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Interviews & News!

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First Capital Bancorp, Inc. . . . Where growth matters. Where earnings matter. “Where People Matter!”



Financial
Commercial Banks-Southern US
(FCVA-NASDAQ)

First Capital Bancorp, Inc.

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Robert G. Watts, Jr.
President and CEO

BIO:

Mr. Watts is a lifelong resident of Richmond, VA. He is a graduate of The University of Virginia (Class of '82), as well as The Virginia Bankers School of Bank Management. He spent approximately 14 years with NationsBank (predecessor to Bank of America) with significant line experience in lending, retail banking and Private Banking. His final four years with

NationsBank were leading the sales and credit training teams for Private Banking, Business Banking and ultimately the Consumer Bank. Mr. Watts entered the “community banking” market in 1996 and joined First Capital Bank as its President and CEO in December of 2000, two years after the Bank opened. He continues in this capacity today, along with serving as the current Chairman of the Virginia Association of Community Banks.

Company Profile:

Established in 1998, First Capital Bank is a locally owned and operated financial institution with the majority of our shareholders and employees residing in Richmond and the surrounding counties. We currently have branches in Innsbrook, Ashland, Midlothian, near Chesterfield Towne Center, on Staples Mill Road, near Willow Lawn, in the Forest Office Park Complex and in the lobby of One James Center.

We are a growing full service commercial bank. We offer a wide range of personal and business products including consumer and commercial loans, mortgages, cash management services, professional and executive banking services and a full range of deposit account offerings, including bundled products and specialized money market options. We also offer Free Internet Banking for our consumer and commercial clients. (A demo can be found by clicking on Business Internet Banking from the Home Page.) In addition, First Capital Bank provides a free, non-cash deposit courier service for our small business clients.

With the Greater Richmond Area as our home, this allows us to know the Community and the people who live and work

here. As you experience the bank as a shareholder, customer or teammate, our guiding principle should be clearly evident . . . *People Matter!*

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Watts, what was your vision when First Capital Bancorp was started?

Mr. Watts: “The bank was founded and opened in 1998. It was a traditional de novo community bank here in the central Virginia market; Richmond and Glen Allen. I had the good fortune of joining the bank two years after it opened. At that time, the bank was a \$30 million bank with approximately \$18 million in loans, and had unfortunately violated some state regulatory legal lending limit rules, as well as had some bad debt on the books. It was at about that time that selected members of the original management team opted out of the bank and I opted in with a former lending background. The vision was twofold. Number one was to clean up the bank and reconstruct the asset quality of the bank, while at the same time continuing to grow the bank. The ultimate vision beyond that was to simply build a company that was people focused, smartly branded within our community, founded on good, clean asset quality and would be the best community bank option in Richmond, Virginia.”

CEOCFO: Where are you today?

Mr. Watts: “Today First Capital Bancorp, Inc. is a \$300 million bank. We have a loan portfolio of approximately \$245 million and at the end of December our fiscal year end 2006, we had one thirty-day past-due loan on our books. We

effectively returned the asset quality to a pristine position. We currently have seven offices and our brand is fairly well recognized. Our vision is simple . . . “Where People Matter” . . . and that is because of the value system that runs our company. Our vision is not to be the biggest bank in town; our vision is to be a place where people matter and pride exudes among our employees, shareholders, clients and the community. We are continuing to grow, we have grown on average approximately 25% plus for the last five years, and going forward we expect it to continue.”

CEOCFO: What is the economy like in the area you serve?

Mr. Watts: “It is one of our strengths as a bank and we are in an economy that is relatively stable. Richmond and central Virginia have a diverse economy. We have several fortune-500 companies yet we do not experience the highs and lows of other economies around the country - specifically in the real estate market. Richmond certainly experienced some nice gains in real estate in 2002 through 2005. We experienced some of the slow down over the last two years that other people experienced, but not nearly at the highs and lows. Richmond is the hometown of the Fifth District Federal Reserve Bank. It is an economy with a keen eye looking over it. It has a lot of diversity, continues to grow and attract people, most specifically from the northeast.”

