bearing deposits in other banks decreased ($2,111,000) or 13.6% from $15,472,000 at December 31, 2008 to $13,361,000 at September 30, 2009. The decrease in cash equivalents and investment securities was necessary to fund the growth in loans which exceeded the growth in deposits.

Total deposits increased $25,514,000 or 24.7% to $128,931,000 at September 30, 2009 compared to $103,417,000 at December 31, 2008. Non-interest-bearing demand deposit accounts ("DDA") decreased from $31,782,000 at December 31, 2008 to $30,351,000 at September 30, 2009. Interest-bearing DDA accounts increased from $24,046,000 at December 31, 2008 to $35,845,000 at September 30, 2009. Savings accounts increased to $22,620,000 at September 30, 2009 from $12,240,000 at December 31, 2008. Time deposits increased from $35,349,000 at December 31, 2008 to $40,115,000 at September 30, 2009. Time deposits include $5,000,000 of deposits received from the State of California at September 30, 2009 and 2008. The overall increases in deposits are consistent with both the business plan and 2009 budget for the Bank, and were primarily due to the addition of new customers to the Bank.

The Emergency Economic Stabilization Act of 2008 included a provision for an increase in the amount of deposits insured by the FDIC to $250,000. The additional FDIC insurance provision was initially scheduled to expire on December 31, 2009, but has been extended to December 31, 2013. On October 14, 2008, the FDIC announced the Temporary Liquidity Guarantee Program that includes a Transaction Account Guarantee Program ("TAGP"). The Bank participates in both insurance programs.

The TAGP includes unlimited deposit insurance on funds in noninterest-bearing transaction deposit accounts not otherwise covered by the existing FDIC deposit insurance limits. All eligible institutions were covered under the program for the first 30 days without incurring any costs. After the initial period, participating institutions were assessed a 10 basis point surcharge on the additional insured deposits through the scheduled end of the TAGP on December 31, 2009. The FDIC extended the TAGP to June 30, 2010 and increased the annual assessment from 10 to 25 basis points for banks that do not opt-out of the TAGP. Banks currently participating must opt-out by November 2, 2009 in order to terminate coverage effective January 1, 2010. We do not anticipate opting out of the TAGP and as a result, increased premiums will impact our earnings.

There were no borrowings outstanding at September 30, 2009 and December 31, 2008.

Allowance and Provision for Loan Losses

Management believes its ability to identify and assess risk and return characteristics of the Bank's loan portfolio is critical for profitability and growth. The Bank assesses and manages credit risk on an ongoing basis through stringent credit review and approval policies, extensive internal monitoring, and established formal lending policies and underwriting procedures. Management has implemented a loan review and grading system that functions to continually assess the credit risk inherent in the loan portfolio. Additionally, the Bank contracts with a third party credit reviewer to periodically review the existing loan portfolio. The adequacy of the allowance for loan losses is reviewed at least quarterly by the Board of Directors.

In extending credit and commitments to borrowers, the Bank generally requires collateral and/or written guarantees as security. The repayment of such loans is expected to come from personal or business cash flows or from proceeds from the sale

of selected assets of the borrowers. The Bank's requirement for collateral and/or guarantees is determined on a case-by-case basis in connection with management's evaluation of the creditworthiness of the borrower. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, income-producing properties, residences, and other real property.

Commercial loans represent 49.7% of the loan portfolio. While the commercial loan portion of the portfolio is comprised of loans to a diverse group of businesses and collateral types in no single industry, the portfolio does contain several large commercial loan relationships with a single borrower or group of affiliated borrowers, including several relationships which individually represent 2 - 4% of total commercial loans and commitments. Construction loans and other real estate secured loans comprised 49.2% of total loans outstanding at September 30, 2009. In management's judgment, while the diversity of borrowers in the commercial, construction and other real estate loan portfolios does not represent a concentration within any one portfolio category, there is a concentration, by the very nature of community banking, in the portfolio taken as a whole related to the geographic concentration of real estate centered in Monterey County. Although management believes such loans have no more than the normal risk of collectability, a further decline in the economy in general, or a further decline in real estate values in the Bank's primary operating market areas in particular, could have an adverse impact on the collectability of such loans. Such an occurrence could result in an increase in loan losses and an increase in the provision for loan losses, which could adversely affect the Bank's capital, results of operations, duration of continued operating losses, and the market price of the Bank's common stock.

