

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): October 25, 2021

CAPITAL BANCORP, INC.
(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

001-38671

(Commission file number)

52-2083046

(IRS Employer Identification No.)

2275 Research Boulevard, Suite 600, Rockville, Maryland 20850

(Address of principal executive offices) (Zip Code)

(301) 468-8848

Registrant's telephone number, including area code

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Trading Symbol | Name of Each Exchange on Which Registered |
|------------------------------------------|----------------|-------------------------------------------|
| Common Stock, par value \$0.01 per share | CBNK | NASDAQ Stock Market |

Item 2.02 Results of Operations and Financial Disclosure

On October 25, 2021, Capital Bancorp, Inc. (the "Company") issued a press release announcing the Company's unaudited financial results for the three months ended September 30, 2021. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and hereby incorporated by reference.

The information furnished under Item 2.02 and Item 9.01 of this Current Report on Form 8-K, including Exhibit 99.1 to this Current Report on Form 8-K, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liabilities under that Section, nor shall it be deemed incorporated by reference in any registration statement or other filings of the Company under the Securities Act of 1933, as amended, except as shall be set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits**(d) Exhibits**

- 99.1 [Press Release, dated October 25, 2021.](#)
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CAPITAL BANCORP, INC.

By: /s/ Alan W. Jackson
Name: Alan W. Jackson
Title: Chief Financial Officer

October 25, 2021



CBNK Robust Loan Growth Drives Record Profits and Returns

Diluted EPS of \$0.79, ROAA of 2.13%, and ROAE of 23.87% for 3Q 2021

Rockville, Maryland, October 25, 2021 (GLOBE NEWSWIRE) – Capital Bancorp, Inc. (the "Company") (NASDAQ: CBNK), the holding company for Capital Bank, N.A. (the "Bank"), today reported net income of \$11.2 million, or \$0.79 per diluted share, for the third quarter of 2021. By comparison, net income was \$8.4 million, or \$0.61 per diluted share, for the third quarter of 2020. Return on average assets ("ROAA") was 2.13% for the third quarter of 2021, compared to 1.89% for the same period in 2020. Return on average equity ("ROAE") was 23.87% for the third quarter of 2021, compared to 23.28% for the same period in 2020.

"Capital Bancorp's diversified business model continued to outperform in the third quarter," said Steven Schwartz, Chairman of the Board of the Company. "The Bank's results highlight the success of ongoing strategic investments in technology and people that have positioned the Bank for continued profitable growth."

"The third quarter's record results were driven by strong growth in the Commercial Bank and OpenSky® which more than made up for the anticipated slowdown of our mortgage business," said Ed Barry, CEO of the Company. "Regional economic activity and strategic hires contributed to 15.8 percent annualized portfolio loan growth quarter over linked-quarter on a consolidated basis. OpenSky® remains an engine of growth as we engage with customers to provide additional value-added services. OpenSky® annualized quarterly loan growth of 44.3 percent marked a return to historical trends. Customer attrition, which resulted in a modest decline in open accounts for the quarter, remains well-below historical levels."

Third Quarter 2021 Highlights

Capital Bancorp, Inc.

- **Record Earnings** - Continued strong performance by the Commercial Bank and OpenSky® contributed to the third quarter's record results. Quarterly net income increased to \$11.2 million from \$8.4 million in the third quarter of 2020. Earnings were \$0.79 per diluted share for the three months ended September 30, 2021 compared to \$0.61 per diluted share for the same period last year.
- **Industry-Leading Performance Ratios** - Return on average assets ("ROAA") and return on average equity ("ROAE") were 2.13% and 23.87%, respectively, for the three months ended September 30, 2021 compared to 1.89% and 23.28%, respectively, for the three months ended September 30, 2020.
- **Expanded Net Interest Margin** - The net interest margin was 6.27% for the three months ended September 30, 2021, which is an increase of 126 basis points compared to 5.01% for the same three month period last year and an increase quarter over quarter of 80 basis points, from 5.47%, for the three months ended June 30, 2021. The margin improvement quarter over quarter was

driven by an increase in average loans outstanding, improving loan yields, and management's concentrated effort to lower funding costs.

- **Robust Capital Positions** - As of September 30, 2021, the Company reported a common equity tier 1 capital ratio of 14.34% and an allowance for loan losses to total loans ratio of 1.56%, or 1.71% excluding Small Business Administration Payroll Protection Program ("SBA-PPP") loans. During the preceding twelve months, tangible book value per common share grew 25.5 percent to \$13.70 at September 30, 2021.

Commercial Bank

- **Accelerating Portfolio Loan Growth** - Portfolio loans, excluding credit cards, increased by \$156.2 million to \$1.3 billion at September 30, 2021 compared to September 30, 2020, and by \$41.6 million, or 13.0 percent annualized, compared to June 30, 2021. The year over year growth was mainly due to a 34.7 percent increase in commercial real estate loans of \$129.6 million, a 6.2 percent increase in commercial and industrial loans of \$8.4 million, and a 10.4 percent increase in construction real estate loans of \$23.6 million.
- **Growth in Core Deposits and Reduced Cost of Funds** - Noninterest bearing deposits increased 39.7 percent compared to September 30, 2020. The \$236.9 million year over year increase was primarily due to an increase in commercial demand deposits reflecting management's ongoing strategic initiative to improve the deposit franchise. At September 30, 2021, noninterest bearing deposits represented 43.4% of total deposits compared to 43.2% at June 30, 2021 and 35.9% at September 30, 2020. Overall, the cost of interest bearing liabilities was reduced 65 basis points, from 1.18% for the quarter ended September 30, 2020 to 0.53% for the quarter ended September 30, 2021.
- **Credit Metrics** - Non-performing assets ("NPAs") increased to 0.77% of total assets at September 30, 2021 compared to 0.54% at June 30, 2021 primarily due to the addition of one well-collateralized multi-family construction loan totaling \$5.0 million and three residential mortgages totaling \$523 thousand. Management continues to focus on reducing non-performing assets as evidenced by the disposition of two OREO properties totaling \$3.1 million after September 30, 2021. Primarily as a result of improving market conditions, the provision for loan losses declined \$2.5 million compared to the third quarter of 2020. The current provision for the three months ended September 30, 2021 was \$975 thousand.
- **SBA-PPP Loans** - SBA-PPP loans, net of \$4.3 million in unearned fees, totaled \$137.2 million at September 30, 2021 which was comprised of \$10.8 million in 2020 originations and \$126.4 million of 2021 originations. As of September 30, 2021, the Company has obtained forgiveness for \$237.7 million of SBA-PPP loans.