CEOCFO: Please give us an example both for your customers and for employees that would explain your vision of ‘Where People Matter’?

Mr. Watts: “That vision of ‘Where People Matter’ is supported by four different values in our bank. These values were defined by our teammates. Our team built these values and now operates under these values. The first one is to “nurture” our client. I like that word nurture, sometimes you’ve got to hold them, guide them, hug them and sometimes give them tough love – the whole time growing and

building a trusting relationship. Number two is reward our shareholders, so there is a definitive focus on shareholder value. Number three is embrace our community. We are bankers and we like volunteering and we like being in the community. Number four is inspire our teammates and although I just mentioned that as “number four,” in true order it is probably not. It is number one in my book. I think if we can inspire our teammates, we will inspire our clients and embrace our community, reward our shareholders and all those things will follow. We do that in

“The team goes beyond First Capital Bank associates. The team encompasses and embraces the clients, the shareholders, the community. Success is often simply driven by financial perspective. We do not forget that, we know that. We want success from a financial perspective and we are committed to achieving that. At the same point in time, we want success from integrity in the marketplace, and from a client experience that makes them feel comfortable that they have a partner in their world to help them achieve that which they want. We strive to have a shareholder base that feels on the team, that is not only being financially rewarded, but also likes being part of this group. I am proud to be associated with what this bank does in the marketplace. We know that First Capital Bank is out there trying to help this community rise to another level. In those ways, “where people matter” ways, if the people find that they feel like we do matter, this bank becomes a partner to people reaching objectives.”

- Robert G. Watts, Jr.

many tangible ways. In fact, “tangible empowerment” is something that all of our associates have. They have the ability even as tellers to make a certain dollar figure decision at anytime without asking management. Therefore, they can build rapport with that client and let the client know that they matter, and we trust those people to make a decision that is in the best interest of the bank and the client. We bring that all the way down to whatever level of the bank. A client gets to see that our people are decision-makers and that they matter.

While we are financially driven and we are very focused on earnings and performance and rewarding the shareholders, our people know to make cost vs. return decisions all the time. We focus on that, and our decision making is very long-term focused. Internally, we focus on our employees and again we are dedicated to making them better with our clients. Through the success of the bank, every employee has had the opportunity and has been successful in being rewarded with some sort of incentive compensation at year-end and I am appreciative of our board for supporting that recognition. I should say every employee except for one, and that one is me. There has only been one year in my tenure that I accepted “bonus” compensation, but rather traditionally choose to re-invest in the success of the bank and enjoy my personal return in the rewards of others. It is about our team and what they are doing and their successes that is going to drive our success. I could spend hours talking to you about the things we do and how we recognize employees and how we get together as teammates to ensure that where people matter is our key. It is the focal point of our annual reviews. We have tangible ways we measure where people matter and the teammates we have attracted and retained as a result drive our success.”

CEOCFO: Are there services you are not currently offering that you would like to add to

the mix? What is your focus as a commercial bank and who is your typical customer?

Mr. Watts: “We are a full-service commercial bank, yet we do have certain areas of focus. We clearly focus in the small business arena in providing banking services to small-medium sized businesses with revenues up to \$15 million annually. That is a niche that we feel the ‘where people matter’ focus particularly is desired by the owners that run these businesses. To a certain extent, the larger banks have gotten much better at this

perspective, yet we still trust in our competitive advantage here. We focus on providing banking services with a 'where people matter' focus to professionals, attorneys, doctors and entrepreneurs in the marketplace. We also focus on investment real estate. Generally speaking, investment real estate is market driven and as I mentioned earlier Richmond is a strong, consistent, stable market. It is harder sometimes for our super-regional bank competitors to design platforms to handle investment real estate because they are forced to design it for worse case scenarios and not market specifics. We have an advantage because we are only dealing with this particular market. We also enjoy retail banking. We have seven offices, they are dispersed throughout central Virginia, we feel like we are a good retail bank and our clients tell us they love the way we touch them on the retail side of the bank. That being said, I would not say that is our focus. Bank of America and Wachovia for example probably have approximately eighty or ninety branches in the central Virginia market combined. We would be a long time chasing them as far as convenience on the retail side. We just want to do it well and be smart about where we are located from a retail perspective. It is not our goal to be predominantly a retail bank."

