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 March 31, 2010

[ ] 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 May 12, 2010.

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TO 1st CAPITAL BANK FORM 10-Q
FOR THE THREE MONTHS ENDED
MARCH 31, 2009

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

1ST CAPITAL BANK
CONDENSED BALANCE SHEETS
(Unaudited)

	March 31, 2010	December 31, 2009
Assets		
Cash and due from banks	$ 2,903,000	$ 3,138,000
Federal funds sold	30,452,000	35,750,000
Total cash and cash-equivalents	33,355,000	38,888,000
Interest-bearing deposits in other financial institutions	8,224,000	6,083,000
Available-for-sale investment securities at estimated fair value	11,162,000	11,759,000
Loans:		
Commercial	63,927,000	62,466,000
Real estate-construction	2,486,000	-
Real estate-other	73,301,000	69,885,000
Consumer	1,966,000	1,979,000
Deferred loan costs, net	459,000	482,000
Total loans	142,139,000	134,812,000
Allowance for loan losses	(2,174,000)	(2,081,000)
Net loans	139,965,000	132,731,000
Premises and equipment, net	804,000	851,000
Accrued interest receivable and other assets	2,001,000	1,986,000
Total assets	$ 195,511,000	$ 192,298,000
Liabilities and Shareholders' Equity		
Deposits:		
Demand, non-interest-bearing	$ 40,981,000	$ 55,271,000
Demand, interest-bearing	52,743,000	42,236,000
Savings	28,933,000	23,243,000
Time	44,625,000	43,482,000
Total deposits	167,282,000	164,232,000
Accrued interest payable and other liabilities	773,000	791,000
Total liabilities	168,055,000	165,023,000
Commitments and contingencies (Note 8)		
Shareholders' Equity:		
Common stock - no par value; authorized 20,000,000 shares; outstanding: 3,157,699 shares	33,003,000	32,880,000
Accumulated deficit	(5,852,000)	(5,868,000)
Accumulated other comprehensive income, net of taxes	305,000	263,000
Total shareholders' equity	27,456,000	27,275,000
Total liabilities and shareholders' equity	$ 195,511,000	$ 192,298,000

See notes to Financial Statements

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

1ST CAPITAL BANK
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

For the three month period ended March 31,	2010	2009
Interest Income		
Loans, including fees	$1,841,000	$1,321,000
Available-for-sale investment securities	116,000	145,000
Interest on deposits in other financial institutions	24,000	48,000
Federal funds sold	17,000	13,000
Total interest income	1,998,000	1,527,000
Interest Expense		
Interest on deposits	351,000	516,000
Net Interest Income before Provision for Loan Losses	1,647,000	1,011,000
Provision for Loan Losses	(93,000)	(165,000)
Net Interest Income after Provision for Loan Losses	1,554,000	846,000
Non-interest Income		
Service charges on deposits	9,000	13,000
Other income	14,000	21,000
Total non-interest income	23,000	34,000
Non-interest Expenses		
Salaries and benefits	854,000	749,000
Occupancy	140,000	118,000
Furniture and equipment	67,000	58,000
Other	499,000	387,000
Total non-interest expenses	1,560,000	1,312,000
Income (Loss) Before Provision for Income Taxes	17,000	(432,000)
Provision for Income Taxes	1,000	1,000
Net Income (Loss)	$ 16,000	$(433,000)
Basic and Fully Diluted Income (Loss) per Share	$ 0.01	$ (0.14)
Weighted average number of shares outstanding, basic	3,157,699	3,157,699
Weighted average number of shares outstanding, diluted	3,157,699	3,157,699

See Notes to Financial Statements

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

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, 2009	3,157,699	$32,382,000	$(5,162,000)	$ 166,000	$27,386,000
Net loss			(706,000)		(706,000)
Changes in unrealized gains/losses on available-for-sale investment securities net of taxes of $69,000				97,000	97,000
Total comprehensive loss					(609,000)
Share-based compensation expense		498,000			498,000
Balances, December 31, 2009	3,157,699	32,880,000	(5,868,000)	263,000	27,275,000
Net income			16,000		16,000
Changes in unrealized gains on available-for-sale investment securities net of taxes of $29,000				42,000	42,000
Total comprehensive income					58,000
Share-based compensation expense		123,000			123,000
Balances, March 31, 2010	3,157,699	$33,003,000	$ (5,852,000)	$ 305,000	$27,456,000

