

FIRST CAPITAL BANCORP, INC.

Form 425

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Subject Company: First Capital Bancorp, Inc.  
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**Press Release**

Source: Flag Financial Corporation

**Flag Financial Corporation Reports a 20% Increase in Second Quarter Earnings**

Monday July 18, 4:23 pm ET

ATLANTA (BUSINESS WIRE) July 18, 2005 Flag Financial Corporation (Nasdaq: FLAG - News) today announced net income for the second quarter of 2005 of \$2.3 million or \$0.25 per diluted share, an increase of 20.0% from \$1.9 million or \$0.21 per diluted share when compared to the same quarter in 2004. Net income for the six-month period ended June 30, 2005 totaled \$4.1 million or \$0.45 per diluted share compared to \$0.44 per diluted share during the same period in 2004.

**Balance Sheet Growth**

Flag Financial ended the second quarter of 2005 with total assets of \$862.5 million, an increase of 15.1% from June 30, 2004. Gross loans outstanding at quarter end were \$647.9 million, an increase of 22.2% over June 30, 2004. Deposits increased to \$740.8 million at June 30, 2005, an increase of 21.3% over the prior year.

**Continued Success in Metro Atlanta**

Flag Financial continues to successfully grow its loan and deposit base in metro Atlanta. Loans in the metro Atlanta region grew \$65.1 million to \$410.3 million, an increase of 18.9% from June 30, 2004, while metro Atlanta deposits increased \$115.8 million, or 38.7% to \$415.1 million as compared to mid-year 2004. As of June 30, 2005, metro Atlanta deposits made up 56.0% of Flag Financial's total deposits.

On May 26, 2005, Flag Financial announced plans to acquire First Capital Bancorp, Inc., a Norcross, Georgia-based bank holding company and parent company of First Capital Bank. Subject to regulatory and shareholder approval, the transaction is expected to close in the fourth quarter of 2005 and is projected to be accretive in 2006. Upon completion of this transaction, Flag Financial will have total assets of approximately \$1.7 billion, increasing its metro Atlanta presence by approximately \$500 million in loans and deposits.

Commenting on the continued success in metro Atlanta, Joseph W. Evans, chairman and chief executive officer said, "We continue to be extremely pleased with the rate of our organic growth in Atlanta. The First Capital acquisition will significantly add to our team of talented bankers, expand our core competencies, and increase our physical and financial presence in Atlanta. We expect this to measurably accelerate the pace at which we are building a major community banking presence in Atlanta."

Net Interest Income

Net interest income for the second quarter of 2005 increased \$1.9 million or 25.7% to \$9.2 million compared to \$7.4 million for the same quarter in 2004. For the six-month period ended June 30, 2005, net interest income increased \$3.3 million or 23.0% to \$17.8 million from \$14.5 million from the same period in 2004. The increase in net interest income resulted from the continued growth in loans, including an increase in both interest income and an improvement in the net interest margin. The net interest margin increased 22 basis points to 4.74% in the second quarter of 2005 compared to 4.52% in the second quarter of 2004 and improved 18 basis points to 4.65% in the first six months of 2005 from 4.47% in the same period of 2004.

## Credit Quality

Flag Financial continues to focus on credit quality as evidenced by the improvement in its credit quality ratios. While loans continue to grow, nonperforming assets continue to decline. Nonperforming assets were at 0.76% of gross loans at June 30, 2005 compared to 1.10% at June 30, 2004. The company further realized net recoveries for the quarter. The combination of net recoveries and improving overall credit quality allowed Flag Financial to maintain the adequacy of the allowance for loan losses with no quarterly provision for loan losses in the second quarter of 2005. The allowance for loan losses totaled \$8.9 million or 1.38% of gross loans at June 30, 2005 compared \$7.5 million or 1.41% at June 30, 2004. Loan loss provision for the first six months of 2005 totaled \$375,000 compared to \$375,000 and \$1.1 million for the second quarter and first six months of 2004, respectively.

Flag Financial Corporation is a bank holding company whose wholly owned subsidiary is Flag Bank. The Flag Financial franchise consists of 24 offices, including 16 full-service banking offices and six mortgage/loan production offices, in 15 counties in Georgia. Flag Financial's common stock is traded on the Nasdaq Stock Market under the ticker symbol FLAG.

Except for historical information contained herein, the matters discussed in this press release consist of forward-looking information under the Private Securities Litigation Reform Act of 1995. The accuracy of the forward-looking information is necessarily subject to and involves risks and uncertainties, which could cause actual results to differ materially from the forward-looking information. These risks and uncertainties include, but are not limited to, unforeseen general economic conditions, potential difficulties in the execution of Flag Financial's business and growth strategies, competitive risks and other factors set forth from time to time in Flag Financial's filings with the Securities and Exchange Commission. When used in this release, the words believes, estimates, plans, expects, should, will, may, might, outlook, and similar expressions as they relate to Flag Financial (including its subsidiaries), or its management, and are intended to identify forward-looking statements.

