



January 30, 2014

FOR IMMEDIATE RELEASE

**1st Capital Bank Announces:
Fourth Quarter and Year To Date 2013 Financial Results;
Record Loans, Assets, Deposits, and Shareholders' Equity;
Third Consecutive Increase in Quarterly Earnings**

Monterey, California – January 30, 2014. **1st Capital Bank** (OTCQB: FISB) (the “Bank”) today announced fourth quarter and year to date financial results through December 31, 2013. Net income during the fourth quarter of 2013 was \$612 thousand, equivalent to \$0.18 per diluted common share. This compares to net income of \$748 thousand, equivalent to \$0.23 per diluted common share, during the fourth quarter of 2012. The fourth quarter of 2012 included \$699 thousand in tax-free benefits from bank owned life insurance (“BOLI”), partially offset by the establishment of \$294 thousand in tax reserves. Net income for the third quarter of 2013 (the immediately preceding quarter) was \$457 thousand, equivalent to \$0.13 per diluted common share. The fourth quarter of 2013 represented the third consecutive increase in quarterly earnings.

Net income for 2013 was \$1.7 million, equivalent to \$0.50 per diluted common share. This compares to net income for 2012 of \$1.8 million, equivalent to \$0.54 per diluted common share. The reduction in net income from 2012 to 2013 was primarily associated with the BOLI benefits received during 2012.

The Bank reported record levels of net loans, total assets, total deposits, and shareholders' equity at December 31, 2013. The Bank's total assets expanded by 17.5% during 2013; and average interest earning assets were 19.9% higher during the fourth quarter of 2013 compared to the fourth quarter of 2012.

Commenting on the fourth quarter of 2013 financial performance, Mark Andino, the Bank's President and Chief Executive Officer, stated: “We are pleased to report a third consecutive quarter of increased earnings and a record balance sheet. The Bank concluded 2013 with a favorable credit profile, a well-positioned loan loss reserve relative to non-performing loans, and a strong pipeline of potential new business.” Mr. Andino then continued: “Along with much of the banking industry, our current challenges include the continuation of a historically low interest rate environment and ongoing aggressive loan pricing competition for quality borrowers. Both of those factors contributed to the margin compression experienced by the Bank over the past year. However, the Bank also enjoys many opportunities, including future revenue from the recent hire of Stuart Tripp as our Regional President covering the coastal area from the Monterey Peninsula north to the City of Santa Cruz. Mr. Tripp is an experienced, professional banker who is well known throughout this market area. This hire complements the Bank's recent success in gaining market share in counties adjacent to Monterey County.”

Kurt Gollnick, the Bank's Chairman of the Board, stated: "The Board of Directors continued its focus on shareholder value during the fourth quarter of 2013. Following the vesting and issuance of the prior annual restricted share awards in November 2013, new annual director restricted share awards were postponed, resulting in the directors not receiving any compensation for the month of December 2013. In addition, in light of the Bank's return on equity and other shareholder focused metrics, executive bonuses for 2013 were a fraction of the levels paid during 2012. The Board of Directors and the executive team recently adopted an updated strategic plan for the Bank that incorporates multiple initiatives aimed at increasing the Bank's franchise value and augmenting long term shareholder value."

Performance Highlights

- The Bank presented a high quality credit profile at December 31, 2013, with a nonperforming asset ratio of 0.22% and a ratio of allowance for loan losses to nonperforming loans of 562.47%. These figures compare to a non-performing asset ratio of 0.44% and a ratio of allowance for loan losses to non-performing loans of 299.38% as of December 31, 2012.
- Non-accrual loans totaled \$0.8 million at December 31, 2013, equivalent to 0.33% of loans outstanding. No new loans were transferred to non-accrual status during the fourth quarter of 2013, and the inventory of non-accrual loans at September 30, 2013 continued to pay down.
- At December 31, 2013, the Bank maintained a regulatory total risk-based capital ratio of 15.63%, substantially in excess of the 10.00% threshold to be categorized in the highest regulatory capital classification of "well capitalized." The Bank's regulatory capital ratios at December 31, 2013 benefited from an increase of \$945 thousand in Tier 1 Regulatory Capital from payments received for the exercise of vested stock options during the fourth quarter of 2013. An additional \$56 thousand in Tier 1 Regulatory Capital from the exercise of vested stock options was obtained during early January 2014.
- Tangible book value per share rose to a record \$10.79 as of December 31, 2013, as compared to \$10.27 per share at December 31, 2012.

Financial Condition Analysis

Funds held at the Federal Reserve Bank of San Francisco ("FRB-SF") decreased from \$26.7 million at December 31, 2012 to \$15.5 million at December 31, 2013. This reduction resulted from the Bank's decision to invest excess on-balance sheet liquidity primarily into higher yielding variable rate mortgage backed securities ("MBS") and floating rate tranches of collateralized mortgage obligations ("CMO") issued by the Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA"), or the Federal Home Loan Mortgage Corporation ("FHLMC") (collectively, "U.S. Agencies") in order to augment interest income.

