

Shareholder News & Updates

2020 Mid-Year Report



From the Desk of Ken Thompson

Dear Shareholder:

Without question, no one could have predicted the uncertainty that COVID has brought or the impact it is having on each of our lives. As a result, respecting the safety concerns and addressing the health care needs of our customers, employees and community have, and will continue to be, a top priority at Capitol Bank. Meanwhile, Capitol Bank's team is continually adapting and remains focused on providing a strong, stable banking environment on which our stakeholders can depend. So, despite these unparalleled times I am particularly pleased to share our strong mid-year results and positive news for you, our shareholder.

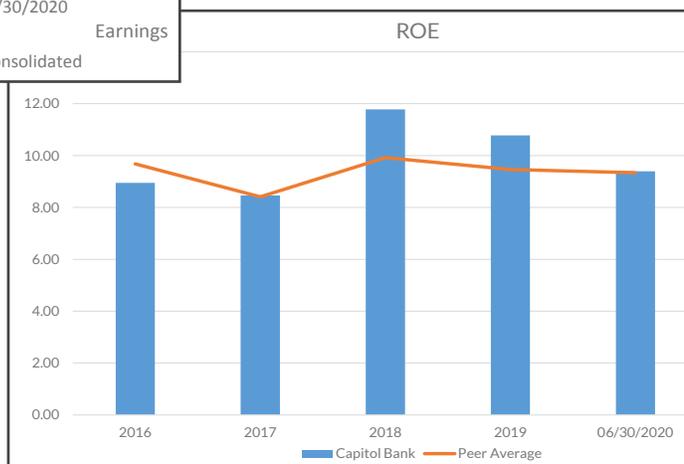
Key Financial Highlights - Period ending June 30, 2020:

Strong Balance Sheet Growth
(Consolidated, year-over-year):

- o **Assets:** \$487.9 million; a growth of 27.5%
- o **Net Loans:** \$326.7 million; a growth of 11.9%
- o **Deposits:** \$429.1 million; a growth of 28.3%
- o **Equity Capital:** \$51.0 million; a growth of 12.7%

Steady Earnings (year-to-date) and Asset Quality in spite of a weak economy:

- o **Consolidated Earnings:** \$2.3 million year-to-date
- o **Return on Equity:** 9.40%
- o **Return on Assets:** 1.12% vs. local peer banks' average of 1.02%
- o **Non-Performing Loans:** Remain very low at 0.03% of loans



Key Drivers in 2020

Home Mortgages Volume Surges

Historically-low interest rates have greatly increased the demand for home mortgages. As a result, our experienced mortgage lenders and processors have been extremely busy financing home purchases and refinancing existing loans. Gross originations through June 30th totaled \$59.5 million, generating about \$670,000 in fee income and an increase of 648.6% YOY. Be sure to refer Capitol Bank to anyone who may benefit from a new or refinanced home mortgage loan.

Paycheck Protection Program (PPP)

After a chaotic government launch on April 3, 2020, Capitol Bankers originated and funded 228 PPP loans totaling \$35.6 million, generating an expected \$1.3 million in fee income over the life of these loans. Recent data released by the Small Business Administration has shown that community banks were the predominant PPP lender, serving 57% of all PPP recipients and processed the loans 5-10 days faster than the large national banks. We are very proud of our efforts to help our customers during a time of need.

Welcome to Our New Board Member



Michelle Behnke

I am pleased to announce that Michelle Behnke has been elected to the Board of Directors for Capitol Bankshares, Inc. and Capitol Bank.

Michelle received her undergraduate degree from the University of Wisconsin-Madison in Economics and her law degree from the University of Wisconsin Law School in 1988. Having practiced in Madison her whole career, her focus has been on business, real estate and estate planning. Michelle has served on numerous professional organizations throughout her career and has been listed as one of the “Best Lawyers in America” 2005-present. Her dedication to the Madison Community is impressive through her involvement in Edgewood High School, Catholic Charities, Navitus Health Solutions, YMCA Women of Distinction, and the Greater Madison Housing Foundation.

Please join me in welcoming Michelle to our Capitol Bank Team!

New Full-Time Hires

We are excited to add the following employees to the Capitol Bank team of professionals:

- Derek Mickelson – Software Integration Specialist
- Shelah Wallace – Commercial Real Estate Specialist
- Evan Bauer – Universal Banker, Verona



Derek Mickelson



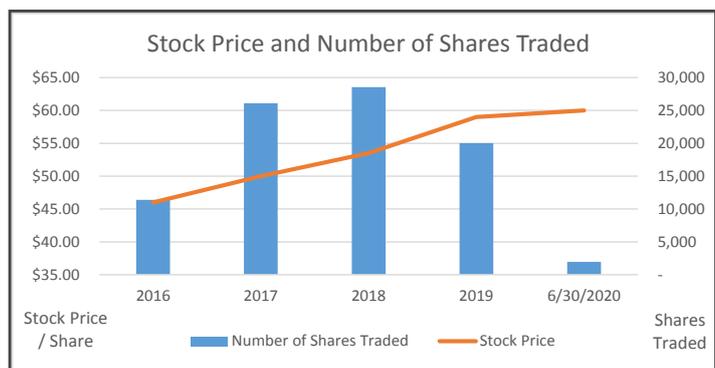
Shelah Wallace



Evan Bauer

Stock Update

Enclosed is a historical summary of key financial measures for Capitol Bankshares, Inc. and Capitol Bank, including stock activity. There was minimal activity of private party stock transaction levels with 1,950 shares sold at \$60 per share through June 30, 2020 (versus 6,285 in the first 6 months of 2019). We are in the process of closing on trades of 5,645 shares, all at \$64 per share. Additionally, we have 1,500 shares available at \$64 per share. If you have questions regarding your shares or are interested in purchasing additional shares, please contact Paige Janquart or Ken Thompson at 608-836-1616 for more information.



COVID Updates

Despite what is unfolding in 2020, we are seeing the silver lining of the impact of COVID on the Bank, our customers and team. We have come together to create new and effective ways to communicate with our customers, as well as solve complex problems, such as working remotely while handling large volumes of PPP and mortgage loans. The impact on our customers is resulting in greater loyalty and trust in Capitol Bank, evidenced by just two of the many comments we've received over the past six months:



Capitol Bankers during a virtual Zoom meeting.

"I appreciate how nice it is to work with you and the team at a local bank. I was frustrated with our soon to be "old bank", because they did not seem to be able to move at the pace and urgency that I thought was needed. We are transitioning all our activity to Capitol."

"I was very pleased, impressed, and grateful for the quick responses, ease of communication and guidance. As a self-employed, one-man, small business - Capitol Bank literally saved my business, but even more - saved my family's income. Thank you from the bottom of our hearts."

Other noteworthy achievements at the Bank as a result of COVID include:

- **COVID Resource Center:** On Capitol Bank's website, we effectively launched a COVID Resource Center to inform and educate our customers on how best to manage their financial matters during uncertainty.
- **Website:** Capitol Bank's website traffic has increased 53% YOY, indicating that we are becoming an even more valued and trusted resource for our stakeholders.
- **Working Environment:** Within a few short weeks of the pandemic emerging, 76% of our employees were equipped to work remotely. We continue to balance coverage within the three Bank locations and create separation for our employees within each department to mitigate risk of spreading the virus to others.

Celebrating 25 Years

For quite some time, we have looked forward to an in-person celebration of this important Capitol Bank milestone. While unfortunate, it is no surprise that we have chosen not to host an event in October. However, our 25th Anniversary Committee is still working to celebrate and promote this special occasion. Similar to the Bank's 20th Anniversary, we will be donating \$1,000 each to 25 local organizations. These organizations will be chosen by the 25 longest-tenured employees of the Bank, giving us an opportunity to reward our loyal employees and also thank our community for their support. We will utilize social media to promote this philanthropy. Be sure to follow Capitol Bank on Facebook, Twitter and LinkedIn to see all the great things our Bankers continue to do in our community.

Change, while often difficult, has generated a renewed confidence in our team's ability to quickly adapt and to discover where uncertainties become opportunities. This collectively resilient attitude will prove beneficial for the Bank for years to come, especially as our economy continues to be impacted by the effects of COVID. I feel fortunate to work with experienced bankers who have answered the call to stay focused on the most important aspect of banking - Building Relationships, Fulfilling Dreams. The teamwork, resolve and determination which I have observed from my bankers these past six months has surpassed anything I have seen in my entire career. It's times like these that give us the opportunity to truly make a difference for our customers and our communities.