Flag Financial from time to time becomes aware of rumors concerning its business, prospects and results of operations. As a matter of policy, Flag Financial does not comment on rumors. Investors are cautioned that in this age of instant communication and Internet access, it may be important to avoid relying on rumors and other unsubstantiated information. Flag Financial complies with federal and state laws applicable to the disclosure of information concerning its business, prospects and results of operations. Investors may be at significant risk in relying on unsubstantiated information from other sources.

## Flag Financial Corporation and Subsidiary

## Financial Summary

(Dollars in thousands except per share information)

(Unaudited)

|                                         | Three months ended<br>June 30, |            |
|-----------------------------------------|--------------------------------|------------|
|                                         | 2005                           | 2004       |
| Interest income                         | \$ 14,064                      | \$ 10,071  |
| Interest expense                        | 4,817                          | 2,712      |
| Net interest income                     | 9,247                          | 7,359      |
| Provision for loan losses               |                                | 375        |
| Net interest income after provision     | 9,247                          | 6,984      |
| Noninterest income                      | 2,592                          | 2,591      |
| Noninterest expense                     | 8,422                          | 6,734      |
| Income before taxes                     | 3,417                          | 2,841      |
| Provision for income taxes              | 1,111                          | 920        |
| Net income                              | \$ 2,306                       | \$ 1,921   |
| Basic earnings per share                | \$ 0.27                        | \$ 0.23    |
| Diluted earnings per share              | 0.25                           | 0.21       |
| Cash dividends declared                 | 0.06                           | 0.06       |
| Book value at quarter end               | 8.47                           | 7.73       |
| Tangible book value at quarter end      | 6.01                           | 5.85       |
| Net interest margin, taxable equivalent | 4.74%                          | 4.52%      |
| Yield on interest-earning assets        | 7.19%                          | 6.17%      |
| Cost of interest-bearing liabilities    | 2.71%                          | 1.85%      |
| Efficiency ratio                        | 70.99%                         | 67.39%     |
| Net overhead ratio                      | 2.76%                          | 2.32%      |
| Return on average assets                | 1.09%                          | 1.07%      |
| Return on average equity                | 12.96%                         | 11.59%     |
| Credit Quality Ratios:                  |                                |            |
| Allowance for loan losses               | \$ 8,915                       | \$ 7,489   |
| Nonperforming assets                    | 4,925                          | 5,853      |
| Allowance for loan losses to loans      | 1.38%                          | 1.41%      |
| Nonperforming assets to total assets    | 0.57%                          | 0.78%      |
| Net recoveries                          | 17                             | 62         |
| Net recoveries to average loans         | 0.01%                          | 0.05%      |
| At Quarter End:                         |                                |            |
| Total assets                            | \$ 862,509                     | \$ 749,371 |
| Interest-earnings assets                | 805,442                        | 693,613    |
| Gross loans outstanding                 | 647,862                        | 530,338    |
| Deposits                                | 740,803                        | 610,636    |
| Shareholders' equity                    | 72,389                         | 64,392     |

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Average Balances:

|                         |            |            |
|-------------------------|------------|------------|
| Total assets            | \$ 845,847 | \$ 715,212 |
| Interest-earning assets | 789,448    | 663,258    |
| Gross loans outstanding | 619,511    | 503,045    |
| Deposits                | 725,350    | 572,871    |
| Shareholders' equity    | 71,183     | 66,311     |

## Flag Financial Corporation and Subsidiary

## Financial Summary

(Dollars in thousands except per share information)

(Unaudited)

|                                            | Six months ended June 30, |            |
|--------------------------------------------|---------------------------|------------|
|                                            | 2005                      | 2004       |
| Interest income                            | \$ 26,851                 | \$ 19,745  |
| Interest expense                           | 9,025                     | 5,254      |
| Net interest income                        | 17,826                    | 14,491     |
| Provision for loan losses                  | 375                       | 1,095      |
| Net interest income after provision        | 17,451                    | 13,396     |
| Noninterest income                         | 5,194                     | 7,283      |
| Noninterest expense                        | 16,539                    | 14,721     |
| Income before taxes and extraordinary item | 6,106                     | 5,958      |
| Provision for income taxes                 | 1,973                     | 1,941      |
| Net income                                 | \$ 4,133                  | \$ 4,017   |
| Basic earnings per share                   | \$ 0.48                   | \$ 0.47    |
| Diluted earnings per share                 | 0.45                      | 0.44       |
| Cash dividends declared                    | 0.12                      | 0.12       |
| Net interest margin, taxable equivalent    | 4.65%                     | 4.47%      |
| Yield on interest-earning assets           | 6.98%                     | 6.07%      |
| Cost of interest-bearing liabilities       | 2.58%                     | 1.77%      |
| Efficiency ratio                           | 71.39%                    | 67.37%     |
| Net overhead ratio                         | 2.71%                     | 2.09%      |
| Return on average assets                   | 0.99%                     | 1.12%      |
| Return on average equity                   | 11.74%                    | 12.07%     |
| Average Balances:                          |                           |            |
| Total assets                               | \$ 837,974                | \$ 714,916 |
| Interest-earnings assets                   | 780,975                   | 661,420    |
| Gross loans outstanding                    | 611,506                   | 497,017    |
| Deposits                                   | 716,691                   | 578,219    |
| Shareholders' equity                       | 70,424                    | 66,568     |