Time deposits at other financial institutions declined from \$9.3 million at December 31, 2012 to \$4.6 million at December 31, 2013, as funds from maturing time deposits were reinvested into securities.

Securities categorized as available for sale increased from \$41.8 million at December 31, 2012 to \$104.0 million at December 31, 2013. During 2013, the Bank invested deposit inflows in excess of loan portfolio growth, maturing time deposit funds, plus some of its balances at the FRB-SF into securities, resulting in the following security portfolio profile at December 31, 2013:

\$ In Thousands	December 31, 2013 Fair Value (Unaudited)
Type of Security	
SBA fixed rate loan pools	\$ 2,929
Municipal fixed rate securities	2,141
Agency variable rate residential MBS	3,184
Agency fixed rate residential MBS	5,997
Agency variable rate commercial MBS	23,272
Agency variable rate residential CMO	60,157
Agency variable rate commercial CMO	6,281
Total	<u>\$ 103,961</u>

The municipal securities were all rated at least AA by a nationally recognized ratings agency. The majority of the Bank's security purchases during 2013 were adjustable rate assets, as the Bank has allocated most of its balance sheet duration to loans in response to client demand for fixed rate financing in the current interest rate environment. The fair value of the Bank's \$104.0 million in securities at December 31, 2013 was \$69 thousand less than its amortized cost basis.

At December 31, 2013, the Bank maintained a strong liquidity profile, consisting of a significant volume of on-balance sheet assets (including cash & cash equivalents and securities available for sale) and significant off-balance sheet borrowing capacity. The increase in the Bank's liquidity profile during 2013 is reflected in the ratio of net loans to deposits, which decreased from 81.1% at December 31, 2012 to 72.0% at December 31, 2013. The Bank's liquidity profile at the end of 2013 was impacted by a particularly favorable agricultural harvest in the Bank's primary market area during 2013, contributing to reduced utilization of borrowing lines and the inflow of deposits. Undrawn credit commitments at December 31, 2013 totaled \$57.4 million, up from \$51.3 million at December 31, 2012.

Commenting on the Bank's liquidity, Jon Ditlevsen, the Bank's Chief Lending Officer, stated: "The Bank concluded 2013 with ample funds for lending. We continue to extensively market to local businesses and professionals throughout the Central Coast of California. We recognize that increasing the Bank's ratio of net loans to deposits via quality lending is a key objective for the Bank for 2014; as we aim to build a greater stream of net interest income."

Clay Larson, the Bank's Regional President for the greater Monterey Peninsula area, added: "The Bank improved its competitive lending position in multiple regards during the fourth quarter of 2013, including increasing its lending limits to the largest amounts for any community bank headquartered in Monterey or Santa Cruz Counties. The addition of Senior Relationship Manager Thomas Anderson has already led to increased lending activity in San Luis Obispo County, where the Bank aims to continue increasing market share."

Net loans increased from \$238.9 million at December 31, 2012 to \$250.8 million at December 31, 2013. While the Bank originated or purchased over \$95 million in new credit commitments during 2013, loan payoffs and curtailments, principal reductions on lines of credit, and scheduled principal amortization combined to limit net portfolio growth.

The Bank's loan mix shifted during 2013. At December 31, 2013, the Bank did not have any loans that were financing active building construction, compared to \$4.8 million outstanding in such loans at December 31, 2012. Residential 1 to 4 unit loans approximately doubled during 2013, supported by the purchase of two seasoned mortgage pools. The loans in the pools were seasoned 5/1 or 7/1 mortgages that reprice based upon a margin over the 1 year LIBOR index. These mortgages met the Bank's standard underwriting criteria and are secured by first deeds of trust on homes in California. Commercial and industrial loans outstanding declined during 2013 in part due to relatively low client utilization of lines of credit at the end of 2013.

The Bank's allowance for loan losses increased from \$4.3 million, or 1.77% of total loans, at December 31, 2012 to \$4.7 million, or 1.84% of total loans, at December 31, 2013. The allowance was increased by \$868 thousand in loan loss provision during 2013, and decreased by net charge-offs of \$491 thousand, almost all of which occurred during the first quarter of 2013 in conjunction with a \$500 thousand impaired commercial loan. During the fourth quarter of 2013, the Bank recorded \$11 thousand in charge-offs and \$16 thousand in recoveries. The \$11 thousand charged off during the fourth quarter of 2013 was fully recovered in January 2014.

Non-accrual loans decreased by \$607 thousand from December 31, 2012 to December 31, 2013, primarily reflective of the charge-off of the \$500 thousand commercial loan described above and payments received on non-accrual loans. All of the Bank's non-accrual loans were current or less than 30 days delinquent in scheduled payments as of December 31, 2013.