Capital Bank Home Loans

- **Softening Mortgage Performance** - The third quarter of 2021 saw mortgage origination volumes begin to slow after a record-breaking 2020. Origination volumes declined 49.6 percent, to \$217 million, in the third quarter of 2021, when compared to \$431 million in the third quarter of 2020. The steepening yield curve in the third quarter of 2021 has slowed originations from the year earlier period when low interest rates fueled refinance volumes. In the most recent quarter, mortgage origination volumes declined \$48.7 million or 18.3 percent from the three months ended June 30, 2021 due to the rate-related slow-down in the mortgage industry which has disproportionately impacted refinance activity.
- **Purchase Volume** - Purchase volumes increased to 51.0 percent of total originations for the third quarter of 2021, up from 33.8 percent during the third quarter of 2020.

OpenSky®

- **Strong Revenue Growth** - OpenSky® revenue grew by 80.6 percent to \$23.2 million for the quarter ended September 30, 2021 from the same period in 2020 and by 23.2 percent from the linked-quarter despite the linked-quarter decline in open accounts. As account growth, line usage and customer behaviors continue to revert to traditional seasonal patterns, management anticipates modest seasonal declines in open accounts as account opening and attrition normalize.
- **Continued Growth in OpenSky® Loans and Deposits** - OpenSky® loan balances, net, increased by \$51.9 million to \$135.0 million compared to \$83.1 million in the third quarter of 2020 and from \$121.4 million, or 11.2 percent, on a linked quarter basis. Corresponding deposit balances increased 37.2 percent or \$65.7 million from \$176.7 million at September 30, 2020 to \$242.4 million at September 30, 2021. Strong growth in loans, deposits, and related-revenue appears to indicate that consumer behaviors may be returning to historical trends.

Year to Date 2021 Highlights

Capital Bancorp

- **Diversified Businesses Drive Net Income** - Net income for the nine months ended September 30, 2021 increased 84.7 percent to \$29.8 million, or \$2.11 per diluted share, from \$16.1 million, or \$1.17 per diluted share for the nine months ended September 30, 2020. Continued strong operating results demonstrate the advantages of the Company's diversified business lines that are, in certain respects, non-correlated across economic cycles.
- **Elevated Performance Ratios** - Improved earnings supported ROAA and ROAE of 1.97% and 22.88%, respectively, for the nine months ended September 30, 2021 compared to 1.35% and 15.35%, respectively, for the nine months ended September 30, 2020.
- **Expanded Net Interest Margin** - For the nine months ended September 30, 2021, net interest margin increased by 69 basis points to 5.65% compared to 4.96% for the nine months ended September 30, 2020. The margin improvement was largely driven by the increase in OpenSky® income.
- **Efficiency Ratio Continues to Improve** - Increased revenue and active expense management improved the efficiency ratio to 65.78% for the nine months ended September 30, 2021 compared to 66.14% for the same nine month period in the prior year.
- **Balance Sheet Growth** - Total assets increased \$293.0 million, or 20.9 percent on an annualized basis, during the nine months ended September 30, 2021. The growth of earning assets on the balance sheet consisted of increases in cash equivalents of \$177.1 million, portfolio loans of \$128.3 million which includes OpenSky® loan growth of \$32.8 million, investments available for sale of \$89.4 million, and Bank Owned Life Insurance ("BOLI") of \$35.3 million. Asset growth was offset by a decrease of \$7.1 million in loans held for sale as well as a \$63.8 million reduction in SBA-PPP loans. The asset growth was primarily funded by a \$269.1 million increase in deposits.

Commercial Bank

- **Strong Portfolio Loan Growth** - Portfolio loans, excluding credit card loans, increased by \$102.6 million, or 11.3 percent on an annualized basis, to \$1.3 billion for the nine months ended September 30, 2021 compared to \$1.2 billion at December 31, 2020. The growth was primarily due to a 28.0 percent increase in commercial real estate loans.
- **Improved Deposit Franchise and Lower Cost of Funding** - Noninterest bearing deposits increased by \$224.6 million, or 36.9 percent, during the nine months ended September 30, 2021

and represent 43.4% of total deposits. The cost of interest bearing liabilities declined to 0.66% from 1.41% for the same period in the prior year, as higher priced time deposits continue to run-off or re-price.

- **COVID-19 Related Deferrals** - At September 30, 2021, outstanding loans deferred due to COVID-19 amounted to \$7.3 million, a decrease of 75.9 percent from \$30.3 million at September 30, 2020.

Capital Bank Home Loans

- **Gain on Sale** - The year-to-date gain on sale of mortgage loans grew modestly to \$25.9 million at September 30, 2021 from \$25.5 million at September 30, 2020, even as year to date origination volumes declined 8.2 percent, to \$845 million at September 30, 2021 from \$920 million at September 30, 2020. Gain on sale margins remained strong at 2.85% for the nine months ended September 30, 2021. The steepening yield curve in 2021 has slowed originations from the year earlier period when low interest rates fueled refinance volumes. Historically-low housing inventory, shortages in new home building materials, and fluctuating interest rates are likely to continue suppressing origination volumes throughout the remainder of 2021.

OpenSky®

- **Growth Elevates Performance** - The 132 thousand increase in the number of accounts in the nine months ended September 30, 2021 resulted in a \$49.9 million increase in noninterest bearing secured credit card deposits that totaled \$242.4 million as of September 30, 2021. Credit card balances increased by \$32.8 million, or 32.1 percent, for the nine months ended September 30, 2021 and totaled \$135.0 million. Account growth led to higher credit card fees, which increased by 98.3 percent to \$21.2 million compared to \$10.7 million for the same nine month period last year, largely driven by the larger number of accounts in the portfolio.

COMPARATIVE FINANCIAL HIGHLIGHTS - Unaudited

| (amounts in thousands except per share data) | Quarter Ended September 30, | | | Nine Months Ended September 30, | | |
|--------------------------------------------------------------------------------|--------------------------------|-----------|----------|------------------------------------|-----------|----------|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| | | | | | | |
| Earnings Summary | | | | | | |
| Interest income | \$ 33,528 | \$ 25,189 | 33.1 % | \$ 89,455 | \$ 68,933 | 29.8 % |
| Interest expense | 1,469 | 3,150 | (53.4)% | 5,433 | 10,583 | (48.7)% |
| Net interest income | 32,059 | 22,039 | 45.5 % | 84,022 | 58,350 | 44.0 % |
| Provision for loan losses | 975 | 3,500 | (72.1)% | 2,259 | 9,209 | (75.5)% |
| Noninterest income | 12,597 | 17,477 | (27.9)% | 40,019 | 34,114 | 17.3 % |
| Noninterest expense | 28,627 | 24,450 | 17.1 % | 81,599 | 61,153 | 33.4 % |
| Income before income taxes | 15,054 | 11,566 | 30.2 % | 40,183 | 22,102 | 81.8 % |
| Income tax expense | 3,877 | 3,128 | 23.9 % | 10,376 | 5,968 | 73.9 % |
| Net income | \$ 11,177 | \$ 8,438 | 32.5 % | \$ 29,807 | \$ 16,134 | 84.7 % |
| Pre-tax pre-provision net revenue ("PPNR") ⁽²⁾ | \$ 16,029 | \$ 15,066 | 6.4 % | \$ 42,442 | \$ 31,311 | 35.5 % |
| Weighted average common shares - Basic | 13,793 | 13,795 | — % | 13,772 | 13,829 | (0.4)% |
| Weighted average common shares - Diluted | 14,228 | 13,795 | 3.1 % | 14,111 | 13,832 | 2.0 % |
| Earnings per share - Basic | \$ 0.81 | \$ 0.61 | 32.5 % | \$ 2.16 | \$ 1.17 | 84.6 % |
| Earnings per share - Diluted | \$ 0.79 | \$ 0.61 | 28.4 % | \$ 2.11 | \$ 1.17 | 80.3 % |
| Return on average assets ⁽¹⁾ | 2.13 % | 1.89 % | 12.7 % | 1.97 % | 1.35 % | 45.9 % |
| Return on average assets, excluding impact of SBA-PPP loans ^{(1) (2)} | 1.99 % | 1.80 % | 10.6 % | 1.74 % | 0.95 % | 83.2 % |
| Return on average equity | 23.87 % | 23.28 % | 2.5 % | 22.88 % | 15.35 % | 49.1 % |