The provision for loan losses for the three months ended September 30, 2009 was $116,000 compared to $70,000 during the three months ended September 30, 2008. At September 30, 2009, the allowance for loan losses was $2,008,000 compared to $1,552,000 at December 31, 2008. The ratio of allowance for loan losses to gross loans was 1.52% at September 30, 2009 and 1.50% at December 31, 2008. The allowance for loan losses is increased by charges to income through the provision for loan losses and decreased by charge-offs (net of recoveries). There were no charge-offs or recoveries in the three or nine month periods ended September 30, 2009 or the three months ended September 30, 2008. There were $3,000 of charge-offs in the nine months ended September 30, 2008. Management's periodic evaluation of the adequacy of the allowance is based on past loan loss experience and the loss experience of peers in the industry, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. Additional provisions will be added as new loans are originated and funded in an amount necessary to support the risks and inherent losses in the portfolio. Management believes that the allowance for loan losses as of September 30, 2009 is adequate to absorb probable losses in the portfolio. However, no assurance can be given that the Bank may not sustain losses which are in excess of the allowance in any given period.

The following table summarizes the changes in the allowance for loan losses arising from loans charged-off, recoveries on loans previously charged-off, and additions to the allowance which have been charged to operating expenses and certain ratios relating to the allowance for loan losses for the periods indicated.

Allowance for Loan Losses

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Beginning balance	$ 1,892,000	$ 1,239,000	$ 1,552,000	$ 594,000
Provision charged to expense	116,000	70,000	456,000	718,000
Loans charged off	-	-	-	(3,000)
Recoveries	-	-	-	-
Ending balance	$ 2,008,000	$ 1,309,000	$ 2,008,000	$1,309,000
Ending loan portfolio, net of fees and costs			$131,881,000	$87,584,000
Average loan portfolio, net of fees and costs			$117,123,000	$69,942,000
Ratio of net charge-offs to average loans outstanding net of deferred fees and costs			N/A	N/A
Allowance for loan losses to loans, net of deferred fees and costs, at end of period			1.52%	1.49%

Net loans charged-off (recoveries) to provision for loan losses	N/A	0.42%
Allowance for loan losses to nonperforming loans	N/A	N/A

Impaired Loans, Nonaccrual Loans, Loans Past Due 90 Days and OREO

A loan is considered to be impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due (including both principal and interest) in accordance with the contractual terms of the loan agreement. It is management's policy to place loans on nonaccrual status when they become 90 days past due, unless the loan is well secured and in the process of collection. Loans are charged off when, in the opinion of management, collection appears unlikely. There were no impaired or nonaccrual loans, troubled debt restructurings or other real estate owned at September 30, 2009 and December 31, 2008.

At September 30, 2009 and December 31, 2008, there were no loan concentrations in excess of 10% of total loans not otherwise disclosed as a category of loans. Management is not aware of any potential problem loans, which were accruing and current at September 30, 2009 or December 31, 2008, where serious doubt exists as to the ability of the borrower to comply with the present repayment terms.

Capital Resources

Total shareholders' equity at September 30, 2009 decreased $241,000 or 0.9% to $27,145,000 compared to $27,386,000 at December 31, 2008. The primary changes in shareholders' equity consisted of the net loss for the nine months ended September 30, 2009 of $756,000 offset by an increase in equity of $390,000 related to stock-based compensation, and an increase in net accumulated other comprehensive income of $125,000 from the change in unrealized gains on our available-for-sale investment securities, net of related taxes.

The Bank is subject to certain regulatory capital requirements administered by the FDIC, which require maintenance of a certain level of capital. Under the regulations, capital requirements are based upon the composition of an institution's asset base and the risk factors assigned to those assets. The guidelines characterize an institution's capital as being "Tier 1" capital (defined to be principally shareholders' equity less intangible assets) and "Tier 2" capital (defined to be principally the allowance for loan losses, limited to one and one-fourth percent of gross risk weighted assets). The guidelines require the Bank to maintain a minimum risk-based capital target ratio of 8%, one-half or more of which should be in the form of Tier 1 capital. In addition, during its first years of operations, the Bank is required to maintain a minimum Tier 1 Capital to Average Assets (leverage) ratio of 8%, or $12,834,000 at September 30, 2009.