CEOCFO: How do you reach new customers?

Mr. Watts: "We reach new customers primarily through our existing customers. Because we are fortunate enough to deal in worlds with professionals, they are people who understand referrals and they like talking about their successes that they have had in their professional world. We get a lot of word-of-mouth and they prove to be our best referrals. We do some branding and marketing. We have recently done some TV exposure this year. Obviously, our commercial lending team, which is a rather unique part of our bank because we have twelve commercial lenders for a bank our size and a community bank, that is a bit unusual, but it positions us to be able to grow in the future. They are hustling, out there getting in front of people, waving the First Capital Bank flag, and out there being supportive to our teammates. We very much support

the electronic side of banking. We have business internet banking, personal internet banking, and free bill pay in those arenas. For folks that like to touch a bank electronically we are relatively easy for them to access."

CEOCFO: You have some new branches; do you see that continuing?

Mr. Watts: "Yes, our strategic plan is that we would add a new branch location and basically one every twelve to eighteen months. Personally, I do not see any reason to change that philosophy. Recently we opened up two within a six-month period, but that simply because opportunities presented themselves. I think traditionally if you look out over the next five years, we are probably looking about one a year, to eighteen months."

CEOCFO: How is business at the bank these days?

Mr. Watts: "Business is good. We are continuing to grow at the percentage levels that we've grown in the past. We all know math, the numbers are higher, so to keep the same percentages is a task that we are very proud of. Loan growth seems to be very strong. Our deposit growth is exciting because it has basically been about core relationships and DDA growth. That is exactly where we want to grow. We grew 15% both in the loan and deposit side in the first two quarters of 2007, so our growth continues to track at 25% annually. Internally, business has been good from the standpoint that we have heightened our emphasis on the earnings side and that has been fun. It is hard for de novo banks. They fight the balance between growth and earnings. We invested a lot in our growth specifically over the last eighteen months or so, but that platform is now built again to the next level. Our focus is now on the earnings side."

CEOCFO: Please tell us about the community involvement for you.

Mr. Watts: "That is a piece of the bank that we have such an aspiration for. It is a challenge because you are asked to be involved in so many different areas of the community. We are still learning how to be selective and how to maximize our efforts for the benefits of the community. I think at our annual meeting we put up a

slide of the number of local organizations, charities where our folks volunteer. There must have been a list of approximately thirty different organizations where we serve as volunteers. I currently serve on multiple boards and we have other leaders associated with various volunteer groups within the community. We generally like to pick two or three different activities to get behind each year in a little bit bigger way so that we can focus our effort. Unfortunately, if we take part in everything, we are not maximizing what we can do. It is a significant piece of our bank –constantly looking at how we can embrace the community and expand that core value."

CEOCFO: Why should First Capital stand out from the crowd?

Mr. Watts: "From an investment perspective, bank stock prices generally trade based off of two different multiples, one being a multiple of earnings and one being a multiple of their book value. Younger and growing banks, like ourselves, traditionally lag behind on the earnings multiple and we currently would as well. Yet from a book perspective, we look like a very good buy and we are growing that value each and every day. We are having tremendous success on the growth side, our earnings are significantly improving, our asset quality is potentially too clean, but it is very clean. We have a platform of skilled commercial lenders and a great marketplace to work in from an investment perspective. If you like banks and particularly community banks, we should look attractive."

CEOCFO: What should people remember most about this interview?

Mr. Watts: "I would like people to remember that it is about team effort and First Capital Bank fully sees this about people and teams. The team goes beyond First Capital Bank associates. The team encompasses and embraces the clients, the shareholders, the community. Success is often simply driven by financial perspective. We do not forget that, we know that. We want success from a financial perspective and we are committed to achieving that. At the same point in time, we want success from integrity in the marketplace, and from a client experience that makes them feel comfortable that

they have a partner in their world to help them achieve that which they want. We strive to have a shareholder base that feels on the team, that is not only being financially rewarded, but also likes being

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