| (in thousands except per share data) | Quarter Ended | | | Quarter Ended | | |
|----------------------------------------------|---------------|--------------|---------------|---------------|--------------|--------------|
| | September 30, | | 3Q21 vs. 3Q20 | June 30, | March 31, | December 31, |
| | 2021 | 2020 | % Change | 2021 | 2021 | 2020 |
| Balance Sheet Highlights | | | | | | |
| Assets | \$ 2,169,556 | \$ 1,879,029 | 15.5 % | \$ 2,151,850 | \$ 2,091,851 | \$ 1,876,593 |
| Investment securities available for sale | 189,165 | 53,992 | 250.4 % | 160,515 | 128,023 | 99,787 |
| Mortgage loans held for sale | 36,005 | 137,717 | (73.9)% | 47,935 | 60,816 | 107,154 |
| SBA-PPP loans, net of fees | 137,178 | 229,646 | (40.3)% | 265,712 | 201,018 | 233,349 |
| Portfolio loans receivable ⁽³⁾ | 1,445,126 | 1,244,613 | 16.1 % | 1,392,471 | 1,312,375 | 1,315,503 |
| Allowance for loan losses | 24,753 | 22,016 | 12.4 % | 24,079 | 23,550 | 23,434 |
| Deposits | 1,921,238 | 1,662,211 | 15.6 % | 1,917,419 | 1,863,069 | 1,652,128 |
| FHLB borrowings | 22,000 | 22,222 | (1.0)% | 22,000 | 22,000 | 22,000 |
| Other borrowed funds | 12,062 | 17,516 | (31.1)% | 12,062 | 12,062 | 14,016 |
| Total stockholders' equity | 189,080 | 149,377 | 26.6 % | 177,204 | 167,003 | 159,311 |
| Tangible common equity ⁽²⁾ | 189,080 | 149,377 | 26.6 % | 177,204 | 167,003 | 159,311 |
| Common shares outstanding | 13,802 | 13,682 | 0.9 % | 13,772 | 13,759 | 13,754 |
| Tangible book value per share ⁽²⁾ | \$ 13.70 | \$ 10.92 | 25.5 % | \$ 12.87 | \$ 12.14 | \$ 11.58 |

⁽¹⁾ Annualized

⁽²⁾ Refer to Appendix for reconciliation of non-GAAP measures.

⁽³⁾ Loans are reflected net of deferred fees and costs.

Operating Results - Comparison of Three Months Ended September 30, 2021 and 2020

For the three months ended September 30, 2021, net interest income increased \$10.0 million, or 45.5 percent, to \$32.1 million from the same period in 2020, primarily due to an increase in interest earning assets and a decrease in rates on interest bearing liabilities. The net interest margin increased 126 basis point to 6.27% for the three months ended September 30, 2021 from the same period in 2020. Net interest margin, excluding credit card and SBA-PPP loans, was 3.52% for the third quarter of 2021 compared to 3.84% for the same period in 2020. For the three months ended September 30, 2021, average interest earning assets increased \$277.7 million, or 15.9 percent, to \$2.0 billion as compared to the same period in 2020, and the average yield on interest earning assets increased 82 basis points. Compared to the same period in the prior year, average interest-bearing liabilities increased \$25.5 million, or 2.4 percent, while the average cost of interest bearing liabilities decreased 65 basis points to 0.53% from 1.18%.

The provision for loan losses of \$975 thousand for the three months ended September 30, 2021 was related to growth in the credit card portfolio. On an annualized basis, net charge-offs for the third quarter of 2021 were \$301 thousand, or 0.09% of average loans, compared to \$163 thousand, or 0.06% of average loans on an annualized basis, for the third quarter of 2020. The \$301 thousand in net charge-offs during the quarter was mainly comprised of \$302 thousand in credit card charge-offs.

For the quarter ended September 30, 2021, noninterest income was \$12.6 million, a decrease of \$4.9 million, or 27.92 percent, from \$17.5 million in the prior year quarter. The decrease was primarily the result of reduced mortgage banking revenue.

Net credit card loan balances increased by \$51.9 million to \$135.0 million as of September 30, 2021 from \$83.1 million at September 30, 2020. The related deposit account balances increased 37.2 percent to \$242.4 million at September 30, 2021 when compared to \$176.7 million at September 30, 2020. For the three months ended September 30, 2021, OpenSky's® secured credit card accounts decreased 7 thousand compared to 148 thousand net new accounts for the same period in 2020.

The efficiency ratio for the three months ended September 30, 2021 improved to 64.10% compared to 65.17% for the three months ended September 30, 2020 on higher levels of revenue and improved operating leverage.

Noninterest expense was \$28.6 million for the three months ended September 30, 2021, as compared to \$24.5 million for the three months ended September 30, 2020, an increase of \$4.2 million, or 17.1 percent. The increase was primarily driven by a \$2.3 million, or 28.9 percent, increase in data processing expenses, an increase in professional services of \$1.2 million, or 95.4 percent, and an increase in salaries and employee benefits of \$1.02 million, or 11.4 percent. The increase of \$2.3 million in data processing expenses was mainly attributable to the higher volume of active credit cards during the third quarter of 2021, while the increases in professional services was primarily related to the preparatory activities for a possible expansion of credit card offerings.

Operating Results - Comparison of Nine Months Ended September 30, 2021 and 2020

For the nine months ended September 30, 2021, net interest income increased \$25.7 million, or 44.0 percent, to \$84.0 million from the same period in 2020, primarily due to an increase in interest earning assets and a decrease in rates on interest bearing liabilities. The net interest margin increased 69 basis points to 5.65% for the nine months ended September 30, 2021 from the same period in 2020. Net interest margin, excluding credit card and SBA-PPP loans, was 3.57% for the nine months ended September 30, 2021 compared to 3.92% for the same period in 2020. For the nine months ended September 30, 2021, average interest earning assets increased \$416.5 million, or 26.5 percent, to \$2.0 billion as compared to the same period in 2020, and the average yield on interest earning assets increased 16 basis points. Compared to the same period in the prior year, average interest-bearing liabilities increased \$93.2 million, or 9.3 percent, while the average cost of interest-bearing liabilities decreased 75 basis points to 0.66% from 1.41%.