See Notes to Financial Statements

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

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

For the three months ended March 31,	2010	2009
Cash Flows from Operating Activities:		
Net income (loss)	$ 16,000	$ (433,000)
Reconciliation of net income to net cash provided by (used in operating activities:		
Provision for loan losses	93,000	165,000
Depreciation	80,000	71,000
Share-based compensation expense	123,000	121,000
Amortization and accretion	9,000	(5,000)
Decrease (increase) in deferred loan costs, net	23,000	(51,000)
Increase in accrued interest receivable and other assets	(15,000)	(11,000)
Decrease in accrued interest payable and other liabilities	(47,000)	(50,000)
Net cash provided by (used in) operating activities:	282,000	(193,000)
Cash Flows from Investing Activities:		
(Increase) Decrease in interest-bearing deposits in other financial institutions, net	(2,141,000)	792,000
Proceeds from maturities of available-for-sale investment securities	659,000	661,000
Purchase of available-for-sale investment securities	-	(1,021,000)
Net increase in loans	(7,350,000)	(10,981,000)
Purchases of equipment	(33,000)	(38,000)
Net cash used in investing activities	(8,865,000)	(10,587,000)
Cash Flows from Financing Activities:		
Net increase in deposits	3,050,000	19,524,000
Net cash provided by financing activities	3,050,000	19,524,000
Net (decrease) increase in cash and cash equivalents	(5,533,000)	8,744,000
Cash and equivalents, beginning of period	38,888,000	12,233,000
Cash and equivalents, end of period	$ 33,355,000	$20,977,000
Noncash Investing and Financing Activities:		
Unrealized holding gains on available-for-sale investment securities	$ 73,000	$ 112,000
Other Cash Flow Information:		
Interest paid	$ 345,000	$ 500,000
Income taxes paid	$ 1,000	$ 1,000

See Notes to Financial Statements

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

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, 2009, 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 March 31, 2010 and December 31, 2009 and the Bank's results of operations, changes in shareholders' equity and cash flows for the three months ended March 31, 2010 and 2009. 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's 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 income (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. For the three months ended March 31, 2010, 465,860 shares of common stock issuable under stock options for which the exercise prices were greater than the average market prices were not included in the computation of diluted earnings per share due to their anti-dilutive effect. 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 March 31, 2010 and December 31, 2009.

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
March 31, 2010				
Government guaranteed mortgage-backed securities	$10,641,000	$ 521,000	$ -	$11,162,000
Total investment securities	$10,641,000	$ 521,000	$ -	$11,162,000

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
December 31, 2009				
Government guaranteed mortgage-backed securities	$11,311,000	$ 463,000	$ (15,000)	$11,759,000
Total investment securities	$11,311,000	$ 463,000	$ (15,000)	$11,759,000

Unrealized gains on available-for-sale investment securities totaling $521,000 and $448,000 were recorded net of $216,000 and $185,000 in deferred tax liabilities, respectively, as accumulated other comprehensive income within shareholders' equity at March 31, 2010 and December 31, 2009, respectively.

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 March 31, 2010, no investments are callable in the next quarter. The Bank's investment portfolio consists of asset-backed securities which do not have a stated maturity.

There were no investment securities held by the Bank at March 31, 2010 with unrealized losses. Unrealized losses on securities outstanding less than twelve months at December 31, 2009 were caused primarily by interest rate changes. These securities are guaranteed by government agencies and are of high credit quality. Since these securities are of high credit quality and the decline in value has existed for a short period of time, management believes that these securities may recover their losses in the foreseeable future and management has the intent and ability to hold the securities until the price recovers. Accordingly, the Bank did not consider these investments other-than-temporarily impaired at December 31, 2009.