The following table shows the Bank's actual capital amounts and ratios at September 30, 2009 and December 31, 2008, as well as the minimum capital ratios for capital adequacy under the regulatory framework.

Capital Ratios

	Actual:		Minimum Capital Requirements :		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2009:						
Total Capital (to Risk Weighted Assets)	$28,512,000	21.6%	$10,580,000	8.0%	$13,225,000	10.0%
Tier 1 Capital (to Risk Weighted Assets)	26,853,000	20.3%	5,290,000	4.0%	7,935,000	6.0%
Tier 1 Capital (to Average Assets)	26,853,000	16.7%	6,417,000	4.0%	8,021,000	5.0%
As of December 31, 2008:						
Total Capital (to Risk Weighted Assets)	$28,584,000	26.3%	$ 8,708,000	8.0%	$10,885,000	10.0%
Tier 1 Capital (to Risk Weighted Assets)	27,220,000	25.0%	4,354,000	4.0%	6,531,000	6.0%
Tier 1 Capital (to Average Assets)	27,220,000	22.2%	4,898,000	4.0%	6,122,000	5.0%

The Bank met the "well capitalized" capital ratio measures at both September 30, 2009 and December 31, 2008.

On October 3, 2008, President Bush signed into law the Emergency Economic Stabilization Act of 2008 (the "EESA"). Pursuant to the EESA, the Secretary of the Treasury was authorized to establish the Troubled Asset Relief Program ("TARP") and to invest in financial institutions and purchase mortgages, mortgage-backed securities and certain other financial instruments from financial institutions, in an aggregate amount up to $700 billion, for the purpose of stabilizing and providing liquidity to the U.S. financial markets. On October 14, 2008, the United States Department of the Treasury (the "UST") announced a Capital Purchase Program ("CPP") to invest up to $250 billion of this $700 billion amount in certain eligible U.S. banks, thrifts and their holding companies in the form of non-voting, senior preferred stock. Bank holding companies and banks eligible to participate as a Qualifying Financial Institution ("QFI") in the CPP will be expected to comply with certain standardized terms and conditions specified by the UST.

The Bank's management and Board of Directors determined that participation in the U.S. Treasury's CPP was not in the best interests of the Bank and its shareholders after evaluation of the CPP, including restrictions that would be imposed upon the Bank under the CPP investment agreement and related documentation. Management currently believes that the Bank's capital is adequate to support current operations and anticipated growth; however, future capital requirements of the Bank are uncertain and may be affected by economic and other factors.

Liquidity

Liquidity management refers to the Bank's ability to provide funds on an ongoing basis to meet fluctuations in deposit levels as well as the credit needs and requirements of its clients. Both assets and liabilities contribute to the Bank's liquidity position. Federal funds lines, short-term investments and securities, and loan repayments contribute to liquidity, along with deposit increases, while loan funding and deposit withdrawals decrease liquidity. The Bank assesses the likelihood of projected funding requirements by reviewing historical funding patterns, current and forecasted economic conditions and individual client funding needs. Commitments to fund loans and outstanding letters of credit at September 30, 2009 were approximately $36,679,000 and $363,000, respectively. Such loan commitments relate primarily to revolving lines of credit and other commercial loans and to real estate construction loans. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

The Bank's sources of liquidity consist of cash and due from correspondent banks, overnight funds sold to correspondent banks, unpledged marketable investments and loans available for participation and/or pledged for secured borrowings. At September 30, 2009, liquid assets totaled $16,736,000 or 10.7% of total assets compared to $18,343,000 or 14.0% of total assets on December 31, 2008. In addition to liquid assets, the Bank maintains short-term unsecured lines of credit in the amount of $9,000,000 and $34,445,000 with correspondent banks and the Federal Reserve Bank, respectively, all of which was available to the Bank at September 30, 2009. Additionally, the Bank is a member of the FHLB. At September 30, 2009, the Bank could have arranged for up to $23,954,000 in borrowings from the FHLB to be secured by pledged mortgage loans or investments. At September 30, 2009, the Bank had no advances, borrowings or commitments (including letters of credit) outstanding. The Bank also has informal agreements with various other banks to sell participations in loans, if necessary. The Bank serves primarily a business and professional customer base and, as such, its deposit base is susceptible to economic fluctuations. Accordingly, management strives to maintain a balanced position of liquid assets and borrowing capacity to volatile and cyclical deposits.