Thank you, and stay safe.

Best Wishes,

Kenneth D. Thompson
President / Chairman, Capitol Bankshares, Inc.
President / CEO, Capitol Bank

**Disclaimer: The Bank stock is not being sold by the Bank but by certain shareholders. The Bank is not acting as a broker-dealer, but is rather accommodating interested buyers and sellers. As with all stock investments there is risk involved for which you may want to consult with your financial advisor. Capitol Bankshares, Inc. is not Member FDIC. Capitol Bank is Member FDIC and an Equal Housing Lender.*





CAPITOL BANKSHARES, INC.

June 2020 Financial Highlights

Stable, Steady, Strong

Highlights & Stock Performance*

During the twelve months ending June 30, 2020 net loans grew 11.9% to \$326.7M and deposits 28.3% to \$429.1M. Total equity for the same period grew 12.7% to \$51.0M.

Period Ending	Last Transaction Price of the Period	Range of Transaction Prices		Total Shares Exchanged
		Highest	Lowest	
6/30/20	\$60.00	\$60.00	\$60.00	1,950
12/31/19	\$59.00	\$59.00	\$55.00	20,030
12/31/18	\$53.50	\$53.50	\$50.00	28,535

5 Year Financial Highlights

	June 30, 2020	Year Ended			
		2019	2018	2017	2016
Total Assets - Consolidated	487,892,701	399,505,021	368,094,185	361,230,881	348,276,126
Total Net Loans - Consolidated	326,735,558	288,895,108	278,725,719	244,616,915	244,793,860
Total Deposits - Consolidated	429,056,820	348,508,444	313,483,840	309,739,908	297,562,026
ROA YTD - Bank only	1.12%	1.29%	1.30%	0.85%	0.97%
ROE YTD - Bank only	9.40%	10.79%	11.81%	8.12%	8.93%
Earnings - Consolidated	2,309,694	4,833,376	4,619,523	3,015,622	3,104,820
Earning Before Taxes - Consolidated	3,096,462	6,454,225	5,971,131	5,337,796	4,824,541
Total Equity - Consolidated	50,989,863	48,188,673	42,067,339	38,100,555	34,789,643
Average Shares Outstanding net of Treasury	965,809	961,634	954,193	952,166	946,740
Ending Shares Outstanding net of Treasury	966,242	963,842	957,662	952,337	947,492
Shares held in the Treasury	2,314	3,364	3,364	3,364	5,114
Book Value per Share	\$52.77	\$50.00	\$43.93	\$40.01	\$36.72
EPS (Ending Shares)	\$4.78	\$5.01	\$4.82	\$3.17	\$3.28
Fully Diluted EPS (Avg Shares & Options)	\$4.52	\$4.78	\$4.61	\$3.04	\$3.15
Recent Sales Price	\$60.00	\$59.00	\$53.50	\$50.00	\$46.00
Price to Book	1.14	1.18	1.22	1.25	1.25
Price to Earnings	12.55	11.77	11.09	15.79	14.04
Dividend Information		(A)			
Dividend Per Share	\$0.50	\$0.48	\$0.38	\$0.35	\$0.33
Dividend Payout Ratio	9.99%	10.00%	12.01%	10.74%	10.87%

(A) Payout Ratio calculated with prior year net income before tax law adjustment 10.37%.

Average shares = weighted average shares held during the year by all shareholders. Earnings per share = annualized earnings divided by ending shares. Measures amount of current year net income allocated to each shareholder. Book value = total equity divided by ending shares. Measures net amount to be received by each shareholder should the Company liquidate; also known as net worth per shareholder. Recent sales price = price per share on most recent stock sale. Price to book = recent sales price divided by book value. Price to earnings = recent sales price divided by earnings per share. Dividend per share = dividends paid in current year for each share of stock owned on declaration date. Dividend payout ratio = total dividends paid in current year divided by prior year consolidated earnings. Measures the percent of prior year earnings that was paid out to shareholders rather than retained in the Company as an increase in equity.

*Private Party Transactions **Book Value should not be construed as indicative of the current or anticipated future fair market of the stock.



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For a list of our locations and hours visit: www.CapitolBank.com

Capitol Bankshares is not Member FDIC.

Capitol Bank is Member EQUAL HOUSING LENDER