For the nine months ended September 30, 2021, the provision for loan losses was \$2.3 million, a decrease of \$6.9 million from the prior year to date period. Net charge-offs for the nine months ended September 30, 2021 were \$941 thousand, or 0.09% of average portfolio loans on an annualized basis, compared to \$494 thousand, or 0.05% of average portfolio loans on an annualized basis, for the same period in 2020. The \$941 thousand in net charge-offs during the nine months ended September 30, 2021 was comprised of commercial loan net charge-offs of \$33

thousand, construction loan net charge-offs of \$161 thousand, and net charge-offs of \$747 thousand in the credit card portfolio.

For the nine months ended September 30, 2021, noninterest income was \$40.0 million, an increase of \$5.9 million, or 17.3 percent, from the same period in 2020. The increase was primarily driven by significant growth in credit card fees, which increased by \$10.5 million, which was partially offset by a decrease in mortgage banking revenues of \$3.5 million.

For the nine months ended September 30, 2021, the Bank originated 272 thousand new OpenSky® secured credit card accounts, increasing the total number of open accounts to 700 thousand. This compares to 363 thousand new originations for the same period last year, which increased total open accounts to 529 thousand.

The efficiency ratio for the nine months ended September 30, 2021 decreased to 65.78% compared to 66.14% for the nine months ended September 30, 2020, primarily resulting from increased revenue in addition to management's efforts to control expenses.

Noninterest expense was \$81.6 million for the nine months ended September 30, 2021, as compared to \$61.2 million for the nine months ended September 30, 2020, an increase of \$20.4 million, or 33.4 percent. The increase was primarily driven by a \$2.4 million, or 9.8 percent, increase in salaries and benefits, an increase in professional fees of 86.5 percent, or \$2.6 million, a \$11.9 million, or 67.5 percent, increase in data processing, and a \$2.2 million, or 28.8 percent, increase in other operating expenses period over period. The increase of \$11.9 million in data processing expenses was primarily due to the higher volume of open credit cards during the nine month period ended September 30, 2021. Additionally, operating expenses increased \$2.2 million, primarily due to increases in outside service providers.

During the nine months ended September 30, 2021, results of operations were impacted by the COVID-19 pandemic and the resulting issuance of SBA-PPP loans. At September 30, 2021, SBA-PPP loans had remaining deferred origination fees of \$5.2 million, and deferred costs of \$0.9 million.

Financial Condition

Total assets at September 30, 2021 were \$2.2 billion, an increase of 15.5 percent from September 30, 2020. Portfolio loans, which exclude mortgage loans held for sale and SBA-PPP loans, totaled \$1.4 billion as of September 30, 2021, an increase of 16.1 percent as compared to \$1.2 billion at September 30, 2020.

Total deposits at September 30, 2021 were \$1.9 billion, an increase of \$259 million, or 15.6 percent, as compared to \$1.7 billion at September 30, 2020. Noninterest bearing deposits increased by \$236.9 million, or 39.7 percent, to \$833.2 million at September 30, 2021 compared to the level at September 30, 2020 and comprise 91.5 percent of the total deposit growth between third quarter 2020 and third quarter 2021. Deposit balances grew year over year in certain fiduciary accounts of title and property management companies, as well as noninterest bearing SBA-PPP loan customers and OpenSky® deposits.

The Company recorded a provision for loan losses of \$2.3 million during the nine months ended September 30, 2021, which increased the allowance for loan losses to \$24.8 million, or 1.56% of total loans (1.71%, excluding SBA-PPP loans, on a non-GAAP basis) at September 30, 2021. Nonperforming assets were \$16.8 million, or 0.77% of total assets, as of September 30, 2021, up from \$14.8 million, or 0.79% of total assets, at September 30, 2020. Of the \$16.8 million in total nonperforming assets as of September 30, 2021, nonperforming loans represented \$13.6 million and foreclosed real estate totaled \$3.2 million. Management continues to focus on reducing the nonperforming assets as evidenced by further dispositions after September 30, 2021 totaling \$3.1 million. Included in nonperforming loans at September 30, 2021 were troubled debt restructurings of \$546 thousand.

Stockholders' equity increased to \$189.1 million as of September 30, 2021, compared to \$149.4 million at September 30, 2020. This increase was primarily attributable to earnings during the period. As of September 30, 2021, the Bank's capital ratios continued to exceed the regulatory requirements for a "well-capitalized" institution.

Consolidated Statements of Income (Unaudited)

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------------------------------------------|----------------------------------|-----------------|---------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Interest income | | | | |
| Loans, including fees | \$ 32,840 | \$ 24,836 | \$ 87,549 | \$ 67,520 |
| Investment securities available for sale | 549 | 273 | 1,571 | 929 |
| Federal funds sold and other | 139 | 80 | 335 | 484 |
| Total interest income | 33,528 | 25,189 | 89,455 | 68,933 |
| Interest expense | | | | |
| Deposits | 1,285 | 2,634 | 4,874 | 9,201 |
| Borrowed funds | 184 | 516 | 559 | 1,382 |
| Total interest expense | 1,469 | 3,150 | 5,433 | 10,583 |
| Net interest income | 32,059 | 22,039 | 84,022 | 58,350 |
| Provision for loan losses | 975 | 3,500 | 2,259 | 9,209 |
| Net interest income after provision for loan losses | 31,084 | 18,539 | 81,763 | 49,141 |
| Noninterest income | | | | |
| Service charges on deposits | 160 | 119 | 473 | 378 |
| Credit card fees | 7,554 | 5,773 | 21,208 | 10,694 |
| Mortgage banking revenue | 4,465 | 10,690 | 17,478 | 20,984 |
| Gain on sale of investment securities available for sale, net | — | — | 153 | — |
| Other fees and charges | 418 | 895 | 707 | 2,058 |
| Total noninterest income | 12,597 | 17,477 | 40,019 | 34,114 |
| Noninterest expenses | | | | |
| Salaries and employee benefits | 9,962 | 8,940 | 27,279 | 24,848 |
| Occupancy and equipment | 998 | 1,328 | 3,322 | 3,658 |
| Professional fees | 2,555 | 1,307 | 5,542 | 2,971 |
| Data processing | 10,161 | 7,880 | 29,594 | 17,664 |
| Advertising | 1,027 | 633 | 3,153 | 1,875 |
| Loan processing | 644 | 1,264 | 2,670 | 2,451 |
| Other real estate expenses, net | 44 | 9 | 321 | 137 |
| Other operating | 3,236 | 3,089 | 9,718 | 7,548 |
| Total noninterest expenses | 28,627 | 24,450 | 81,599 | 61,153 |
| Income before income taxes | 15,054 | 11,566 | 40,183 | 22,102 |
| Income tax expense | 3,877 | 3,128 | 10,376 | 5,968 |
| Net income | \$ 11,177 | \$ 8,438 | \$ 29,807 | \$ 16,134 |