Loans graded Substandard increased from \$5.1 million at December 31, 2012 to \$8.7 million at December 31, 2013 primarily due to the downgrade of one credit relationship from Special Mention. Loans graded as Special Mention increased from \$4.2 million at December 31, 2012 to \$5.9 million at December 31, 2013, primarily due to the downgrade of one credit relationship in response to weaker farming results for 2012. Both of the aforementioned downgraded credit relationships were current in their scheduled payments at December 31, 2013 and the borrowers have continued to be cooperative with the Bank.

The ratio of the Bank's allowance for loan losses to non-performing loans rose from 299.38% at December 31, 2012 to 562.47% at December 31, 2013. The Bank has never owned any foreclosed real estate.

Commenting on the Bank's credit profile, Dale Diederick, the Bank's Chief Credit Officer, stated: "The Bank concluded 2013 in excellent condition from a credit perspective, with comparatively few problem loans. In addition, the borrower associated with the one larger loan charged off by the Bank during 2013 has continued to make monthly restitution payments consistent with his agreement with the Bank."

Premises and equipment, net of accumulated depreciation, increased from \$1.3 million at December 31, 2012 to \$1.5 million at December 31, 2013. The majority of this increase was due to remodeling of the Salinas branch office and the purchase of new hardware in support of the Bank's technology platform. At the end of 2013, the Bank was in the process of upgrading its entire network to provide much greater bandwidth and support faster processing speeds.

The Bank's investment in the capital stock of the Federal Home Loan Bank ("FHLB") increased from \$1.0 million at December 31, 2012 to \$1.5 million at December 31, 2013 due to the standard asset-based investment requirement applicable to FHLB members.

Commenting on the Bank's asset profile at December 31, 2013, Marilyn Goode, the Bank's Interim Chief Financial Officer, stated: "We continue to seek to increase loans as a percentage of total assets as a means to augment net interest income and even better support the credit needs of our local communities. The new commercial lenders hired by the Bank during 2013 are now well integrated with our team, with Senior Relationship Manager Chris Illig experiencing particular success in serving a wide range of professionals throughout Monterey County." Ms. Goode then continued: "The Bank's safety and soundness continues to be a competitive advantage when marketing to local businesses and professionals."

Total deposits increased 18.2% from \$294.7 million at December 31, 2012 to a record \$348.4 million at December 31, 2013. The Bank experienced particularly strong deposit inflows during the fourth of quarter of 2013, when the deposit portfolio increased by \$24.4 million. The weighted average interest rate on the Bank's deposits at December 31, 2013 was 0.15%.

Non-interest bearing demand deposits increased from \$123.4 million at December 31, 2012 to \$144.2 million at December 31, 2013. The Bank continues to enhance and market its suite of electronic banking and cash management services, with a dedicated Cash Management Department led by Brooks Kohne, who recently announced: “We are now working on check deposit via smartphone and look forward to providing this service to our clients during 2014. In addition, we are currently upgrading our deposit statement features, with a planned introduction in mid-2014.”

Interest bearing checking accounts increased from \$15.7 million at December 31, 2012 to \$20.3 million at December 31, 2013. Given the historically low interest rate environment, the Bank has attracted these consumer, sole proprietor, and non-profit organization checking accounts by its focus on a concierge level of service rather than based upon interest rate.

Money market deposits increased from \$61.9 million at December 31, 2012 to \$81.3 million at December 31, 2013. Savings deposits rose from \$62.4 million at December 31, 2012 to \$75.7 million at December 31, 2013. Both money market and savings deposits have been an attractive alternative for liquid funds in the current historically low interest rate environment.

Time deposits decreased from \$31.3 million at December 31, 2012 to \$27.0 million at December 31, 2013. Factors contributing to this decline included transfers from certain maturing time deposits into transaction accounts and the Bank’s moderating its time deposit pricing in response to its favorable liquidity position and the availability of alternative low cost funding. \$6.0 million of the \$27.0 million in time deposits at December 31, 2013 were comprised of low cost state term funds. None of the Bank’s deposits at December 31, 2013 were brokered deposits or sourced from deposit listing services.

Commenting on the Bank’s deposit performance, Irene Shippee, the Bank’s Operations Administrator, stated: “The Bank enjoyed an outstanding deposit performance during the fourth quarter of 2013, including inflows across all transaction account product types and a quarterly weighted average cost of just 0.16%. We concluded 2013 with a solid pipeline of new deposit relationships and continue to attract new clients with our personalized service and highly customizable suite of cash management products.” Ms. Shippee then continued: “Having a dedicated Cash Management Department has clearly helped attract new deposit clients. It’s been rewarding to receive client compliments regarding the timeliness and quality of our customer service, including live technical assistance directly to their desktops.”

Shareholders’ equity rose from \$34.0 million at December 31, 2012 to a record \$37.7 million at December 31, 2013. The 2013 year to date net income of \$1.7 million, \$333 thousand in equity compensation expense, and \$2.2 million from the exercise of vested stock options more than offset a \$441 thousand reduction in the accumulated other comprehensive income associated with changes in unrealized gains and losses on securities classified as available for sale.

Commencing on January 1, 2013, director compensation was shifted to consist solely of time-based restricted share awards. Similarly, the compensation packages for recently hired Bank officers have included a restricted share award component that vests over time, rather than being exclusively composed of cash compensation. The stock option exercises and the equity based compensation, in addition to retained earnings, are supporting the Bank's regulatory capital ratios and capacity for growth. The more extensive use of restricted share awards as a form of compensation emphasizes the directors' and officers' commitment to enhancing shareholder value.

Operating Results Analysis

Net interest income before provision for loan losses of \$3.2 million during the three months ended December 31, 2013 increased from \$3.1 million during the three months ended December 31, 2012; and was consistent with the amount generated during the three months ended September 30, 2013 (the immediately preceding quarter). The year over year increase in net interest income was primarily generated by a rise in interest earning assets, as the Bank's net interest margin declined from 3.97% during the fourth quarter of 2012 to 3.40% during the fourth quarter of 2013.

Net interest income before provision for loan losses rose from \$11.8 million during 2012 to \$12.5 million during 2013. The Bank's net interest margin declined from 4.00% during 2012 to 3.55% during 2013.

This aforementioned margin compression is a general trend facing the banking industry, as funding costs have already been reduced to historically low levels while asset yields continue to fall in conjunction with:

- the Federal Reserve's continuing to implement aggressive monetary policies (including quantitative easing) in an effort to reduce the national unemployment rate;
- strong price competition among financial institutions for high quality loans; and
- older, higher yielding loans and securities maturing and amortizing and being replaced by new, lower yielding loans and securities reflective of current market interest rates.

The net interest margin over the prior comparable periods was particularly impacted by a decline in the ratio of average loans to average deposits. Average gross loans equaled 83.7% of average deposits during the fourth quarter of 2012 versus 74.8% during the fourth quarter of 2013.

The Bank plans to support its net interest income in upcoming quarters via the following strategies:

- continuing to focus upon the size and mix of the Bank's balance sheet, particularly with the goal of originating a greater volume of loans (while maintaining credit standards) in order to support growth in the loan portfolio;
- seeking to acquire additional residential loan pools that meet the Bank's credit criteria as a means of further diversifying the loan portfolio and as an alternative to purchasing additional investment securities; and
- pursuing a further migration in deposit mix away from certificates of deposit and toward non-interest bearing checking accounts.

The Bank did not record any provision for loan losses during the fourth quarter of 2013 in light of the net recoveries recorded during the quarter and because of the credit profile of the loan portfolio, including no loans 30 or more days delinquent. The provision for loan losses was \$432 thousand during the fourth quarter of 2012 and \$89 thousand during the third quarter of 2013 (the immediately preceding quarter).

The provision for loan losses decreased from \$994 thousand during 2012 to \$868 thousand during 2013. Factors contributing to the provision for loan losses during 2013 included:

- the growth in the size of the loan portfolio;
- additional loan loss reserves of \$277 thousand associated with the \$500 thousand impaired commercial loan that was charged off during the first quarter of 2013;
- increased specific reserves associated with two credit relationships where the borrowers are current in their payments to the Bank, but are experiencing financial stress in their businesses;
- increased formula general reserves associated with: (i) a credit relationship which was downgraded to Special Mention during the second quarter of 2013; and (ii) a small number of credit relationships downgraded to Watch during 2013;
- an increase in hospitality industry related loans (a primary industry in the Bank's market area), which are reserved at a higher ratio than most other types of investor real estate; and
- a rise in the amount of loan loss reserves designated for the Bank's qualitative adjustment factors.

During the fourth quarter of 2012, the Bank received \$699 thousand in tax-free BOLI benefits associated with key man life insurance carried on its former President and Chief Executive Officer.

Non-interest income, excluding the aforementioned BOLI death benefits, declined from \$80 thousand during the fourth quarter of 2012 and \$100 thousand during the third quarter of 2013 (the immediately preceding quarter) to \$67 thousand during the fourth quarter of 2013. Non-interest income during the fourth quarter of 2013 was restrained by a lack of loan sales (compared to the third quarter of 2013), a \$3 thousand loss on disposition of certain technology assets, and the termination of a residential mortgage loan referral program in mid-2013 that had been generating \$5 thousand per quarter in fees. In addition, BOLI dividend income was \$8 thousand lower in the fourth quarter of 2013 compared to the fourth quarter of 2012, in part due to a lower investment balance.

Non-interest income excluding the aforementioned BOLI death benefits increased from \$200 thousand during 2012 to \$307 thousand during 2013. Factors contributing to this increase in non-interest income included:

- The Bank implemented a revised fee and service charge schedule effective May 1, 2013 that included some new fees as well as increases to certain existing fees for various services the Bank provides.
- Fee waivers during 2013 have been more selective, based upon the client's profitability to the Bank.
- Late in the third quarter of 2012, the Bank made its initial investment into Bank Owned Life Insurance ("BOLI"). This investment generates monthly dividend income that increases its cash surrender value and is accounted for as a component of non-interest income.
- The management team has increased the Bank's focus on generating non-interest income during 2013 through a variety of sources, including merchant bankcard services, check printing, and wire transfers.
- The Bank recorded a \$21 thousand gain during the third quarter of 2013 from its initial sale of the guaranteed portion of an SBA 7(a) Program loan. The Bank has implemented software that supports this secondary marketing and related servicing; and intends to pursue additional such sales in the future should secondary market prices continue at attractive levels.

Non-interest expense decreased from \$2.3 million during the fourth quarter of 2012 and \$2.4 million during the third quarter of 2013 (the immediately preceding quarter) to \$2.2 million during the fourth quarter of 2013. Factors impacting non-interest expense during these time periods included:

- The third quarter of 2013 included \$120 thousand in severance expense.
- The accrual for incentive compensation was \$56 thousand lower during the fourth quarter of 2013 than the fourth quarter of 2012 (with the reduction primarily associated with lower bonuses for executive officers).
- Non-interest expense during the fourth quarter of 2013 included \$20 thousand for professional recruiter fees associated with the sourcing of a permanent Chief Financial Officer for the Bank.

Non-interest expense rose from \$8.7 million during 2012 to \$9.1 million during 2013. Most of this increase was associated with base salaries and restricted share award expense, as reflected in salaries and benefits costs rising from \$5.2 million during 2012 to \$5.5 million during 2013. While the Bank's total assets expanded by 17.5% during 2013, the number of full-time equivalents rose by just one. Compensation packages for certain new hires during 2013 were higher than those of the predecessors in the positions, as the Bank recruited experienced and high caliber bankers.

During 2013, the Bank implemented multiple initiatives in order to moderate the pace of increase in operating costs despite the ongoing growth of the Bank. These initiatives have included:

- Linking the Bank's incentive compensation accrual more directly to performance on key metrics which closely align with the generation of shareholder value. Incentive compensation costs for 2013 were \$80 thousand, down from \$216 thousand during 2012. The lower incentive compensation costs partially offset higher expenses associated with new positions created during 2013 in support of the Bank's growth, including Information Technology Manager, Relationship Manager, and Credit Administrator.
- The Bank redesigned its health and welfare benefits effective January 1, 2013 to both provide good relative value to its employees and control related expenses. As a result, health and welfare expenses were slightly lower during 2013 versus 2012 despite the Bank's increased staffing and the general upward trend for such costs. The Bank took further initiative in this regard effective January 1, 2014 in restructuring its employer paid group term life insurance program.
- During the second quarter of 2013, the Bank deregistered its common shares under the Securities Exchange Act of 1934, as amended. This has led to savings in external expenses for legal and accounting services, while also freeing internal resources for other projects in support of the Bank's strategic plan.

Salaries and benefits costs totaled \$1.3 million during both the fourth quarter of 2012 and the fourth quarter of 2013. The Bank anticipates a rise in aggregate salary and benefits costs during the first quarter of 2014 in conjunction with periodic salary increases and the hire of two to three additional positions in support of further growth. The Bank has restructured its compensation program for officers to incorporate a greater percentage of restricted share awards in order to more closely align employee interests with those of shareholders and to support the Bank's regulatory capital formation.

Occupancy expenses increased slightly from \$195 thousand during the fourth quarter of 2012 to \$198 thousand during the fourth quarter of 2013. Occupancy expenses during the third quarter of 2013 (the immediately preceding quarter) were \$191 thousand. Occupancy expenses rose from \$725 thousand during 2012 to \$768 thousand during 2013 primarily due to the incremental costs associated with the new location for the Monterey branch office, which opened in March 2012. In response to an expanding client base, the Bank also enlarged its King City branch office in March 2013, resulting in a monthly rent increase of \$2 thousand.

Furniture and equipment expense increased slightly from \$74 thousand during the fourth quarter of 2012 to \$77 thousand during the fourth quarter of 2013. Furniture and equipment expense during the third quarter of 2013 (the immediately preceding quarter) was \$71 thousand. Furniture and equipment expense during 2013 totaled \$273 thousand, down from \$306 thousand during 2012 primarily due to lower levels of depreciation expense. Furniture and equipment expense is projected to increase in future periods in conjunction with the planned technology upgrades by the Bank over the forthcoming six months. These technology upgrades include new laptops and workstations, as the Bank completes the replacement of Windows XP devices in light of the upcoming suspension of vendor support for that operating system.

Other non-interest expense during the fourth quarter of 2013 totaled \$607 thousand, down from \$689 thousand during the fourth quarter of 2012 and \$657 thousand during the third quarter of 2013 (the immediately preceding quarter). Other non-interest expense during 2013 decreased slightly from the total for 2012. Areas of higher costs for the Bank during 2013 included:

- software and technology, which have been trending upward in conjunction with an increased client base with more accounts and more transactions, and with the implementation of new technologies;
- FDIC insurance and state banking assessments deriving from the larger size of the Bank; and
- provision for unfunded liabilities, stemming from the greater volume of credit commitments maintained by the Bank.

The above sources of increases in operating costs were largely offset during 2013 with expense reductions in the following areas:

- director related costs;
- professional fees (largely resulting from the deregistration of the Bank's common stock from SEC reporting);
- more efficient management of check printing and other deposit account supplies; and
- more effective utilization of a lower amount of marketing and advertising related expenditures.

The Bank's efficiency ratio (operating costs compared to income from operations), excluding the BOLI benefits received during the fourth quarter of 2012, improved from 72.23% during the fourth quarter of 2012 to 68.16% during the fourth quarter of 2013; and from 72.75% during 2012 to 70.82% during 2013. This improvement in the Bank's efficiency ratio would have been even more pronounced if the Bank had not: (i) experienced a narrower net interest margin; and (ii) incurred \$120 thousand in severance costs during the third quarter of 2013 and \$20 thousand in recruiting costs during the fourth quarter of 2013. The progress in the Bank's efficiency ratio reflects the 17.5% rise in total assets during 2013 without adding additional branch office locations. Technology has been utilized to perform an increasing volume of client transactions without adding new physical locations or hiring a significant volume of additional branch office staff. The Bank offers both qualified businesses and consumers check deposit processing via scanner, with check deposit via smartphone planned for introduction in coming months.

Dr. Daniel Hightower, the Bank's Vice Chairman of the Board and the Chairman of the Bank's Information Technology Steering Committee, commented: "We are excited about the technology enhancements scheduled at the Bank over the forthcoming several months. We expect this new hardware and software to facilitate even better client service while improving employee productivity and job satisfaction. In conformity with our strategic plan, we aim to utilize technology as a competitive advantage and as a means of improving the Bank's efficiency ratio over time. Next up are planned enhancements to the Bank's teller and new accounts platforms combined with much faster network speeds."

The Bank's effective book tax rate increased from 39.2% during 2012 to 41.0% during 2013 primarily due to the effect of the tax-free BOLI benefits received during the fourth quarter of 2012, which was partially offset by the establishment of a tax reserve associated with deductions under the State of California Enterprise Zone program. The Bank purchased its first tax qualified municipal bonds during 2013.

About 1st Capital Bank

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

Member FDIC / Equal Opportunity Lender / SBA Preferred Lender

Forward-Looking Statements:

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

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

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--- financial data follows ---

1ST CAPITAL BANK
CONDENSED FINANCIAL DATA
(Unaudited)

(Dollars in thousands, except share and per share data)

<u>Financial Condition Data</u> ¹	December 31, <u>2013</u>	September 30, <u>2013</u>	June 30, <u>2013</u>	December 31, <u>2012</u>
Assets				
Cash and due from banks	\$ 1,734	\$ 1,688	\$ 1,561	\$ 2,872
Funds held at the Federal Reserve Bank ²	15,548	18,521	20,873	26,721
Time deposits at other financial institutions	4,582	4,582	8,823	9,321
Available-for-sale securities, at fair value	103,961	86,623	79,673	41,762
Loans receivable held for investment:				
Construction / land (including farmland)	15,555	15,175	22,149	18,207
Residential 1 to 4 units	44,322	32,300	32,922	22,711
Home equity lines of credit	9,092	10,506	10,033	12,243
Multifamily	5,963	5,127	5,011	2,397
Owner occupied commercial real estate	49,747	49,712	49,780	47,917
Investor commercial real estate	67,019	65,223	64,272	65,733
Commercial and industrial	56,564	65,989	62,902	71,848
Other loans	7,268	6,842	6,053	2,197
Total loans	255,530	250,874	253,122	243,253
Allowance for loan losses	(4,691)	(4,686)	(4,593)	(4,314)
Net loans	250,839	246,188	248,529	238,939
Premises and equipment, net	1,484	1,387	1,386	1,282
Bank owned life insurance	3,648	3,626	3,603	3,555
Investment in FHLB ³ stock, at cost	1,494	1,494	1,494	1,026
Accrued interest receivable and other assets	3,774	3,987	3,586	3,871
Total assets	\$ 387,064	\$ 368,096	\$ 369,528	\$ 329,349
Liabilities and shareholders' equity				
Deposits:				
Noninterest bearing demand deposits	\$ 144,173	\$ 127,132	\$ 129,840	\$ 123,403
Interest bearing checking accounts	20,268	18,167	18,611	15,701
Money market	81,266	78,221	85,224	61,872
Savings	75,685	72,991	71,690	62,364
Time	26,983	27,423	28,307	31,314
Total deposits	348,375	323,934	333,672	294,654
Borrowings	--	7,000	--	--
Accrued interest payable and other liabilities	947	988	777	694
Shareholders' equity	37,742	36,174	35,079	34,001
Total liabilities and shareholders' equity	\$ 387,064	\$ 368,096	\$ 369,528	\$ 329,349
Shares outstanding ⁴	3,497,190	3,377,672	3,306,861	3,310,503
Nominal and tangible book value per share	\$ 10.79	\$ 10.71	\$ 10.61	\$ 10.27
Ratio of net loans to total deposits	72.00%	76.00%	74.48%	81.09%