At March 31, 2010, investment securities with amortized costs and estimated fair values totaling $10,184,000 and $10,677,000 were pledged to secure deposits of public funds or borrowing arrangements. Investment securities with amortized costs and estimated fair values totaling $10,202,000 and $10,605,000 at December 31, 2009 were pledged to secure public deposits and FHLB borrowing arrangements. As of March 31, 2010 and December 31, 2009, respectively, $7,620,000 and $7,595,000 of public funds deposits were outstanding and no borrowings were outstanding.

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES

As of March 31, 2010 and December 31, 2009, the Bank had no impaired or nonaccrual loans, troubled debt restructurings, or other real estate owned. During the three months ended March 31, 2010, the Bank recorded a provision for loan losses of $93,000. During the three months ended March 31, 2009, the Bank recorded a provision for loan losses of $165,000. There were no charge-offs or recoveries recorded during the three months ended March 31, 2010 or 2009.

During the three months ended March 31, 2010 and 2009, the Bank deferred salaries and employee benefits of $104,000 and $127,000, respectively. related to loan origination activities.

As of March 31, 2010, $53,280,000 and $39,742,000 of loans were pledged to the Federal Reserve Bank and the Federal Home Loan Bank, respectively, as security for borrowing lines. As of December 31, 2009, $51,362,000 and $39,938,000 of loans were pledged to the Federal Reserve Bank and the Federal Home Loan Bank, respectively, as security for borrowing lines.

NOTE 5 – STOCK-BASED COMPENSATION

At March 31, 2010, 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 481,449 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 21,500 options in the three month period ended March 31, 2010. The weighted average grant date fair value of options granted during the three months ended March 31, 2010 was $3.10 per share.

A summary of option activity under the Plan for the quarter ended March 31, 2010 and the year ended December 31, 2009 is as follows:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2009	437,346	$10.03		
Granted	24,348	$7.37		
Exercised	-	-		
Forfeited	(5,667)	$10.00		
Outstanding at December 31, 2009	456,027	$9.88		
Granted	21,500	8.59		
Exercised	-	-		
Forfeited	(11,667)	10.00		
Outstanding at March 31, 2010	465,860	$ 9.94	8.2	$ 20,000
Exercisable at March 31, 2010	299,881	$ 9.98	7.1	$ 5,000
				$ -
Vested or expected to vest at March 31, 2010	461,930	$ 9.83	7.3	$ 19,000

As of March 31, 2010, the unrecognized compensation cost related to non-vested stock option awards totaled $148,000. That cost is expected to be amortized on a straight-line basis over a remaining weighted average period of 0.2 years and will be adjusted for subsequent changes in estimated forfeitures. Share-based compensation cost recognized in operating results for the three months ended March 31, 2010 and March 31, 2009 was $123,000 and $121,000. 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. At March 31, 2010, a full valuation allowance was recorded for the net deferred tax assets of the Bank.

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 March 31, 2010.

NOTE 7 - FAIR VALUE MEASUREMENT

Fair Value of Financial Instruments

	March 31, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and due from banks	$ 2,903,000	$ 2,903,000	$ 3,138,000	$ 3,138,000
Federal funds sold	30,452,000	30,452,000	35,750,000	35,750,000
Interest-bearing deposits in other financial institutions	8,224,000	8,232,000	6,083,000	6,048,000
Available-for-sale investment securities	11,162,000	11,162,000	11,759,000	11,759,000
Loans, net	139,965,000	139,839,000	132,731,000	132,820,000
Federal Home Loan Bank common stock	489,000	489,000	489,000	489,000
Accrued interest receivable	536,000	536,000	489,000	489,000
Financial liabilities:				
Deposits	$167,282,000	$ 162,628,000	$164,232,000	$158,460,000
Accrued interest payable	202,000	202,000	196,000	196,000

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. The Bank did not have any assets or liabilities required to be measured on a nonrecurring basis. 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		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale investment securities:				
March 31, 2010	$ 11,162,000	$ -	$ 11,162,000	$ -
December 31, 2009	$ 11,759,000	$ -	$ 11,759,000	$ -

The fair values of securities available-for-sale are valued based on quoted market prices, 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 March 31, 2010.