Consolidated Balance Sheets

(in thousands except share data)

| | (unaudited) September 30, 2021 | December 31, 2020 |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------|
| Assets | | |
| Cash and due from banks | \$ 23,650 | \$ 18,456 |
| Interest bearing deposits at other financial institutions | 299,033 | 126,081 |
| Federal funds sold | 1,315 | 2,373 |
| Total cash and cash equivalents | 323,998 | 146,910 |
| Investment securities available for sale | 189,165 | 99,787 |
| Marketable equity securities | 245 | 245 |
| Restricted investments | 3,498 | 3,713 |
| Loans held for sale | 36,005 | 107,154 |
| U.S. Small Business Administration Payroll Protection Program ("SBA-PPP") loans receivable, net of fees | 137,178 | 201,018 |
| Portfolio loans receivable, net of deferred fees and costs and net of allowance for loan losses of \$24,753 and \$23,434 | 1,420,373 | 1,292,068 |
| Premises and equipment, net | 3,690 | 4,464 |
| Accrued interest receivable | 7,828 | 8,134 |
| Deferred income taxes, net | 7,172 | 6,818 |
| Other real estate owned | 3,236 | 3,326 |
| Bank owned life insurance | 35,268 | — |
| Other assets | 1,900 | 2,956 |
| Total assets | \$ 2,169,556 | \$ 1,876,593 |
| Liabilities | | |
| Deposits | | |
| Noninterest bearing | \$ 833,187 | \$ 608,559 |
| Interest bearing | 1,088,051 | 1,043,569 |
| Total deposits | 1,921,238 | 1,652,128 |
| Federal Home Loan Bank advances | 22,000 | 22,000 |
| Other borrowed funds | 12,062 | 14,016 |
| Accrued interest payable | 839 | 1,134 |
| Other liabilities | 24,337 | 28,004 |
| Total liabilities | 1,980,476 | 1,717,282 |
| Stockholders' equity | | |
| Common stock, \$.01 par value; 49,000,000 shares authorized; 13,801,936 and 13,753,529 issued and outstanding | 138 | 138 |
| Additional paid-in capital | 52,123 | 50,602 |
| Retained earnings | 135,906 | 106,854 |
| Accumulated other comprehensive income | 913 | 1,717 |
| Total stockholders' equity | 189,080 | 159,311 |
| Total liabilities and stockholders' equity | \$ 2,169,556 | \$ 1,876,593 |

The following table shows the average outstanding balance of each principal category of our assets, liabilities and stockholders' equity, together with the average yields on our assets and the average costs of our liabilities for the periods indicated. Such yields and costs are calculated by dividing the annualized income or expense by the average daily balances of the corresponding assets or liabilities for the same period.

| | Three Months Ended September 30, | | | | | |
|---------------------------------------------|----------------------------------|-------------------------|-----------------------------------|-----------------------------|-------------------------|-----------------------------------|
| | 2021 | | | 2020 | | |
| | Average Outstanding Balance | Interest Income/Expense | Average Yield/Rate ⁽¹⁾ | Average Outstanding Balance | Interest Income/Expense | Average Yield/Rate ⁽¹⁾ |
| (Dollars in thousands) | | | | | | |
| Assets | | | | | | |
| Interest earning assets: | | | | | | |
| Interest bearing deposits | \$ 250,326 | \$ 98 | 0.15 % | \$ 119,279 | \$ 29 | 0.10 % |
| Federal funds sold | 2,421 | — | 0.00 | 3,980 | — | 0.01 |
| Investment securities available for sale | 171,506 | 549 | 1.27 | 54,989 | 273 | 1.97 |
| Restricted stock | 3,480 | 41 | 4.64 | 4,007 | 51 | 5.04 |
| Loans held for sale | 32,660 | 248 | 3.02 | 112,890 | 856 | 3.02 |
| SBA-PPP loans receivable | 162,217 | 1,525 | 3.73 | 235,160 | 1,470 | 2.49 |
| Portfolio loans receivable ⁽²⁾ | 1,404,006 | 31,067 | 8.78 | 1,218,589 | 22,510 | 7.35 |
| Total interest earning assets | 2,026,616 | 33,528 | 6.55 | 1,748,894 | 25,189 | 5.73 |
| Noninterest earning assets | 58,156 | | | 22,768 | | |
| Total assets | \$ 2,084,772 | | | \$ 1,771,662 | | |
| Liabilities and Stockholders' Equity | | | | | | |
| Interest bearing liabilities: | | | | | | |
| Interest bearing demand accounts | \$ 301,272 | 45 | 0.06 | \$ 218,415 | 156 | 0.28 |
| Savings | 7,025 | 1 | 0.05 | 5,126 | 1 | 0.05 |
| Money market accounts | 495,534 | 335 | 0.27 | 532,973 | 1,186 | 0.89 |
| Time deposits | 250,836 | 904 | 1.43 | 267,970 | 1,291 | 1.92 |
| Borrowed funds | 36,384 | 184 | 2.01 | 41,069 | 516 | 5.01 |
| Total interest bearing liabilities | 1,091,051 | 1,469 | 0.53 | 1,065,553 | 3,150 | 1.18 |
| Noninterest bearing liabilities: | | | | | | |
| Noninterest bearing liabilities | 21,138 | | | 22,702 | | |
| Noninterest bearing deposits | 786,784 | | | 539,220 | | |
| Stockholders' equity | 185,799 | | | 144,187 | | |
| Total liabilities and stockholders' equity | \$ 2,084,772 | | | \$ 1,771,662 | | |
| Net interest spread | | | 6.02 % | | | 4.55 % |
| Net interest income | | \$ 32,059 | | | \$ 22,039 | |
| Net interest margin ⁽³⁾ | | | 6.27 % | | | 5.01 % |

⁽¹⁾ Annualized.

⁽²⁾ Includes nonaccrual loans.

⁽³⁾ For the three months ended September 30, 2021 and September 30, 2020, collectively, SBA-PPP loans and credit card loans accounted for 275 and 117 basis points of the reported net interest margin, respectively.

Nine Months Ended September 30,

| | 2021 | | | 2020 | | |
|---------------------------------------------|-----------------------------|-------------------------|-----------------------------------|-----------------------------|-------------------------|-----------------------------------|
| | Average Outstanding Balance | Interest Income/Expense | Average Yield/Rate ⁽¹⁾ | Average Outstanding Balance | Interest Income/Expense | Average Yield/Rate ⁽¹⁾ |
| (Dollars in thousands) | | | | | | |
| Assets | | | | | | |
| Interest earning assets: | | | | | | |
| Interest bearing deposits | \$ 238,648 | \$ 211 | 0.12 % | \$ 98,661 | \$ 306 | 0.41 % |
| Federal funds sold | 3,121 | — | 0.00 | 2,319 | 4 | 0.22 |
| Investment securities available for sale | 139,643 | 1,571 | 1.50 | 58,071 | 929 | 2.14 |
| Restricted stock | 3,620 | 124 | 4.59 | 4,025 | 174 | 5.78 |
| Loans held for sale | 49,775 | 1,043 | 2.80 | 77,878 | 1,909 | 3.27 |
| SBA-PPP loans receivable | 215,524 | 6,266 | 3.89 | 134,130 | 2,482 | 2.49 |
| Portfolio loans receivable ⁽²⁾ | 1,339,010 | 80,240 | 8.01 | 1,197,719 | 63,129 | 7.04 |
| Total interest earning assets | 1,989,341 | 89,455 | 6.01 | 1,572,803 | 68,933 | 5.85 |
| Noninterest earning assets | 36,245 | | | 21,779 | | |
| Total assets | \$ 2,025,586 | | | \$ 1,594,582 | | |
| Liabilities and Stockholders' Equity | | | | | | |
| Interest bearing liabilities: | | | | | | |
| Interest bearing demand accounts | \$ 280,305 | 163 | 0.08 | \$ 181,597 | 555 | 0.41 |
| Savings | 6,435 | 2 | 0.05 | 4,686 | 4 | 0.13 |
| Money market accounts | 475,875 | 1,217 | 0.34 | 484,412 | 4,153 | 1.15 |
| Time deposits | 295,705 | 3,492 | 1.58 | 284,844 | 4,489 | 2.11 |
| Borrowed funds | 34,265 | 559 | 2.18 | 43,823 | 1,382 | 4.21 |
| Total interest bearing liabilities | 1,092,585 | 5,433 | 0.66 | 999,362 | 10,583 | 1.41 |
| Noninterest bearing liabilities: | | | | | | |
| Noninterest bearing liabilities | 23,327 | | | 21,401 | | |
| Noninterest bearing deposits | 735,509 | | | 433,381 | | |
| Stockholders' equity | 174,165 | | | 140,438 | | |
| Total liabilities and stockholders' equity | \$ 2,025,586 | | | \$ 1,594,582 | | |
| Net interest spread | | | 5.35 % | | | 4.44 % |
| Net interest income | | \$ 84,022 | | | \$ 58,350 | |
| Net interest margin ⁽³⁾ | | | 5.65 % | | | 4.96 % |

⁽¹⁾ Annualized.

⁽²⁾ Includes nonaccrual loans.

⁽³⁾ For the nine months ended September 30, 2021 and September 30, 2020, collectively, SBA-PPP loans and credit card loans accounted for 208 and 104 basis points of the reported net interest margin, respectively.

HISTORICAL FINANCIAL HIGHLIGHTS - Unaudited

| (Dollars in thousands except per share data) | Quarter Ended | | | | |
|----------------------------------------------------------------------------------|--------------------|---------------|----------------|-------------------|--------------------|
| | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 |
| Earnings: | | | | | |
| Net income | \$ 11,177 | \$ 9,648 | \$ 8,982 | \$ 9,689 | \$ 8,438 |
| Earnings per common share, diluted | 0.79 | 0.68 | 0.65 | 0.71 | 0.61 |
| Net interest margin | 6.27 % | 5.47 % | 5.15 % | 5.57 % | 5.01 % |
| Net interest margin, excluding credit cards & SBA-PPP loans ⁽¹⁾ | 3.52 % | 3.55 % | 3.70 % | 3.80 % | 3.84 % |
| Return on average assets ⁽²⁾ | 2.13 % | 1.90 % | 1.87 % | 2.08 % | 1.89 % |
| Return on average assets, excluding impact of SBA-PPP loans ^{(1),(2)} | 1.99 % | 1.65 % | 1.60 % | 1.88 % | 1.80 % |
| Return on average equity ⁽²⁾ | 23.87 % | 22.36 % | 22.30 % | 25.26 % | 23.28 % |
| Efficiency ratio | 64.10 % | 66.37 % | 67.11 % | 66.63 % | 65.17 % |
| Balance Sheet: | | | | | |
| Portfolio loans receivable ⁽³⁾ | \$ 1,445,126 | \$ 1,392,471 | \$ 1,312,375 | \$ 1,315,503 | \$ 1,244,613 |
| Deposits | 1,921,238 | 1,917,419 | 1,863,069 | 1,652,128 | 1,662,211 |
| Total assets | 2,169,556 | 2,151,850 | 2,091,851 | 1,876,593 | 1,879,029 |
| Asset Quality Ratios: | | | | | |
| Nonperforming assets to total assets | 0.77 % | 0.54 % | 0.58 % | 0.67 % | 0.79 % |
| Nonperforming assets to total assets, excluding the SBA-PPP loans ⁽¹⁾ | 0.83 % | 0.60 % | 0.66 % | 0.75 % | 0.90 % |
| Nonperforming loans to total loans | 0.85 % | 0.52 % | 0.56 % | 0.61 % | 0.78 % |
| Nonperforming loans to portfolio loans ⁽¹⁾ | 0.94 % | 0.60 % | 0.67 % | 0.70 % | 0.92 % |
| Net charge-offs to average portfolio loans ^{(1),(2)} | 0.14 % | 0.10 % | 0.12 % | 0.19 % | 0.06 % |
| Allowance for loan losses to total loans | 1.56 % | 1.51 % | 1.49 % | 1.54 % | 1.49 % |
| Allowance for loan losses to portfolio loans ⁽¹⁾ | 1.71 % | 1.73 % | 1.79 % | 1.78 % | 1.77 % |
| Allowance for loan losses to non-performing loans | 182.48 % | 287.40 % | 267.07 % | 253.71 % | 191.78 % |
| Bank Capital Ratios: | | | | | |
| Total risk based capital ratio | 13.86 % | 13.51 % | 13.55 % | 12.60 % | 12.74 % |
| Tier 1 risk based capital ratio | 12.60 % | 12.25 % | 12.29 % | 11.34 % | 11.48 % |
| Leverage ratio | 7.83 % | 7.58 % | 7.54 % | 7.45 % | 7.44 % |
| Common equity Tier 1 capital ratio | 12.60 % | 12.25 % | 12.29 % | 11.34 % | 11.48 % |
| Tangible common equity | 7.57 % | 7.17 % | 7.01 % | 7.43 % | 7.09 % |
| Holding Company Capital Ratios: | | | | | |
| Total risk based capital ratio | 15.75 % | 16.14 % | 16.07 % | 15.19 % | 15.35 % |
| Tier 1 risk based capital ratio | 14.49 % | 14.10 % | 13.98 % | 13.10 % | 12.93 % |
| Leverage ratio | 9.12 % | 8.78 % | 8.84 % | 8.78 % | 8.63 % |
| Common equity Tier 1 capital ratio | 14.34 % | 13.94 % | 13.81 % | 12.94 % | 12.75 % |
| Tangible common equity | 8.72 % | 8.23 % | 7.98 % | 8.48 % | 7.95 % |
| Composition of Loans: | | | | | |
| Residential real estate | \$ 418,205 | \$ 420,015 | \$ 420,461 | \$ 437,860 | \$ 422,698 |
| Commercial real estate | 502,523 | 471,807 | 433,336 | 392,550 | 372,972 |
| Construction real estate | 251,256 | 223,832 | 221,277 | 224,904 | 227,661 |
| Commercial and industrial - Other | 143,244 | 158,392 | 149,914 | 157,127 | 134,889 |
| SBA-PPP loans | 141,437 | 208,094 | 272,090 | 204,920 | 238,736 |
| Credit card | 134,979 | 121,410 | 83,740 | 102,186 | 83,101 |
| Other consumer loans | 1,425 | 1,034 | 4,487 | 1,649 | 2,268 |
| Composition of Deposits: | | | | | |
| Noninterest bearing | \$ 833,187 | \$ 828,308 | \$ 771,924 | \$ 608,559 | \$ 596,239 |
| Interest bearing demand | 369,812 | 314,883 | 300,992 | 257,126 | 247,150 |
| Savings | 6,682 | 6,965 | 6,012 | 4,800 | 4,941 |
| Money Markets | 493,029 | 484,567 | 471,303 | 447,077 | 472,447 |
| Time Deposits | 218,528 | 282,696 | 312,838 | 334,566 | 341,435 |

