



# 2023 ANNUAL REPORT

Capitol Bankshares, Inc. & Subsidiary



## Building the Future One Relationship at a Time

# COMMUNITY INVOLVEMENT AND SUPPORT

Agrace

American Family Children's Hospital

American Heart Association

Area Chambers of Commerce

Area Kiwanis, Optimist, Rotary Clubs

Big Brothers Big Sisters

Bikes for Kids Wisconsin

Boys and Girls Club of Dane County

Capitol City Theatre

Dane Buy Local

Dane County Humane Society

Friends of the Waisman Center

Friends of UW Health

Habitat for Humanity of Dane County

High Point Swim Club

Jazz at Five

JDRF of Wisconsin

Keep Wisconsin Warm/Cool Fund

Leukemia & Lymphoma Society

Lussier Community Education Center

Madison Public Library

Madison Symphony Orchestra

MAYSA

Overture Center

Ronald McDonald House Charities

Second Harvest Food Bank

Sun Prairie Swim

United Way of Dane County

Wisconsin Bankers Foundation

Wisconsin Investment Partners

## Dear Shareholders:

In the banking industry specifically, we experienced unexpected disruption early in 2023, followed by heightened competition for deposit dollars while loan demand was impacted as the cost of borrowing increased. Despite these volatile economic conditions, Capitol Bank continues to provide exceptional customer service while safeguarding the integrity of our operations and focusing on sustainable asset quality and profitability. In the face of reduced profit margins, Capitol Bank is pleased to report strong balance sheet growth, superior asset quality, critical new staff hires and progress on strategic initiatives. Without question, we remain committed to providing long-term value to shareholders and customers.

### Financial Highlights for December 31, 2023:

- Assets increased 6.95% to \$589.79 million year over year
- Net Loans outstanding increased 9.89% to \$485.01 million year over year
- Deposits increased 9.30% to \$505.97 million year over year
- Bank year-to-date Return on Equity of 6.36%
- Consolidated year-to-date earnings of \$3.48 million
- Book Value per Share increased 7.15% to \$61.13

### High Interest Rates Squeeze Bank Margins

The rapid rise in interest rates continues to place pressure on bank margins as deposit rates have risen faster than loan rates. Fortunately, this will normalize over time when either loan rates increase as they mature and reprice, or the Federal Reserve lowers rates which will in turn lower deposit rates.

### Management Update

Capitol Bank's management team remains highly committed to the principles that have driven the Bank's success these past 28 years. While we continue to navigate economic uncertainties, we are focused on:

- The adoption of digital banking and financial technology to protect against the increase in fraud and cybersecurity threats.
- Maintaining high asset quality through automated systems while streamlining the credit process safely and efficiently.
- Leveraging our experienced bankers' skillsets and continuing to embrace technology to maximize customer experience.
- Diversifying and growing our Bank customer base across loan and deposit relationships.
- Repositioning the Bank to return to historical profitability levels.

We wish to convey our heartfelt thanks and appreciation to the 62 employees who have dedicated themselves tirelessly throughout the year, ensuring the Bank is well positioned for ongoing success. We are, as ever, deeply thankful for your continued support and trust in our services.

It remains our honor to serve you.



Best Wishes,

A handwritten signature in black ink, appearing to read "Ken Thompson".

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

A handwritten signature in black ink, appearing to read "Justin Hart".

Justin M. Hart  
President, Capitol Bankshares, Inc.  
President, Capitol Bank



Capitol Bankshares, Inc. and Subsidiary  
**CONSOLIDATED STATEMENTS OF INCOME**

Year Ended December 31, 2023 and 2022

(\$ amounts in thousands)	2023	2022
Interest and dividend income:		
Interest on loans, including fees	\$24,961	\$17,653
Interest on securities	1,299	1,213
Interest on interest-bearing deposits in banks	546	157
Other	265	233
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<b>\$27,071</b>	<b>\$19,238</b>
Interest expense:		
Interest on deposits	\$11,766	\$2,553
Interest on short-term borrowings	2	2
Interest on borrowed funds	1,012	479
Total interest expense	12,780	3,034
Net interest income	14,291	16,204
Provision for credit losses	864	-
<b>NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES</b>	<b>\$13,427</b>	<b>\$16,204</b>
Non-interest income:		
Service charges on deposits	\$391	\$370
Mortgage banking	384	449
Gain on sale of UFS stock	2,035	-
Other	435	409
<b>TOTAL NON-INTEREST INCOME</b>	<b>\$3,245</b>	<b>\$1,228</b>
Non-interest expenses:		
Salaries and employee benefits	\$6,915	\$7,191
Occupancy	1,530	1,156
Data processing and office expense	825	799
Advertising and promotions	179	173
Professional fees	374	335
Net loss on sale of securities	315	-
Other	1,222	1,194
Total non-interest expenses	11,360	10,848
Income before provision for income taxes	5,312	6,584
Provision for income taxes	1,828	1,656
<b>NET INCOME</b>	<b>\$3,484</b>	<b>\$4,928</b>