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 March 31, 2010, these financial instruments consisted of commitments to extend credit and stand-by letters of credit of $42,636,000 and $406,000, respectively. At December 31, 2009, these financial instruments consisted of commitments to extend credit and stand-by letters of credit of $41,032,000 and $423,000, 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 March 31, 2010, $34,123,000, or approximately 80%, 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 $3,760,000 represent approximately 9% 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 $4,521,000 and consumer loans of $232,000 represent the remaining 10% 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

Accounting for Transfers of Financial Assets

In June 2009, the FASB issued ASC Topic 860 (previously SFAS No. 166), Accounting for Transfers of Financial Assets, an amendment of SFAS No. 140. This standard amends the derecognition accounting and disclosure guidance included in previously issued standards. This standard eliminates the exemption from consolidation for qualifying special-purpose entities (SPEs) and also requires a transferor to evaluate all existing qualifying SPEs to determine whether they must be consolidated in

accordance with ASC Topic 810. This standard also provides more stringent requirements for derecognition of a portion of a financial asset and establishes new conditions for reporting the transfer of a portion of a financial asset as a sale. This standard is effective as of the beginning of the first annual reporting period that begins after November 15, 2009. Management adopted the provisions of this standard on January 1, 2010 without a material impact on the Bank's financial condition or results of operations.

Transfers and Servicing

In December 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-16, Transfers and Servicing (ASC Topic 860): Accounting for Transfers of Financial Assets, which updates the derecognition guidance in ASC Topic 860 for previously issued SFAS No. 166. This update reflects the Board's response to issues entities have encountered when applying ASC 860, including: (1) requires that all arrangements made in connection with a transfer of financial assets be considered in the derecognition analysis, (2) clarifies when a transferred asset is considered legally isolated from the transferor, (3) modifies the requirements related to a transferee's ability to freely pledge or exchange transferred financial assets, and (4) provides guidance on when a portion of a financial asset can be derecognized. This update is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after November 15, 2009. Management adopted the provisions of this standard on January 1, 2010 without a material impact on the Bank's financial condition or results of operations.

Fair Value Measurements and Disclosures

In January 2010, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2010-06, "Improving Disclosures About Fair Value Measurements," which added disclosure requirements about transfers in and out of Levels 1 and 2, clarified existing fair value disclosure requirements about the appropriate level of disaggregation, and clarified that a description of valuation techniques and inputs used to measure fair value was required for recurring and nonrecurring Level 2 and 3 fair value measurements. The Bank adopted these provisions of the ASU in preparing the Financial Statements for the period ended March 31, 2010. The adoption of these provisions of this ASU, which was subsequently codified into Accounting Standards Codification Topic 820, "Fair Value Measurements and Disclosures," only affected the disclosure requirements for fair value measurements and as a result had no impact on the Bank's statements of operations and condition.

This ASU also requires that Level 3 activity about purchases, sales, issuances, and settlements be presented on a gross basis rather than as a net number as currently permitted. This provision of the ASU is effective for the Bank's reporting period ending March 31, 2011. As this provision amends only the disclosure requirements for fair value measurements, the adoption will have no impact on the Bank's statements of operations and condition.

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 March 31, 2010 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, 2009, 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, 2009, 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 through December 31, 2010. 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 1097 South Main St., Salinas, California 93901, at 432 Broadway St., King City, California 93930 and 470 Tyler St., Monterey, California 93940 and its loan production office at 455 Tyler St., Monterey, California 93940.

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, 2009, filed with the FDIC.

FINANCIAL CONDITION OVERVIEW

Net income for the three months ended March 31, 2010 was $16,000 or $0.01 per diluted share which represented an increase of $449,000 when compared to a net loss of ($433,000) or ($0.14) per share for the three months ended March 31, 2009. The increase in net income and net income per share is primarily due to increases in net interest income which resulted from the growth in loans and decreased interest expense on deposits. In addition, the increase in net income was attributed to decreases in the provision for loan losses. These increases were partially offset by increases in non-interest expenses due to the continued growth of the Bank.

The Bank's total assets increased $3,213,000 or 1.7% from December 31, 2009 to March 31, 2010. As of March 31, 2010, total assets were $195,511,000 compared to $192,298,000 as of December 31, 2009. The increase in total assets from December 31, 2009 was primarily due to an increase in loans, offset by a decrease in Federal funds sold.

Loans, net of the allowance for loan losses, at March 31, 2010 were $139,965,000 compared to $132,731,000 at December 31, 2009. This represents an increase in net loans of $7,234,000 or 5.5% from December 31, 2009.

The primary funding sources for the growth in loans were Federal funds sold, which decreased $5,298,000 or (14.8%) to $30,452,000 from $35,750,000 at December 31, 2009, and total deposits which increased $3,050,000 or 1.9% to $167,282,000 at March 31, 2010 compared to $164,232,000 at December 31, 2009. Decreases in non-interest-bearing demand deposit accounts ("DDA") of (25.9%) from $55,271,000 at December 31, 2009 to $40,981,000 at March 31, 2010 were offset by increases in interest-bearing deposits of $17,340,000 or 15.9% to $126,301,000 at March 31, 2010 compared to $108,961,000 at December 31, 2009.

RESULTS OF OPERATIONS - FOR THE THREE MONTHS ENDED MARCH 31, 2010

Net income for the three months ended March 31, 2010 increased $449,000 or 103.7% to $16,000 compared to a net loss of ($433,000) for the three months ended March 31, 2009. The increase in net income for the three months ended March 31, 2010 was primarily the result of an increase in net interest income after provision for loan losses of $708,000 or 83.7% due to increased interest income from the growing loan portfolio, decreased interest expense on deposits and a decrease of ($72,000) or (43.6%) in the provision for loan losses. This increase in net interest income was offset by increased non-interest expense of $248,000 or (18.9%) primarily in salaries and benefits, and other expense.

Basic income per share for the three months ended March 31, 2010 improved by $.13 to 0.01 per share compared to $(0.14) for the three months ended March 31, 2009. Diluted income per share for the three months ended March 31, 2010 was the same as basic earnings per share as most of the Bank's outstanding stock options have exercise prices which were greater than the average market price. 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 earned on loans and investments and the interest paid on 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 March 31, 2010 and 2009. 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 March 31,					
	2010			2009		
	Average Balance	Interest	Average Yield	Average Balance	Interest	Average Yield
Assets:						
Interest-earning assets:						
Loans (1)	$135,208,000	$1,841,000	5.5%	$ 102,924,000	$ 1,321,000	5.2%
Federal funds sold	29,017,000	17,000	0.2%	21,897,000	13,000	0.2%
Interest-bearing deposits in other financial institutions	7,342,000	24,000	1.3%	3,698,000	48,000	5.2%
Taxable investment securities	11,485,000	116,000	4.1%	11,867,000	145,000	4.9%
Total interest-earning assets	183,052,000	1,998,000	4.4%	140,386,000	1,527,000	4.4%
Cash & due from banks	5,529,000			4,404,000		
Other assets	2,774,000			1,791,000		
Allowance for loan losses	(2,093,000)			(1,563,000)		
Total average assets	$189,262,000			$ 145,018,000		
Liabilities & Shareholders'						
Interest-bearing liabilities:						
Demand deposits	$ 48,435,000	$ 119,000	1.0%	$ 33,240,000	$ 152,000	1.8%
Savings	26,385,000	104,000	1.6%	17,744,000	94,000	2.1%
Time deposits	43,513,000	128,000	1.2%	39,959,000	270,000	2.7%
Total interest-bearing liabilities	118,333,000	351,000	1.2%	90,943,000	516,000	2.3%
Non-interest-bearing demand deposits	42,657,000			26,040,000		
Other liabilities	853,000			522,000		
Total liabilities	161,843,000			117,505,000		
Shareholders' equity	27,419,000			27,513,000		
Total average liabilities and shareholders' equity	$189,262,000			$ 145,018,000		
Net interest income and net margin (2)		$1,647,000	3.6%		$ 1,011,000	2.9%

1. Interest income on loans includes amortized loan costs of $82,000 and $66,000 for the three months ended March 31, 2010 and 2009, respectively.
2. 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 March 31, 2010 compared to the three months ended March 31, 2009

Increase (decrease) due to change in:

Interest-earning assets:	Volume	Rate (2)	Net Change
Net loans and leases (1)	$ 415,000	$105,000	$520,000
Federal funds sold	4,000	-	4,000
Interest-bearing deposits in other financial institutions	47,000	(71,000)	(24,000)
Taxable investment securities	(5,000)	(24,000)	(29,000)
Total	461,000	10,000	471,000
Interest-bearing liabilities:			
Demand deposits	69,000	(102,000)	(33,000)
Savings deposits	45,000	(35,000)	10,000
Time deposits	24,000	(166,000)	(142,000)
Total	138,000	(303,000)	(165,000)
Net interest differential	$ 323,000	$313,000	$636,000

(1) Amortized loan origination costs, net of loan and lease fees, of $82,000 and $66,000 for the three months ended March 31, 2010 and 2009, have been netted against the interest income computation.

(2) Changes in interest income and expense attributable to both rate and volume have been included in the rate variance.

Net interest income before provision for loan losses increased $636,000 or 62.9% to $1,647,000 for the three months ended March 31, 2010 compared to $1,011,000 for the same period in 2009. Average interest-earning assets for the three months ended March 31, 2010 were $183,052,000 compared to $140,386,000 during the same period in 2009. The increase in net interest income was primarily the result of an increase in the average balance of loans outstanding of $32,284,000 or 31.4% and decreases in the average rate paid on interest-bearing liabilities. These benefits were offset by the increase in the average balance of interest-bearing liabilities of $27,390,000 or 30.1%. Loan growth for the three months ended March 31, 2010 was funded primarily by a $16,617,000 or 63.8% increase in the average balance of non-interest-bearing deposits, a $15,195,000 or 45.7% increase in the average balance of interest-bearing demand deposits and an $8,641,000 or 48.7% increase in the average balance of savings deposits for the three months ended March 31, 2010, compared to the same period in 2009. The yield earned on average interest-earning assets during the three months ended March 31, 2010 remained consistent at 4.4% compared to the same period in the prior year. The average rate paid on interest-bearing liabilities decreased to 1.2% during the three months ended March 31, 2010 compared to 2.3% during same period in 2009. Overall, the net interest margin increased from 2.9% for the three months ended March 31, 2009 to 3.6% for the three months ended March 31, 2010.

Non-Interest Income

Non-interest income for the three months ended March 31, 2010 was $23,000 compared to $34,000 for the three months ended March 31, 2009. Other income 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 decrease is a result of changes in the composition of the interest bearing accounts and higher balances in the DDA accounts.

Non-Interest Expense

Salaries and employee benefits for the three months ended March 31, 2010 increased $105,000 or 14.0% to $854,000 compared to $749,000 for the three months ended March 31, 2009. The number of full-time equivalent employees increased by 14% to 41 at March 31, 2010 compared to 36 at March 31, 2009.

Occupancy expense, furniture and equipment expense and other expense for the three months ended March 31, 2010 increased $143,000 or 25.4% to $706,000 compared to $563,000 for the three months ended March 31, 2009. The increase was primarily due to a $112,000 increase in other expenses, including conferences and seminars, as the Bank invested in its strategic planning process; mainframe and network services, due to the continued growth of the bank; and an increase in dues and assessments charged by the FDIC as the Bank grew and assessment rates increased.

FINANCIAL CONDITION

The Bank's total assets increased $3,213,000 or1.7% from December 31, 2009 to March 31, 2010. As of March 31, 2010, total assets were $195,511,000 compared to $192,298,000 as of December 31, 2009. The increase in total assets from December 31, 2009 was primarily due to an increase in loans, partially offset by a decrease in Federal funds sold to improve yield.

Total net loans at March 31, 2010 were $139,965,000 compared to $132,731,000 at December 31, 2009. This represents an increase in net loans of $7,234,000 or 5.5% from December 31, 2009. 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 three months ended March 31, 2010 is consistent with both the Bank's business plan and 2010 budget.

Cash and cash equivalents decreased $5,533,000 or (14.2%) from $38,888,000 at December 31, 2009 to $33,355,000 at March 31, 2010. The decrease in cash was primarily attributed to Federal funds sold used to fund the growth in loans which exceeded the growth in deposits.

Available-for-sale investment securities and interest-bearing deposits in other banks increased $1,544,000 or 8.7% from $17,842,000 at December 31, 2009 to $19,386,000 at March 31, 2010. This increase was primarily due to the Bank building a portfolio of interest-bearing deposits in other banks as an alternative to Federal funds sold.

Total deposits increased $3,050,000 or 1.9% to $167,282,000 at March 31, 2010 compared to $164,232,000 at December 31, 2009. Non-interest-bearing demand deposit accounts ("DDA") decreased from $55,271,000 at December 31, 2009 to $40,981,000 at March 31, 2010. Interest-bearing DDA accounts increased from $42,236,000 at December 31, 2009 to $52,743,000 at March 31, 2010. Savings accounts increased to $28,933,000 at March 31, 2010 from $23,243,000 at December 31, 2009. Time deposits increased from $43,482,000 at December 31, 2009 to $44,625,000 at March 31, 2010. Time deposits include $6,000,000 and $5,000,000 of deposits received from the State of California at March 31, 2010 and 2009, respectively. While the overall increases in deposits are consistent with both the business plan and the 2010 budget for the Bank and were primarily due to the addition of new customers to the Bank, these increases were partially offset by a decrease in noninterest bearing deposits as unusually high seasonal deposits were withdrawn during the first quarter as the Bank expected.

There were no borrowings outstanding at March 31, 2010 and December 31, 2009.

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. 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's Audit Committee and by the Board of Directors.

In extending credit and commitments to borrowers, the Bank generally requires collateral and/or guarantees as security. The repayment of such loans is expected to come from 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 45% of the loan portfolio. While the commercial loan portion of the portfolio is comprised of loans to a diversity of business and collateral types in no one industry, the portfolio does contain several large commercial loan relationships with a single borrower or group of affiliated borrowers. Construction loans and other real estate secured loans comprised 53.3% of total loans outstanding at March 31, 2010. 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 each

portfolio, 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 collectibility, a substantial 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 collectibility 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 future prospects, results of operations, the length of time it takes us to reach profitability and the level of overall profitability, and the market price of the Bank's common stock.

The provision for loan losses for the three months ended March 31, 2010 was $93,000 compared to $165,000 during the three months ended March 31, 2009. At March 31, 2010, the allowance for loan losses was $2,174,000 compared to $2,081,000 at December 31, 2009. The ratio of allowance for loan losses to gross loans was 1.53% at March 31, 2010 and 1.54% at December 31, 2009. 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 in the three month period ended March 31, 2010 or the three months ended March 31, 2009. 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 inherent in the portfolio and provide for the estimated probable losses. Management believes that the current level of the allowance for loan losses as of March 31, 2010 is adequate to absorb probable losses in the portfolio. However, no assurance can be given that the Bank may not incur 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 March 31,	
	2010	2009
Beginning balance	$ 2,081,000	$ 1,552,000
Provision charged to expense	93,000	165,000
Loans charged off	-	-
Recoveries	-	-
Ending balance	$ 2,174,000	$ 1,717,000
Ending loan portfolio, net of fees and costs	$142,139,000	$ 114,448,000
Average loan portfolio, net of fees and costs	$135,208,000	$ 102,924,000
Ratio of net charge-offs to average loans outstanding net of deferred fees and costs	N/A	N/A
Provision for loan losses to average loans outstanding, net of deferred fees and costs	0.07%	0.22%
Allowance for loan losses to loans, net of deferred fees and costs, at end of period	1.53%	1.50%
Net loans charged-off (recoveries) to provision for loan losses	N/A	N/A
Allowance for loan losses to nonperforming loans	N/A	N/A

Impaired, 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 March 31, 2010 and December 31, 2009.

At March 31, 2010 and December 31, 2009, there were no loan borrowers or relationships 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 March 31, 2010 or December 31, 2009, where serious doubt exists as to the ability of the borrower to comply with the present repayment terms.