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

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

3 = Federal Home Loan Bank

4 = The Bank revised its 2007 Equity Incentive Plan during the second quarter of 2013. Those revisions resulted in a lower number of outstanding common shares being reported at June 30, 2013 (and prospectively) due to the elimination of voting and other rights for unvested restricted share awards.

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

	3 Months Ended		
	December 31, 2013	September 30, 2013	December 31, 2012
<u>Operating Results Data</u>¹			
Interest and dividend income			
Loans	\$ 3,078	\$ 3,137	\$ 3,110
Investment securities	188	151	101
Federal Home Loan Bank stock	25	21	8
Other	20	27	46
Total interest and dividend income	<u>3,311</u>	<u>3,336</u>	<u>3,265</u>
Interest expense			
Interest bearing checking accounts	6	6	7
Money market deposits	53	68	67
Savings deposits	58	57	74
Time deposits	17	17	35
Borrowings	--	1	--
Total interest expense	<u>134</u>	<u>149</u>	<u>183</u>
Net interest income	<u>3,177</u>	<u>3,187</u>	<u>3,082</u>
Provision for loan losses	--	89	432
Net interest income after provision for loan losses	<u>3,177</u>	<u>3,098</u>	<u>2,650</u>
Noninterest income			
Service charges on deposits	30	31	22
BOLI benefits	--	--	699
BOLI dividend income	22	23	30
Gain on sale of loans	--	21	--
Other	15	25	28
Total noninterest income	<u>67</u>	<u>100</u>	<u>779</u>
Noninterest expenses			
Salaries and benefits	1,329	1,516	1,326
Occupancy	198	191	195
Furniture and equipment	77	71	74
Other	607	657	689
Total noninterest expenses	<u>2,211</u>	<u>2,435</u>	<u>2,284</u>
Income before provision for income taxes	<u>1,033</u>	<u>763</u>	<u>1,145</u>
Provision for income taxes	421	306	397
Net income	<u>\$ 612</u>	<u>\$ 457</u>	<u>\$ 748</u>
<u>Common Share Data</u>			
Earnings per share			
Basic	\$ 0.18	\$ 0.14	\$ 0.23
Diluted	\$ 0.18	\$ 0.13	\$ 0.23
Weighted average shares outstanding			
Basic	3,411,109	3,348,041	3,228,689
Diluted	3,474,389	3,420,215	3,295,371

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

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

	12 Months Ended	
	December 31, 2013	December 31 2012
<u>Operating Results Data</u>¹		
Interest and dividend income		
Loans	\$ 12,296	\$ 12,008
Investment securities	612	413
Federal Home Loan Bank stock	68	10
Other	114	181
Total interest and dividend income	13,090	12,612
Interest expense		
Interest bearing checking accounts	26	27
Money market deposits	257	344
Savings deposits	230	282
Time deposits	83	171
Borrowings	1	--
Total interest expense	597	824
Net interest income	12,493	11,788
Provision for loan losses	868	994
Net interest income after provision for loan losses	11,625	10,794
Noninterest income		
Service charges on deposits	112	85
BOLI benefits	--	699
BOLI dividend income	93	37
Gain on sale of loans	21	--
Other	81	78
Total noninterest income	307	899
Noninterest expenses		
Salaries and benefits	5,522	5,160
Occupancy	768	725
Furniture and equipment	273	306
Other	2,502	2,530
Total noninterest expenses	9,065	8,721
Income before provision for income taxes	2,867	2,972
Provision for income taxes	1,175	1,166
Net income	\$ 1,692	\$ 1,806
<u>Common Share Data</u>		
Earnings per share		
Basic	\$ 0.51	\$ 0.56
Diluted	\$ 0.50	\$ 0.54
Weighted average shares outstanding		
Basic	3,319,990	3,224,782
Diluted	3,395,126	3,319,925