Capitol Bankshares, Inc. and Subsidiary  
**CONSOLIDATED BALANCE SHEETS**

December 31, 2023 and 2022

Assets (\$ amounts in thousands)	2023	2022
Cash and cash equivalents	\$12,653	\$8,842
Interest-bearing deposits	1,498	996
Debt securities available for sale, net of allowance for credit losses of \$0	66,940	75,777
Loans	491,429	446,765
Allowance for credit losses	(6,419)	(5,391)
Loans, net of allowance for credit losses	485,010	441,374
Premises and equipment, net	3,730	3,983
Other investments	3,993	4,855
Mortgage servicing rights	888	987
Accrued interest receivable	1,975	1,846
Cash surrender value of life insurance	7,243	7,059
Other assets	5,864	5,700
<b>TOTAL ASSETS</b>	<b>\$589,794</b>	<b>\$551,419</b>
<b>Liabilities and Stockholders' Equity</b>		
Liabilities:		
Non-interest-bearing deposits	\$82,437	\$100,479
Interest-bearing deposits	423,530	362,451
Total deposits	505,967	462,930
Borrowed funds	17,000	27,000
Accrued interest payable	660	220
Other liabilities	5,325	4,742
<b>TOTAL LIABILITIES</b>	<b>\$528,952</b>	<b>\$494,892</b>
Stockholders' equity:		
Common stock, par value \$1 per share; 5,000,000 shares authorized; 995,316 and 990,807 issued and 995,316 and 990,807 outstanding at December 31, 2023 and 2022	\$995	\$991
Additional paid-in capital	8,123	7,864
Retained earnings	56,559	53,997
Accumulated other comprehensive (loss)	(4,835)	(6,325)
Total stockholders' equity	60,842	56,527
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$589,794</b>	<b>\$551,419</b>



Capitol Bankshares, Inc. and Subsidiary  
**CHANGES IN ALLOWANCE FOR CREDIT LOSS**

December 31, 2023 and 2022

(\$ amounts in thousands)	2023	2022
Balance, beginning	\$5,391	\$5,385
Impact of adoption of ASU No. 2016-13 (ASC 326)	340	-
Charge-offs	-	(1)
Recoveries	8	7
Provision for credit loss	680	-
Allowance for credit loss	\$6,419	\$5,391

Capitol Bankshares, Inc. and Subsidiary  
**NON-ACCRUAL LOANS**

December 31, 2023 and 2022

(\$ amounts in thousands)	2023	2022
Non-accrual loans	\$1,941	\$48

Capitol Bankshares, Inc. and Subsidiary  
**CHANGES IN STOCKHOLDERS' EQUITY**

December 31, 2023 and 2022

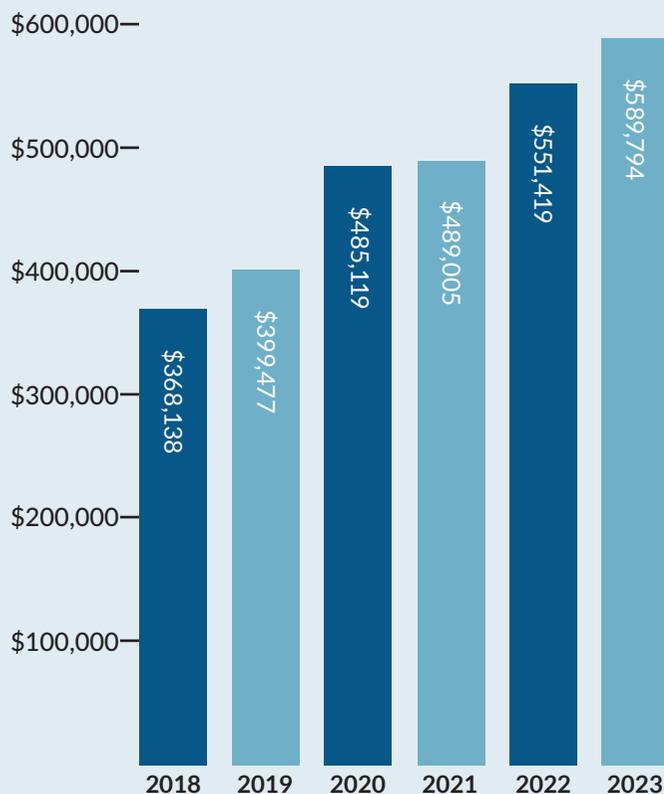
(\$ amounts in thousands)	2023	2022
Balance, beginning	\$56,527	\$57,854
Cumulative effect of change in accounting principle	(365)	-
Net income	3,484	4,928
Other comprehensive income (loss)	1,490	(6,039)
Dividends to stockholders	(557)	(639)
Stock compensation plan	263	423
Total stockholders' equity	\$60,842	\$56,527