HISTORICAL FINANCIAL HIGHLIGHTS - Unaudited

| (Dollars in thousands except per share data) | Quarter Ended | | | | |
|--------------------------------------------------|--------------------|---------------|----------------|-------------------|--------------------|
| | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 |
| Capital Bank Home Loan Metrics: | | | | | |
| Origination of loans held for sale | \$ 217,175 | \$ 265,517 | \$ 353,774 | \$ 382,267 | \$ 431,060 |
| Mortgage loans sold | 229,111 | 278,384 | 400,112 | 412,830 | 410,312 |
| Gain on sale of loans | 6,108 | 7,763 | 12,008 | 12,950 | 12,837 |
| Purchase volume as a % of originations | 50.98 % | 50.64 % | 24.59 % | 30.03 % | 33.76 % |
| Gain on sale as a % of loans sold ⁽⁴⁾ | 2.67 % | 2.79 % | 3.00 % | 3.14 % | 3.13 % |
| Mortgage commissions | \$ 1,884 | \$ 2,364 | \$ 3,320 | \$ 3,405 | \$ 3,669 |
| OpenSky® Portfolio Metrics: | | | | | |
| Active customer accounts | 700,383 | 707,600 | 642,272 | 568,373 | 529,114 |
| Credit card loans, net | \$ 134,979 | \$ 121,410 | \$ 83,740 | \$ 102,186 | \$ 83,101 |
| Noninterest secured credit card deposits | 242,405 | 241,724 | 215,883 | 192,520 | 176,708 |

⁽¹⁾ Refer to Appendix for reconciliation of non-GAAP measures.

⁽²⁾ Annualized.

⁽³⁾ Loans are reflected net of deferred fees and costs.

⁽⁴⁾ Gain on sale percentage is calculated as gain on sale of loans divided by mortgage loans sold.

Reconciliation of Non-GAAP Measures

| Return on Average Assets, as Adjusted | Quarters Ended | | | | |
|----------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 |
| Dollars in thousands | | | | | |
| Net Income | \$ 11,177 | \$ 9,648 | \$ 8,982 | \$ 9,689 | \$ 8,438 |
| Less: SBA-PPP loan income | 1,525 | 2,272 | 2,205 | 1,998 | 1,470 |
| Net Income, as Adjusted | \$ 9,652 | \$ 7,376 | \$ 6,777 | \$ 7,691 | \$ 6,968 |
| Average Total Assets | 2,084,772 | 2,041,232 | 1,949,265 | 1,854,846 | 1,771,662 |
| Less: Average SBA-PPP Loans | 162,217 | 250,040 | 232,371 | 227,617 | 238,071 |
| Average Total Assets, as Adjusted | \$ 1,922,555 | \$ 1,791,192 | \$ 1,716,894 | \$ 1,627,229 | \$ 1,533,591 |
| Return on Average Assets, as Adjusted | 1.99 % | 1.65 % | 1.60 % | 1.88 % | 1.81 % |

| Net Interest Margin, as Adjusted | Quarters Ended | | | | |
|-----------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 |
| Dollars in thousands | | | | | |
| Net Interest Income | \$ 32,059 | \$ 27,520 | \$ 24,444 | \$ 25,719 | \$ 22,039 |
| Less Secured credit card loan income | 15,086 | 10,497 | 7,660 | 9,306 | 6,632 |
| Less SBA-PPP loan income | 1,525 | 2,272 | 2,205 | 1,998 | 1,470 |
| Net Interest Income, as Adjusted | \$ 15,448 | \$ 14,751 | \$ 14,579 | \$ 14,415 | \$ 13,937 |
| Average Interest Earning Assets | 2,026,616 | 2,016,801 | 1,923,463 | 1,836,337 | 1,748,894 |
| Less Average secured credit card loans | 124,771 | 100,456 | 93,520 | 95,739 | 68,585 |
| Less Average SBA-PPP loans | 162,217 | 250,040 | 232,371 | 227,617 | 235,160 |
| Total Average Interest Earning Assets, as Adjusted | \$ 1,739,628 | \$ 1,666,305 | \$ 1,597,572 | \$ 1,512,981 | \$ 1,445,149 |
| Net Interest Margin, as Adjusted | 3.52 % | 3.55 % | 3.70 % | 3.80 % | 3.84 % |

| Tangible Book Value per Share | Quarters Ended | | | | |
|------------------------------------------------|--------------------|-----------------|-----------------|-------------------|--------------------|
| | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 |
| Dollars in thousands, except per share amounts | | | | | |
| Total Stockholders' Equity | \$ 189,080 | \$ 177,204 | \$ 167,003 | \$ 159,311 | \$ 149,377 |
| Less: Preferred equity | — | — | — | — | — |
| Less: Intangible assets | — | — | — | — | — |
| Tangible Common Equity | \$ 189,080 | \$ 177,204 | \$ 167,003 | \$ 159,311 | \$ 149,377 |
| Period End Shares Outstanding | 13,801,936 | 13,771,615 | 13,759,218 | 13,753,529 | 13,682,198 |
| Tangible Book Value per Share | \$ 13.70 | \$ 12.87 | \$ 12.14 | \$ 11.58 | \$ 10.92 |

