

Shareholder News & Updates

2025 Year-End Report

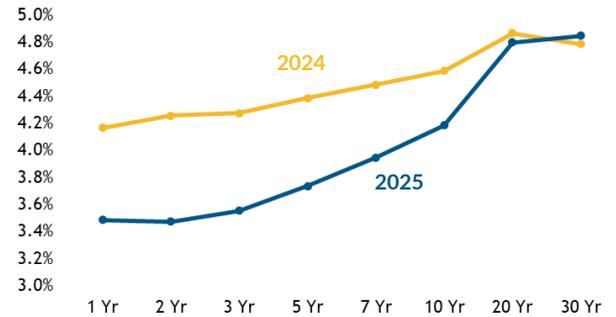

**CAPITOL
BANKSHARES, INC.**

Dear Shareholder:

The interest rate yield curve continued to steepen during 2025, largely driven by stronger than anticipated economic performance and additional concerns about demand for long-term government securities. Beneficiaries of the yield curve shift include short-term borrowers and financial institutions. Short-term deposit clients see reduced yields while longer-term borrowers, particularly in residential mortgages, experience more limited declines in borrowing costs. Demand for U.S. Treasuries stayed generally firm during 2025, while several overseas markets with sizeable deficits experienced price pressure in intermediate and long maturities.

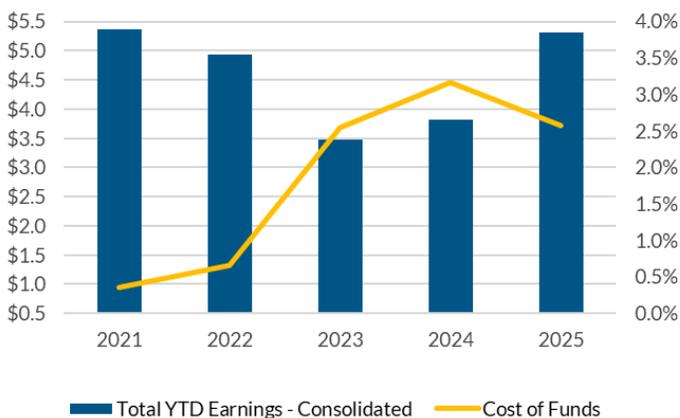
For community banks, a steeper yield curve is generally constructive because it supports healthier net interest margins by widening the spread between funding costs and longer-term loan and investment yields. This proved true for Capitol Bank in 2025 where it recognized an improvement to its cost of funds from 3.17% down to 2.58%.

U.S. Treasury Yield Curve



Source: US Department of the Treasury 12.31.25

Earnings (in millions) & Cost of Funds (percentage)



Annual Meeting

Capitol Bank's Annual Shareholder Meeting will be held on May 12th at 5:30 p.m., at the Holiday Inn & Suites, Madison West. We will communicate confirmed details with you in April, along with your digital Annual Report and physical annual proxy materials.

Shareholder Resources

As of February 6, 2026, there are 4,134 shares available for purchase. Please access our website for updated stock information:

www.capitol.bank/shareholder-access.html



During 2025, Capitol Bank, in line with many local competitors, experienced a net contraction in loan balances as elevated interest rates reduced new origination activity relative to refinance volume. Payoffs were further driven by profit taking, particularly among multifamily property owners who chose to sell and capture higher valuations, along with the reopening of secondary market financing channels that provided some very specific borrowers with additional non-bank re-financing solutions. The majority of loans that prepaid ahead of maturity were originated in lower-rate environments and therefore carried below-market yields, which limited the earnings impact but still produced an unwelcome reduction in total balances. Overall, net loans declined by 3.57%, from \$489.45 million to \$471.98 million. In response, management reduced higher-cost deposit acquisition strategies to maximize margin, resulting in a modest net deposit increase of 0.64% to \$541.19 million, compared to year-end 2024 balances of \$537.76 million.

Financial Highlights for December 31, 2025

- Consolidated year-to-date earnings increased 39.14% from \$3.82 million FY 2024 to \$5.32 million FY 2025.
- Loan yield remained relatively stable, declining modestly from 5.79% to 5.69% despite a 0.75% reduction in the Fed funds rate.
- Book Value Per Share increased 11.63% to \$72.17, as a result of both increased earnings and Board-approved stock repurchases.
- Net Interest Margin increased 14.96% from 2.54% to 2.92%.
- Bank year-to-date Return on Assets of 0.85%
- Bank year-to-date Return on Equity of 8.26%

Book Value & Earnings Per Share



Stock Price & Number of Shares Traded (at end of period)



Recent Additions to the Capitol Bank Team

- Esa Anzivino, VP General Counsel & Chief Compliance Officer
- Theresa Heintz, AVP Treasury Management & Business Development Officer, NMLS #523592



From Management

In 2025, the financial landscape was shaped by moderating interest rates following three federal reserve rate cuts, uneven economic growth across sectors and various factors which decreased predictability. Yield curves steepened as growth proved more resilient than expected and government debt levels drew greater investor attention keeping longer term rates higher. Equity markets showed concentration in a small number of large technology leaders even as broader sectors experienced more mixed performance. Commercial real estate values, particularly in certain property segments, prompted increased transaction activity and balance sheet repositioning. Against this backdrop, Capitol Bank remained focused on liquidity, asset quality, capital strength, and disciplined income generation.

“Our customers, shareholders, and community focus remain our highest priority, and we’ll continue to balance near-term execution with durable, long-range performance.” - Justin

Commitment to Our Customers

As we wrap up 2025, we’re proud of the role our Bank continues to play as a trusted partner in the communities we serve. Being a community bank means showing up to support local businesses, families, and organizations not just with tailored financial solutions, but with strong relationships and expertise.

This year, a key part of that commitment has been helping customers fight fraud. We’ve seen more sophistication in fraud attempts through phishing, check fraud and wire fraud attempts. Through proactive outreach, monitoring, and one-on-one conversations, our team works closely with customers to identify risks early and protect what matters most. Knowing our customers, understanding their goals, and standing alongside them when it counts is the true value of banking locally, and it’s a responsibility we take seriously every day. By helping customers identify and prevent fraud, we have meaningfully avoided losses for both our customers and the Bank. These efforts directly support stronger, more predictable financial performance and help safeguard long-term, sustainable shareholder returns.



Justin M. Hart
President, Capitol Bankshares, Inc.
Chief Executive Officer, Capitol Bank



Ami M. Myrland
Assistant Secretary, Capitol Bankshares, Inc.
President and Chief Financial Officer, Capitol Bank



December 2025 Financial Highlights

Highlights & Stock Performance*

Earnings for 2025 increased 39.14% year-over-year. As of December 31, 2025, ROE increased 28.26% to 8.26% and book value per share increased 11.63% to \$72.17 compared to the previous year.

Period Ending	Last Transaction Price of the Period	Range of Transaction Prices		Total Shares Exchanged
		Highest	Lowest	
12/31/2025	\$73.00	\$73.00	\$72.50	26,104
12/31/2024	\$73.00	\$75.00	\$72.00	33,795
12/31/2023	\$73.00	\$75.00	\$73.00	19,320

5 Year Financial Highlights

	Year Ended				
	2025	2024	2023	2022	2021
Total Assets - Consolidated	633,600,723	628,790,739	589,793,601	551,419,476	489,004,508
Total Net Loans - Consolidated	471,978,328	489,449,978	485,010,145	441,373,678	356,107,029
Total Deposits - Consolidated	541,194,295	537,759,312	505,966,911	462,929,923	422,690,896
Return on Assets YTD (ROA) - Bank only	0.85%	0.64%	0.62%	0.95%	1.12%
Return on Equity YTD (ROE) - Bank only	8.26%	6.44%	6.36%	9.42%	9.74%
Earnings - Consolidated	5,318,155	3,822,287	3,483,570	4,928,148	5,361,397
Earning Before Taxes - Consolidated	6,168,416	4,419,353	5,311,850	6,584,385	7,192,034
Total Equity - Consolidated	69,127,860	63,018,058	60,842,045	56,527,009	57,854,007
Average Shares Outstanding net of Treasury	969,843	988,349	994,188	985,672	975,400
Ending Shares Outstanding net of Treasury	957,859	974,748	995,316	990,807	980,222
Shares held in the Treasury	51,800	24,668	-	-	864
Book Value per Share**	\$72.17	\$64.65	\$61.13	\$57.05	\$59.02
Earnings per Share - Avg Shares (EPS)	\$5.48	\$3.87	\$3.50	\$5.00	\$5.50
Fully Diluted EPS - Avg Shares & Options	\$5.28	\$3.71	\$3.34	\$4.77	\$5.20
Recent Sales Price	\$73.00	\$73.00	\$73.00	\$73.00	\$65.00
Price to Book	1.01	1.13	1.19	1.28	1.10
Price to Earnings	13.31	18.88	20.83	14.60	11.83

Dividend Information

Dividend Per Share	\$0.47	\$0.45	\$0.56	\$0.65	\$0.52
Dividend Payout Ratio	12.01%	12.59%	11.31%	11.92%	10.05%

Average shares = weighted average shares held during the year by all shareholders. Earnings per share = annualized earnings divided by average 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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www.Capitol.bank
Capitol Bankshares is not Member FDIC

Capitol Bank is  Member 