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

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

	December 31, <u>2013</u>	September 30, <u>2013</u>	June 30, <u>2013</u>	December 31, <u>2012</u>
<u>Asset Quality</u>				
Loans past due 90 days or more and accruing interest	\$ --	\$ --	\$ --	\$ --
Nonaccrual restructured loans	230	230	233	238
Other nonaccrual loans	604	628	654	1,203
Other real estate owned	--	--	--	--
	<u>\$ 834</u>	<u>\$ 858</u>	<u>\$ 887</u>	<u>\$ 1,441</u>

Allowance for loan losses to total loans	1.84%	1.87%	1.81%	1.77%
Allowance for loan losses to nonperforming loans	562.47%	546.15%	517.81%	299.38%
Nonaccrual loans to total loans	0.33%	0.34%	0.35%	0.59%
Nonperforming assets to total assets	0.22%	0.23%	0.24%	0.44%

Regulatory Capital and Ratios

Tier 1 regulatory capital	\$ 37,783	\$ 36,152	\$ 34,918	\$ 33,600
Total regulatory capital	\$ 41,087	\$ 39,450	\$ 38,141	\$ 36,646
Tier 1 leverage ratio	10.04%	9.88%	9.79%	10.67%
Tier 1 risk based capital ratio	14.38%	13.78%	13.64%	13.87%
Total risk based capital ratio	15.63%	15.04%	14.90%	15.12%

	<u>3 Months Ended</u>		
	December 31, <u>2013</u>	September 30, <u>2013</u>	December 31, <u>2012</u>
<u>Selected Financial Ratios</u>¹			
Return on average total assets	0.65%	0.50%	0.94%
Return on average shareholders' equity	6.57%	5.06%	8.84%
Net interest margin	3.40%	3.51%	3.97%
Net interest income to average total assets	3.35%	3.45%	3.89%
Efficiency ratio	68.16%	74.08%	59.16%

	<u>12 Months Ended</u>	
	December 31, <u>2013</u>	December 31, <u>2012</u>
<u>Selected Financial Ratios</u>¹		
Return on average total assets	0.47%	0.60%
Return on average shareholders' equity	4.77%	5.50%
Net interest margin	3.55%	4.00%
Net interest income to average total assets	3.48%	3.94%
Efficiency ratio	70.82%	68.74%

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

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

	3 Months Ended		
	December 31, <u>2013</u>	September 30, <u>2013</u>	December 31, <u>2012</u>
<u>Selected Average Balances</u>¹			
Gross loans	\$ 251,916	\$ 253,739	\$ 235,680
Investment securities	90,490	79,497	22,081
Federal Home Loan Bank stock	1,494	1,494	1,027
Other interest earning assets	<u>26,283</u>	<u>25,205</u>	<u>49,953</u>
Total interest earning assets	\$ 370,183	\$ 359,935	\$ 308,741
Total assets	\$ 376,265	\$ 366,011	\$ 315,501
Interest bearing checking accounts	\$ 18,924	\$ 17,326	\$ 13,545
Money market	81,571	83,730	61,159
Savings	74,422	72,088	62,486
Time deposits	<u>27,151</u>	<u>27,664</u>	<u>32,872</u>
Total interest bearing deposits	\$ 202,068	\$ 200,808	\$ 170,062
Noninterest bearing demand deposits	<u>134,626</u>	<u>127,941</u>	<u>111,670</u>
Total deposits	\$ 336,694	\$ 328,749	\$ 281,732
Borrowings	1,517	576	--
Shareholders' equity	\$ 36,950	\$ 35,858	\$ 33,646
	12 Months Ended		
	December 31, <u>2013</u>	December 31, <u>2012</u>	
<u>Selected Average Balances</u>¹			
Gross loans	\$ 248,372	\$ 220,552	
Investment securities	73,015	18,376	
Federal Home Loan Bank stock	1,347	992	
Other interest earning assets	<u>29,428</u>	<u>54,817</u>	
Total interest earning assets	\$ 352,162	\$ 294,737	
Total assets	\$ 358,546	\$ 299,207	
Interest bearing checking accounts	\$ 17,308	\$ 12,654	
Money market	78,768	63,092	
Savings	70,316	51,902	
Time deposits	<u>28,187</u>	<u>36,700</u>	
Total interest bearing deposits	\$ 194,579	\$ 164,348	
Noninterest bearing demand deposits	<u>126,984</u>	<u>101,701</u>	
Total deposits	\$ 321,563	\$ 266,049	
Borrowings	555	--	
Shareholders' equity	\$ 35,492	\$ 32,836	

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