Reconciliation of Non-GAAP Measures

| Allowance for Loan Losses to Total Portfolio Loans | Quarters Ended | | | | |
|-----------------------------------------------------------|--------------------|---------------|----------------|-------------------|--------------------|
| | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 |
| Dollars in thousands | | | | | |
| Allowance for Loan Losses | \$ 24,753 | \$ 24,079 | \$ 23,550 | \$ 23,434 | \$ 22,016 |
| Total Loans | 1,582,304 | 1,595,234 | 1,578,087 | 1,516,520 | 1,477,962 |
| Less: SBA-PPP loans | 137,178 | 202,763 | 265,712 | 201,018 | 233,349 |
| Total Portfolio Loans | \$ 1,445,126 | \$ 1,392,471 | \$ 1,312,375 | \$ 1,315,502 | \$ 1,244,613 |
| Allowance for Loan Losses to Total Portfolio Loans | 1.71 % | 1.73 % | 1.79 % | 1.78 % | 1.77 % |

| Nonperforming Assets to Total Assets, net SBA-PPP Loans | Quarters Ended | | | | |
|----------------------------------------------------------------|--------------------|---------------|----------------|-------------------|--------------------|
| | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 |
| Dollars in thousands | | | | | |
| Total Nonperforming Assets | \$ 16,801 | \$ 11,615 | \$ 12,112 | \$ 12,563 | \$ 14,806 |
| Total Assets | 2,169,556 | 2,151,850 | 2,091,851 | 1,876,593 | 1,879,029 |
| Less: SBA-PPP loans | 137,178 | 202,763 | 265,712 | 201,018 | 233,349 |
| Total Assets, net SBA-PPP Loans | \$ 2,032,378 | \$ 1,949,087 | \$ 1,826,139 | \$ 1,675,575 | \$ 1,645,680 |
| Nonperforming Assets to Total Assets, net SBA-PPP Loans | 0.83 % | 0.60 % | 0.66 % | 0.75 % | 0.90 % |

| Nonperforming Loans to Portfolio Loans | Quarters Ended | | | | |
|-----------------------------------------------------|--------------------|---------------|----------------|-------------------|--------------------|
| | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 |
| Dollars in thousands | | | | | |
| Total Nonperforming Loans | \$ 13,565 | \$ 8,378 | \$ 8,818 | \$ 9,237 | \$ 11,480 |
| Total Loans | 1,582,304 | 1,595,234 | 1,578,087 | 1,516,520 | 1,477,962 |
| Less: SBA-PPP loans | 137,178 | 202,763 | 265,712 | 201,018 | 233,349 |
| Total Portfolio Loans | \$ 1,445,126 | \$ 1,392,471 | \$ 1,312,375 | \$ 1,315,502 | \$ 1,244,613 |
| Nonperforming Loans to Total Portfolio Loans | 0.94 % | 0.60 % | 0.67 % | 0.70 % | 0.92 % |

| Net Charge-offs to Average Portfolio Loans | Quarters Ended | | | | |
|---------------------------------------------------|--------------------|---------------|----------------|-------------------|--------------------|
| | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 |
| Dollars in thousands | | | | | |
| Total Net Charge-offs | \$ 301 | \$ 640 | \$ 388 | \$ 615 | \$ 163 |
| Total Average Loans | 1,569,198 | 1,567,973 | 1,532,093 | 1,494,278 | 1,477,962 |
| Less: Average SBA-PPP loans | 162,217 | 250,040 | 232,371 | 227,617 | 233,349 |
| Total Average Portfolio Loans | \$ 1,406,981 | \$ 1,317,933 | \$ 1,299,722 | \$ 1,266,661 | \$ 1,244,613 |
| Net Charge-offs to Average Portfolio Loans | 0.08 % | 0.19 % | 0.12 % | 0.19 % | 0.05 % |

| Pre-tax, Pre-Provision Net Revenue ("PPNR") | Quarters Ended | | | | |
|----------------------------------------------------|--------------------|---------------|----------------|-------------------|--------------------|
| | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 |
| Dollars in thousands | | | | | |
| Net income | \$ 11,177 | \$ 9,648 | \$ 8,982 | \$ 9,689 | \$ 8,438 |
| Add: Income Tax Expense | 3,877 | 3,357 | 3,143 | 3,347 | 3,128 |
| Add: Provision for Loan Losses | 975 | 781 | 503 | 2,033 | 3,500 |
| Pre-tax, Pre-Provision Net Revenue ("PPNR") | \$ 16,029 | \$ 13,786 | \$ 12,628 | \$ 15,069 | \$ 15,066 |

ABOUT CAPITAL BANCORP, INC.

Capital Bancorp, Inc., Rockville, Maryland is a registered bank holding company incorporated under the laws of Maryland. The Company's wholly-owned subsidiary, Capital Bank, N.A., is the fifth largest bank headquartered in Maryland at September 30, 2021. Capital Bancorp has been providing financial services since 1999 and now operates bank branches in five locations in the greater Washington, D.C. and Baltimore, Maryland markets. Capital Bancorp had assets of approximately \$2.2 billion at September 30, 2021 and its common stock is traded in the NASDAQ Global Market under the symbol "CBNK." More information can be found at the Company's website www.CapitalBankMD.com under its investor relations page.

FORWARD-LOOKING STATEMENTS

This earnings release contains forward-looking statements. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. Any statements about our management's expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipate," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimate," "plans," "projects," "continuing," "ongoing," "expects," "optimistic," "intends" and similar words or phrases. Any or all of the forward-looking statements in this earnings release may turn out to be inaccurate. The inclusion of forward-looking information in this earnings release should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. Our actual results could differ materially from those anticipated in such forward-looking statements. Accordingly, we caution you that any such forward-looking statements are not a guarantee of future performance and that actual results may prove to be materially different from the results expressed or implied by the forward-looking statements due to a number of factors. For details on some of the factors that could affect these expectations, see risk factors and other cautionary language included in the Company's Annual Report on Form 10-K and other periodic and current reports filed with the Securities and Exchange Commission.

Further, given its ongoing and dynamic nature, it is difficult to predict the full impact of the COVID-19 outbreak on our business. The extent of such impact will depend on future developments, which are highly uncertain, including when the coronavirus can be controlled and abated and when and how the economy may be fully reopened. As a result of the COVID-19 pandemic and the related adverse local and national economic consequences, we are exposed to all of the following risks, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations: the demand for our products and services may decline, making it difficult to grow assets and income; if the economy is unable to substantially reopen as planned, and high levels of unemployment continue for an extended period of time, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income; collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase; our allowance for loan losses may increase if borrowers experience financial difficulties, which will adversely affect our net income; the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us; as the result of the decline in the Federal Reserve Board's target federal funds rate to near 0%, the yield on our assets may decline to a greater extent than the decline in our cost of interest-bearing liabilities, reducing our net interest margin and spread and reducing net income; our cyber security risks are increased as the result of an increase in the number of employees working remotely; and Federal Deposit Insurance Corporation premiums may increase if the agency experiences additional resolution costs.

These forward-looking statements are made as of the date of this communication, and the Company does not intend, and assumes no obligation, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events or circumstances, except as required by law.

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