Liquidity is also affected by portfolio maturities and the effect of interest rate fluctuations on the marketability of both assets and liabilities. The Bank has significant deposit balances that exceed FDIC insurance coverage resulting from its primary focus upon commercial business account relationships. The recent widespread print and Internet media publicity regarding bank loan portfolio losses, the risk of bank failures and FDIC insurance coverage limits, although increased in the fourth quarter of 2008, have raised public concerns regarding the safe and sound condition of the banking industry. Continued reports of the deterioration of loan portfolios at a significant number of banks, or additional bank failures, could result in reductions of such excess deposits through customer withdrawals unrelated to the condition of the Bank. The occurrence of such events could cause the Bank to experience unanticipated liquidity demands and difficulty in obtaining and maintaining deposit levels consistent with its business plans, which could also increase its cost of funds and decrease funding for lending activities, thereby adversely affecting the Bank's results of operations, financial condition, prospects, and stock price. The Bank can sell any of its unpledged securities held in the available-for-sale category to meet liquidity needs. These securities are also available to pledge as collateral for borrowings if the need should arise. The Bank can also pledge securities to borrow from the FHLB. The principal cash requirements of the Bank are for expenses incurred in the support of administration and funding for operations and the funding of deposit withdrawals by customers.

Inflation

The impact of inflation on a financial institution differs significantly from that exerted on manufacturing or other commercial concerns, primarily because its assets and liabilities are largely monetary. In general, inflation primarily affects the Bank through its effect on market rates of interest, and thus the ability of the Bank to attract loan and deposit customers. Inflation affects the growth of total assets by increasing the level of loan demand, and potentially adversely affects the Bank's capital adequacy because loan growth in inflationary periods can increase at rates higher than the rate that capital grows through retention of earnings, which the Bank may generate in the future. In addition to its effects on interest rates, inflation directly affects the Bank by increasing operating expenses. The effects of inflation were not material to the Bank's results of operations during the periods ending September 30, 2009 and December 31, 2008.

Off-Balance Sheet Items

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business in order to meet the financing needs of its customers and to reduce its exposure to fluctuations in interest rates. These financial instruments consist of commitments to extend credit and letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit and letters of credit is represented by the contractual amount of those instruments. The Bank applies the same credit policies to commitments and letters of credit as it does for loans included on the balance sheet. As of September 30, 2009 and December 31, 2008, commitments to extend credit and standby letters of credit were the only financial instruments with off-balance sheet risk. The Bank has not entered into any contracts for financial derivative instruments such as futures, swaps, options or similar instruments. Loan commitments and standby letters of credit totaled $37,042,000 and $35,152,000 at September 30, 2009 and December 31, 2008, respectively. As a percentage of gross loans and leases, these off-balance sheet items represent 28.2% and 34.1%, respectively.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures

An evaluation of the Bank's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 ("Exchange Act") Rules 13a-15(e) and 15d-15(e)) was carried out under the supervision and with the participation of the Bank's Chief Executive Officer, Chief Financial Officer and other members of the Bank's senior management as of the end of the period covered by this quarterly report on Form 10-Q. The Bank's Chief Executive Officer and Chief Financial Officer concluded that the Bank's disclosure controls and procedures as in effect are effective in ensuring that the information required to be disclosed by the Bank in the reports it files or submits under the Exchange Act is (i) accumulated and communicated to the Bank's management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) Internal Control Over Financial Reporting

An evaluation of any changes in the Bank's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), that occurred during the Bank's fiscal quarter ended September 30, 2009, was carried out under the supervision and with the participation of the Bank's Chief Executive Officer, Chief Financial Officer and other members of the Bank's senior management. The Bank's Chief Executive Officer and Chief Financial Officer concluded that no change identified in connection with such evaluation has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.

Item 4T. Controls and Procedures

The information required under Item 308T(b) of Regulation S-K is included in Item 4 above.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Bank may be a party to claims and legal proceedings arising in the ordinary course of business. In the opinion of the Bank's management, the amount of ultimate liability with respect to such claims and proceedings will not have a material adverse effect on the financial condition or results of operations of the Bank.