Capital Resources

Total shareholders' equity at March 31, 2010 increased $181,000 or 0.7% to $27,456,000 compared to $27,275,000 at December 31, 2009. Changes in shareholders' equity consisted of the net income for the three months ended March 31, 2010 of $16,000, an increase in equity of $123,000 related to stock-based compensation, and an increase in net accumulated other comprehensive income of $42,000 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 de novo period of operations, the Bank is required to maintain a minimum Tier 1 Capital to Average Assets (leverage) ratio of 8%, or $15,140,000 at March 31, 2010.

The following table shows the Bank's actual capital amounts and ratios at March 31, 2010 and December 31, 2009, 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 March 31, 2010:						
Total Capital (to Risk Weighted Assets)	$28,962,000	20.1%	$11,553,000	8.0%	$14,441,000	10.0%
Tier 1 Capital (to Risk Weighted Assets)	27,151,000	18.8%	5,777,000	4.0%	8,665,000	6.0%
Tier 1 Capital (to Average Assets)	27,151,000	14.3%	7,570,000	4.0%	9,463,000	5.0%
As of December 31, 2009:						
Total Capital (to Risk Weighted Assets)	$28,751,000	21.3%	$10,783,000	8.0%	$13,479,000	10.0%
Tier 1 Capital (to Risk Weighted Assets)	$27,059,000	20.1%	5,392,000	4.0%	8,087,000	6.0%
Tier 1 Capital (to Average Assets)	$27,059,000	15.4%	7,051,000	4.0%	8,814,000	5.0%

The Bank met the "well capitalized" capital ratio measures at both March 31, 2010 and December 31, 2009.

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 March 31, 2010 were approximately $42,636,000 and $406,000, 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 March 31, 2010, primary liquid assets totaled $36,488,000 or 18.7% of total assets compared to $42,583,000 or 22.1% of total assets on December 31, 2009. In addition to liquid assets, the Bank maintains short-term unsecured lines of credit in the amount of $8,000,000 with correspondent banks all of which was available to the Bank at March 31, 2010. Additionally, the Bank is a member of the FHLB and maintains a discount window borrowing line at the Federal Reserve Bank. At March 31, 2010, the Bank could have arranged for up to $28,851,000 in borrowings from the FHLB and $33,391,000 from the Federal Reserve Bank to be secured by pledged mortgage loans or investments. At March 31, 2010, 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 March 31, 2010 and December 31, 2009.

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 March 31, 2010 and December 31, 2009, 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 $43,042,000 and $41,455,000 at March 31, 2010 and

December 31, 2009, respectively. As a percentage of gross loans and leases, these off-balance sheet items represent 30.2% and 30.6%, 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 March 31, 2010, 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, 2009, filed with the FDIC on March 24, 2010.

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. RESERVED

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Number	Document Description
3.1	Articles of Incorporation, as amended.**
3.2	Bylaws, as incorporated by reference to Registrant's Form 8-K filed with the Federal Deposit Insurance Corporation on April 16, 2010.
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 with the Federal Deposit Insurance Corporation on 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 with the Federal Deposit Insurance Corporation on 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 with the Federal Deposit Insurance Corporation on 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 incorporated by reference to Registrant's Form 10-Q filed with the Federal Deposit Insurance Corporation on November 12, 2009.
10.12	Fiserv Solutions, Inc. electronic transaction services agreement dated November 30, 2006(**). Amendment thereto dated September 22, 2009 incorporated by reference to Registrant's Form 10-Q filed with the Federal Deposit Insurance Corporation on November 12, 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 with the Federal Deposit Insurance Corporation on August 12, 2009.*
10.16	Lease dated January 13, 2010, related to 445 Tyler Street, Monterey, California 93940, incorporated by reference to Registrant's Form 10-K filed with the Federal Deposit Insurance Corporation on March 24, 2010.
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: May 12, 2010

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

Date: May 12, 2010

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
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	26
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	27
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.	28

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 March 31, 2010 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: May 12, 2010

By: _/s/ Clyde F. Rowden_____
Clyde F. Rowden
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 March 31, 2010 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: May 12, 2010

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 MARCH 31, 2010

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 March 31, 2010 (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: May 12, 2010

By: /s/ Clyde F. Rowden
Clyde F. Rowden
Chief Executive Officer
(Principal Executive Officer)

Date: May 12, 2010

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.