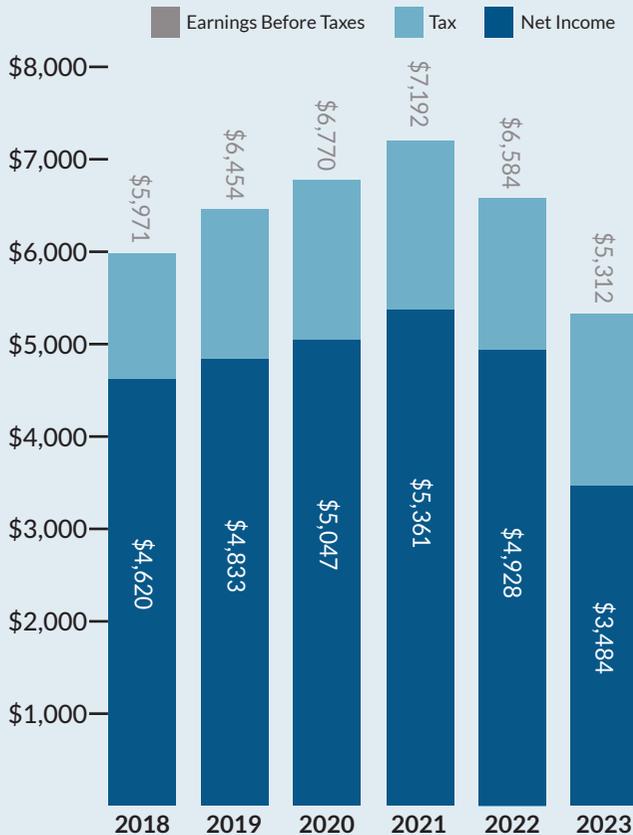
**MISSION:** To be a professional team of experts who combine our knowledge of customers and local market insights to deliver a rewarding and memorable banking experience.



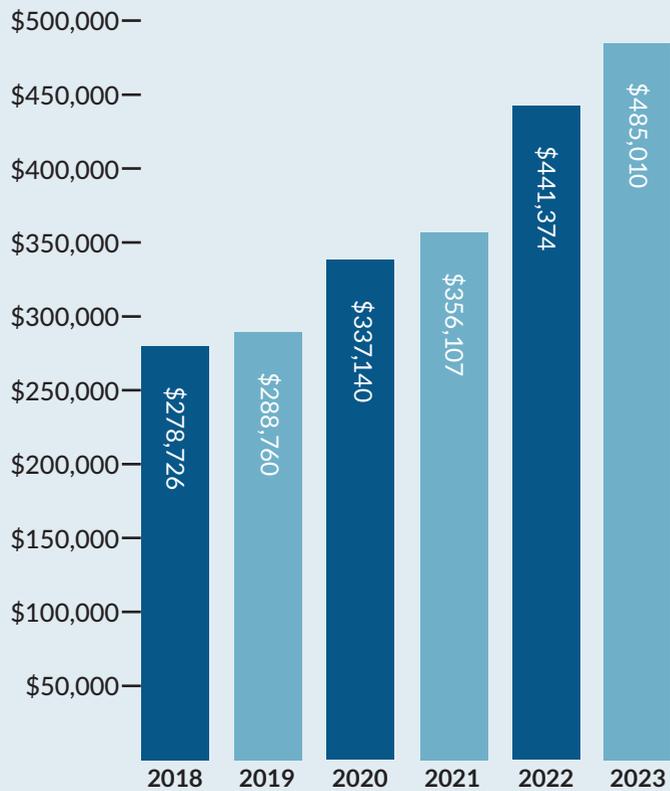
Consolidated  
**ASSETS** (\$ in thousands)



Consolidated  
**EARNINGS** (\$ in thousands)



Consolidated  
**NET LOANS** (\$ in thousands)