Item 1A. Risk Factors

There have been no significant changes in the risk factors previously disclosed in the Bank's Form 10-K for the period ended December 31, 2008, filed with the FDIC on March 25, 2009.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Number	Document Description
3.1	Articles of Incorporation, as amended.**
3.2	Bylaws, as amended.**
4.1	Specimen form of stock certificate.**
10.1	2007 Stock Option Plan and forms of Incentive and Nonstatutory Stock Option Agreements.*/**
10.2	C. Frederick Rowden employment agreement dated as of April 16, 2007(**). Amendment No. 1 thereto dated April, 16, 2009 incorporated by reference to Registrant's Form 10-Q filed August 12, 2009.*
10.3	Jayme C. Fields employment agreement dated as of April 16, 2007(**). Amendment No. 1 thereto dated April, 16, 2009 incorporated by reference to Registrant's Form 10-Q filed August 12, 2009.*
10.4	Geoffrey M. Loftus employment agreement dated as of April 16, 2007(**). Amendment No. 1 thereto dated April, 16, 2009 incorporated by reference to Registrant's Form 10-Q filed August 12, 2009.*
10.5	Daniel L. Walls employment agreement dated as of April 16, 2007(**). Amendment No. 1 thereto dated April, 16, 2009 incorporated by reference to Registrant's Form 10-Q filed August 12, 2009.*
10.6	Lease dated December 22, 2007, related to 5 Harris Ct., Building N, Suite 3, Monterey, California 93940.**
10.7	Lease dated January 11, 2007, related to 470 Tyler St., Monterey, California 93940.**
10.8	Lease dated October 1, 2007, related to 1097 South Main Street, Salinas, California 93940.**
10.9	Lease dated June 25, 2008, related to 432 Broadway, King City, California 93930, incorporated by reference to Registrant's Form 10-K filed with the Federal Deposit Insurance Corporation on March 25, 2009.
10.10	Form of director and officer indemnification agreement.*/**
10.11	Fiserv Solutions, Inc. data and item processing agreement dated November 15, 2006(**). Amendment thereto dated September 22, 2009.
10.12	Fiserv Solutions, Inc. electronic transaction services agreement dated November 30, 2006(**). Amendment thereto dated September 22, 2009.
10.13	Information Technology, Inc. internet services agreement for web design and web hosting services dated December 1, 2006.**
10.14	Harland Financial Solutions loan database software license dated April 4, 2007.**
10.15	Marilyn Goode employment agreement dated as of April 16, 2009 incorporated by reference to Registrant's Form 10-Q filed August 12, 2009.*
14.1	Code of Ethics.
99.1	Audit and Compliance Committee Charter.**
99.2	Corporate Governance and Nominating Committee Charter.**
99.3	Human Resource and Compensation Committee Charter.**

*Denotes management compensatory plans or arrangements.

** Incorporated by reference to Registrant's Registration Statement on Form 10 filed with the Federal Deposit Insurance Corporation on April 21, 2008.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

1ST CAPITAL BANK

Date: November 12, 2009

By: /s/CLYDE F. ROWDEN
Clyde F. Rowden, President
and Chief Executive Officer (Principal Executive Officer)

Date: November 12, 2009

By: /s/JAYME C. FIELDS
Jayme C. Fields, Executive Vice President
and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description	Sequential Page Number
10.11 and 10.12	Amendment to Fiserv Solutions, Inc. data and item processing, and electronic transaction agreements dated September 22, 2009	
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	32
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	33
32.1	Certification of 1st Capital Bank by its Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	34

Exhibit 10.11 and 10.12

EXHIBIT 31.1

CERTIFICATIONS UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Clyde F. Rowden, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the Quarter Ended September 30, 2009 of 1st Capital Bank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2009

By: /s/CLYDE F. ROWDEN
Clyde F. Rowden
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jayme C. Fields, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the Quarter Ended September 30, 2009 of 1st Capital Bank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2009

By: /s/JAYME C. FIELDS
Jayme C. Fields
Executive Vice President
and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF 1ST CAPITAL BANK
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 REGARDING QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2009

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of 1st Capital Bank, a California corporation ("Bank"), does hereby certify that:

1. The Bank's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. Information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Bank.

Date: November 12, 2009

By: /s/ CLYDE F. ROWDEN
Clyde F. Rowden
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 12, 2009

By: /s/ JAYME C. FIELDS
Jayme C. Fields
Executive Vice President and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to 1st Capital Bank and will be retained by 1st Capital Bank and furnished to the Federal Deposit Insurance Corporation or its staff upon request.