## Flag Financial Corporation and Subsidiary

## Consolidated Balance Sheets

(Dollars in thousands, except share data)

|                                                                                                                                                                                    | June 30,<br>2005  | Dec. 31,<br>2004  | June 30,<br>2004  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|
|                                                                                                                                                                                    | (unaudited)       | (audited)         | (unaudited)       |
| <b>Assets</b>                                                                                                                                                                      |                   |                   |                   |
| Cash and due from banks                                                                                                                                                            | \$ 13,720         | \$ 13,345         | \$ 16,953         |
| Other interest-bearing deposits in banks                                                                                                                                           | 14,067            | 13,574            | 14,377            |
| Federal funds sold                                                                                                                                                                 | 6,378             | 13,397            | 29,158            |
| <b>Total cash and cash equivalents</b>                                                                                                                                             | <b>34,165</b>     | <b>40,316</b>     | <b>60,488</b>     |
| Other interest-bearing deposits                                                                                                                                                    | 4,891             | 5,473             | 2,576             |
| Investment securities available-for-sale                                                                                                                                           | 110,806           | 111,390           | 97,339            |
| Other investments                                                                                                                                                                  | 12,332            | 13,161            | 13,861            |
| Mortgage loans held-for-sale                                                                                                                                                       | 9,106             | 10,688            | 5,964             |
| Loans, net                                                                                                                                                                         | 638,947           | 596,101           | 522,849           |
| Premises and equipment, net                                                                                                                                                        | 13,558            | 14,458            | 14,142            |
| Intangible assets                                                                                                                                                                  | 21,007            | 20,919            | 15,674            |
| Other assets                                                                                                                                                                       | 17,697            | 15,831            | 16,478            |
| <b>Total assets</b>                                                                                                                                                                | <b>\$ 862,509</b> | <b>\$ 828,337</b> | <b>\$ 749,371</b> |
| <b>Liabilities and Stockholders' Equity</b>                                                                                                                                        |                   |                   |                   |
| Deposits:                                                                                                                                                                          |                   |                   |                   |
| Noninterest-bearing deposits                                                                                                                                                       | \$ 56,859         | \$ 48,812         | \$ 42,136         |
| Interest-bearing demand deposits                                                                                                                                                   | 343,507           | 347,940           | 318,263           |
| Savings                                                                                                                                                                            | 21,426            | 20,940            | 22,294            |
| Time                                                                                                                                                                               | 319,011           | 289,155           | 227,943           |
| <b>Total deposits</b>                                                                                                                                                              | <b>740,803</b>    | <b>706,847</b>    | <b>610,636</b>    |
| Advances from Federal Home Loan Bank                                                                                                                                               | 25,000            | 25,000            | 53,000            |
| Federal funds purchased and repurchase agreements                                                                                                                                  | 1,156             | 2,295             | 2,256             |
| Other borrowings                                                                                                                                                                   | 1,600             | 4,300             |                   |
| Junior subordinated debentures                                                                                                                                                     | 14,433            | 14,433            | 14,000            |
| Other liabilities                                                                                                                                                                  | 7,128             | 6,260             | 5,087             |
| <b>Total liabilities</b>                                                                                                                                                           | <b>790,120</b>    | <b>759,135</b>    | <b>684,979</b>    |
| Preferred stock (10,000,000 shares authorized, none issued and outstanding)                                                                                                        |                   |                   |                   |
| Common stock (\$1 par value, 20,000,000 shares authorized, 10,097,272, 10,053,572 and 9,810,099 shares issued at June 30, 2005, December 31, 2004 and June 30, 2004, respectively) | 10,097            | 10,054            | 9,810             |
| Additional paid-in capital                                                                                                                                                         | 28,296            | 27,954            | 24,795            |
| Retained earnings                                                                                                                                                                  | 47,751            | 44,642            | 42,296            |
| Accumulated other comprehensive income                                                                                                                                             | (251)             | 56                | 35                |
| Less: Treasury stock at cost; 1551,186 shares at June 30, 2005 and December 31, 2004 and 1,477,386 shares at June 30, 2004                                                         | (13,504)          | (13,504)          | (12,544)          |
| <b>Total stockholders' equity</b>                                                                                                                                                  | <b>72,389</b>     | <b>69,202</b>     | <b>64,392</b>     |

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|                                            |                   |                   |                   |
|--------------------------------------------|-------------------|-------------------|-------------------|
| Total liabilities and stockholders' equity | <u>\$ 862,509</u> | <u>\$ 828,337</u> | <u>\$ 749,371</u> |
|--------------------------------------------|-------------------|-------------------|-------------------|

## Flag Financial Corporation and Subsidiary

## Consolidated Statements of Earnings

(Dollars in thousands, except per share data)

|                                                                  | Three Months<br>Ended<br>June 30, |          | Six Months<br>Ended<br>June 30, |           |
|------------------------------------------------------------------|-----------------------------------|----------|---------------------------------|-----------|
|                                                                  | 2005                              | 2004     | 2005                            | 2004      |
|                                                                  | (unaudited)                       |          |                                 |           |
| Interest income:                                                 |                                   |          |                                 |           |
| Interest and fees on loans                                       | \$ 12,430                         | \$ 8,680 | \$ 23,841                       | \$ 16,798 |
| Interest on investment securities                                | 1,305                             | 1,292    | 2,380                           | 2,748     |
| Interest on federal funds sold and interest-bearing deposits     | 329                               | 99       | 630                             | 199       |
| Total interest income                                            | 14,064                            | 10,071   | 26,851                          | 19,745    |
| Interest expense:                                                |                                   |          |                                 |           |
| Interest on deposits:                                            |                                   |          |                                 |           |
| Demand                                                           | 1,962                             | 1,183    | 3,624                           | 2,233     |
| Savings                                                          | 32                                | 32       | 63                              | 67        |
| Time                                                             | 2,381                             | 1,183    | 4,512                           | 2,421     |
| Interest on other borrowings                                     | 442                               | 314      | 826                             | 533       |
| Total interest expense                                           | 4,817                             | 2,712    | 9,025                           | 5,254     |
| Net interest income before provision for loan losses             | 9,247                             | 7,359    | 17,826                          | 14,491    |
| Provision for loan losses                                        |                                   | 375      | 375                             | 1,095     |
| Net interest income after provision for loan losses              | 9,247                             | 6,984    | 17,451                          | 13,396    |
| Noninterest income:                                              |                                   |          |                                 |           |
| Service charges on deposit accounts                              | 824                               | 958      | 1,573                           | 1,850     |
| Mortgage banking activities                                      | 687                               | 595      | 1,267                           | 1,125     |
| Insurance commissions and brokerage fees                         | 58                                | 163      | 132                             | 276       |
| Gain on sale of branch                                           |                                   |          |                                 | 3,000     |
| Gain on sale of other real estate owned                          | 131                               | 38       | 222                             | 35        |
| Gain (loss) on sales of investment securities available-for-sale | 6                                 | 685      | 129                             | 693       |
| Other                                                            | 886                               | 152      | 1,871                           | 304       |
| Total noninterest income                                         | 2,592                             | 2,591    | 5,194                           | 7,283     |
| Noninterest expense:                                             |                                   |          |                                 |           |
| Salaries and employee benefits                                   | 5,227                             | 4,077    | 10,220                          | 8,867     |
| Occupancy                                                        | 982                               | 863      | 1,938                           | 1,773     |
| Professional fees                                                | 484                               | 282      | 1,033                           | 582       |
| Postage, printing and supplies                                   | 231                               | 214      | 477                             | 449       |
| Communications                                                   | 596                               | 530      | 1,109                           | 1,114     |
| Other                                                            | 902                               | 768      | 1,762                           | 1,936     |
| Total noninterest expense                                        | 8,422                             | 6,734    | 16,539                          | 14,721    |

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|                                            |          |          |          |          |
|--------------------------------------------|----------|----------|----------|----------|
| Earnings before provision for income taxes | 3,417    | 2,841    | 6,106    | 5,958    |
| Provision for income taxes                 | 1,111    | 920      | 1,973    | 1,941    |
| Net earnings                               | \$ 2,306 | \$ 1,921 | \$ 4,133 | \$ 4,017 |
| Basic earnings per share                   | \$ 0.27  | \$ 0.23  | \$ 0.48  | \$ 0.47  |
| Diluted earnings per share                 | \$ 0.25  | \$ 0.21  | \$ 0.45  | \$ 0.44  |

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