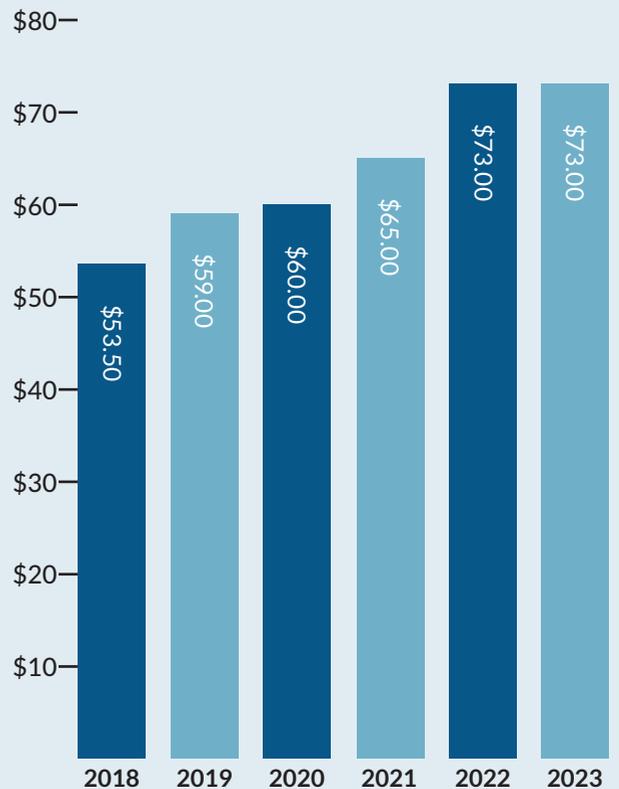
Consolidated  
**DEPOSITS** (\$ in thousands)



Consolidated  
**BASIC AND FULLY DILUTED EARNINGS PER SHARE**



Capitol Bankshares, Inc.  
**STOCK PRICE PER SHARE**



## BANK OFFICERS

Kenneth Thompson  
CEO, Capitol Bank  
Chairman, Capitol Bankshares, Inc.

Justin Hart  
President, Capitol Bank  
President, Capitol Bankshares, Inc.

Ami Myrland  
EVP / Chief Financial Officer  
Asst. Secretary, Capitol Bankshares, Inc.

Derek Moehring  
EVP / Chief Credit Officer

Gary Kuter  
SVP / Chief Compliance & Risk Officer

Lori Pond  
SVP / Operations

Amy Gile-Enge  
SVP / Mortgage Lending

Michael Johnston  
SVP / Commercial Lending

Troy Mitchell  
SVP / Commercial Lending

Matt Roegner  
SVP / Commercial Lending

David Robbins  
Market President – East Madison

Bader Beheiri  
VP / Retail Banking

Nick Inman  
VP / Credit

Jill Mack  
VP / Private & Commercial Banking

Shawna Sherry  
VP / Loan Documentation

Anne Conlin  
AVP / Relationship Banking

Tammy Fanning  
AVP / Treasury Management  
& Business Development

Cori Femrite  
AVP / Mortgage Lending

Heather Flood  
AVP / Deposit Operations

Karl Krug  
AVP / Information Technology

Annette Wolter  
AVP / Loan Administration

Mandy Ayers  
Director of Human Resources

Kari Harpold  
Treasury Management Officer

Paige Janquart  
Controller

Amanda Noles  
Bank Manager – Verona

## CAPITOL BANKSHARES, INC. AND SUBSIDIARY / DIRECTORS

Kenneth Thompson  
CEO, Capitol Bank  
Chairman, Capitol Bankshares, Inc.

Sean Cleary  
President, Cleary Holdings, Inc.  
President, Cleary Building Corp.  
Owner, Cleary Transport, LLC  
Vice President, Capitol Bankshares, Inc.

Mark Koehl  
CPA, Retired  
Wipfli, LLP  
Treasurer, Capitol Bankshares, Inc.

Joseph Hildebrandt  
Managing Director, DaneVest Tech Trust and  
Phenomenelle Angels Trust  
Secretary, Capitol Bankshares, Inc.

Michelle Behnke  
Principal  
Michelle Behnke & Associates

Erik Johnson  
Executive Chairman  
Hy Cite Enterprises, LLC

Theodore Richards  
Chairman of the Board  
Strand Associates, Inc.

Jay Sekelsky  
CFA, Retired CIO, Madison Investment Advisors  
Partner, Zermatt Investors, LLC

## WEST ADVISORY BOARD

Bruce Berndt, CPA, CGMA  
Founder and Managing Partner, Berndt CPA LLC

Dan Bertler  
Owner, Supreme Structures, LLC

Sean Cleary  
President, Cleary Holdings, Inc.  
President, Cleary Building Corp.  
Owner, Cleary Transport, LLC  
Vice President, Capitol Bankshares, Inc.

Dr. Brett Hoeft  
Partner, Luedtke-Storm-Mackey  
Chiropractic Clinics, S.C., Verona

## EAST ADVISORY BOARD

Jeannie Cullen Schultz  
Co-President, JP Cullen

David Glusick, PE  
Principal / Chairman of the Board, Vierbicher  
Associates, Inc.

Jim Rose, CPA  
Independent Consultant

Christopher Zak  
Vice President, Sales and Relationship Manager,  
First American Title – National Commercial Services

## EMERITUS BOARD MEMBERS

Frank Burgess

Richard Munz

Gerald Peterson

Robert Tensfeldt

Albert Toon, Jr.



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[www.Capitol.bank](http://www.Capitol.bank)

Capitol Bank is:



This statement has not been reviewed or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation.