Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Shannon Lockard
Name of the Holding Company Director and Official

President/CEO
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

3/13/19
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:
- [x] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

For Federal Reserve Bank Use Only

RSSD ID ______
C.I. ______

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2018
Month / Day / Year

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Capital Bancorp, Inc.
Legal Title of Holding Company

311 Broadway St
(Mailing Address of the Holding Company) Street / P.O. Box

Delhi	LA	71232
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Nancy Hill	Internal Auditor
Name	Title

318 878 2274
Area Code / Phone Number / Extension

318 878 9889
Area Code / FAX Number

nhill@comcapbank.com
E-mail Address

None
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? .... 0=No 1=Yes: 0

In accordance with the General Instructions for this report (check only one),
1. a letter justifying this request is being provided along with the report .... [ ]
2. a letter justifying this request has been provided separately ... [ ]

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

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City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Results: A list of branches for your holding company: CAPITAL BANCORP, INC. (2757111) of DELHI, LA.
The data are as of 12/31/2018. Data reflects information that was received and processed through 01/06/2019.

Reconciliation and Verification Steps

1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions

OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure

When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	2756730	COMMERCIAL CAPITAL BANK	311 BROADWAY	DELHI	LA	71232	RICHLAND	UNITED STATES	Not Required	Not Required	COMMERCIAL CAPITAL BANK	2756730	
OK		Full Service	4928072	BASTROP BRANCH	2126 EAST MADISON AVENUE	BASTROP	LA	71220	MOREHOUSE	UNITED STATES	Not Required	Not Required	COMMERCIAL CAPITAL BANK	2756730	
OK		Full Service	5091311	OAK GROVE BRANCH	702 EAST MAIN STREET	OAK GROVE	LA	71263	WEST CARROLL	UNITED STATES	Not Required	Not Required	COMMERCIAL CAPITAL BANK	2756730	

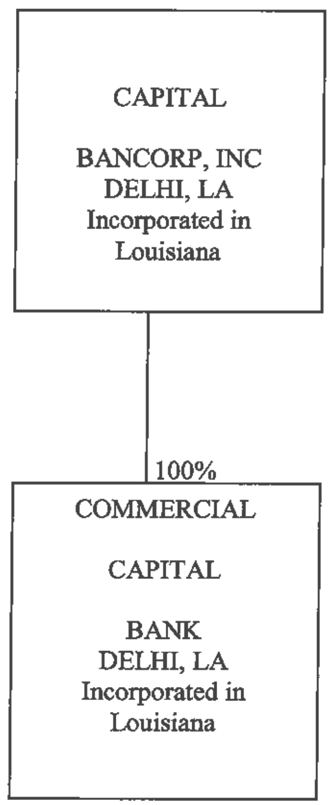
FORM FR Y-6

CAPITAL BANCORP, INC.
311 BROADWAY
DELHI, LA 71232
FISCAL YEAR ENDING DECEMBER 31, 2018

Report Item

1. The Bank Holding company prepares an annual report for its securities holders and is not registered with the SEC. As specified by the responsible Reserve Bank, two copies are enclosed.

2a. Organizational chart



2b: Domestic branch listing provided to the Federal Reserve Bank. Submitted 2/19/2019

No Entity has a LEI.

FORM FR Y-6
CAPITAL BANCORP INC.
FISCAL YEAR ENDING DECEMBER 31, 2018

Report Item 3 Shareholders
(1)(a)(b)(c) and (2)(a)(b)(c)

Current Shareholders with ownership, control or holdings of 5% or more power to vote as of 12-31-18

Name, address (City, State, Country)	County of Citizenship	Number and Percentage of each class of voting securities
Marilyn V. Loftin Delhi, LA	USA	66408 12.59%
Lawrence W. Pickett, Jr. Delhi, LA	USA	95,095 18.03%
Wilfred Bruce McEacharn Delhi, LA	USA	54,881 10.40%
Larry Gene Tubbs Bastrop, LA	USA	58887 11.16%
Jerry G Ezell Delhi, LA	USA	50,365 9.55%

Report Item 3 - (2) None

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Capital Bancorp Inc
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders
(1),(2),(3)(a)(b)(c), and (4)(a)(b)(c)

Name & Address (City, State, Country)	Principal Occupation	Title & Position with BHC	Title & Position with Subsidiaries	Title and Position with Other Business	Percentage of Voting Shares in BHC	Percentage of Voting Shares in Subsidiaries	Other companies if 25% or more of voting securities held
Lawrence W. Pickett, Jr.	CPA	Chairman	Chairman	President-Wil Mar Land Inc	18.03%	None	Wil Mar Land Inc. 51%
Delhi, La.		and Director	and Director	Director-PRM Inc			PRM Inc 50%
			Commercial Capital Bank	Director-Colonial Manor Nursing Home			Colonial Manor Nursing Home 51%
				Member-Macon Ridge Properties			Macon Ridge Properties LLC 51%
				Member-Goosehollow LLC			Goosehollow LLC 50%
				Owner-Pickett & Bradley Partnership			Pickett & Bradley Partnership 50%
				President-Bethesda Health Services			Bethesda Health Services 100%
				Member-Alpha Holdings LLC			Alpha Holdings LLC 100%
				Director-Fairytale Beginnings Inc			Fairytale Beginnings Inc 50%
				President-Deerfield Nursing & Rehab			Deerfield Nursing & Rehab LLC 50%
				Member-Macon Ridge Pharmco LLC			Macon Ridge Pharmco, LLC 50%
				Member-Delhi Office Building LLC			Delhi Office Building LLC 50%
				Member-LA Main Street Prop. LLC			LA Main Street Properties LLC 50%
				Member-Poverty Point Group LLC			Poverty Point Group LLC 50%
				Director- Lawrence W Pickett CPA			Lawrence W Pickett CPA 100%
				Member-ShadowRack Hunting Club LLC			ShadowRack Hunting Club LLC 331/3%
				Member-WAP Timber LLC			WAP Timber LLC 33 1/3%
				Member-Carnival Condo, LLC			Carnival Condo, LLC 99.8%
Jerry G. Ezell	Dentist	Secretary	Secretary	Partner-Delhi Dental Clinic	9.55%	None	Dehi Dental Clinic 50%
Delhi, La.		and Director	and Director	Member-Betty O Graves FLP			Betty O. Graves FLP 100%
			Commercial Capital Bank	Member-Jerry G Ezell LLC			Jerry G Ezell LLC 50%
				Member-Black Bear LLC			Black Bear LLC 25%
Joe David Jones	Insurance Agent	Director	Director	President-Delhi Insurance Corp	1.78%	None	Delhi Insurance Corporation100%
Lake Charles, LA			Commercial Capital Bank				
Marilyn V Loftin	Farming	Director	Director	Member-Black & Loftin	12.59%	None	Black & Loftin 50%
Delhi, LA			Commercial Capital Bank	Member-Stump Bayou LLC			Stump Bayou LLC 50%
				Director-Bear Hole Inc			Bear Hole Inc 30%
				Member-Marbill LLC			Marbill LLC 50%
				Member-Gray Buck LLC			Gray Buck LLC 50%
Wilfred Bruce McEacharn	Pharmacist	Director	Director	Partner-McEacharn Bldgs	10.40%	None	McEacharn Bldgs 25%
Delhi, La.			Commercial Capital Bank	Member-Black Bear LLC			Black Bear 25%
				Owner-Bruce McEacharn Tree Farm			Bruce McEacharn Tree Farm 100%
				Owner-Bruce McEacharn Farms			Bruce McEacharn Farms 100%
				Partner-Hidden Cove Apartments			Hidden Cove Apartments 50%
				Partner-Oxford, MS Duplex's			Oxford,MS Duplex's 50%

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Capital Bancorp Inc
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders
(1),(2),(3)(a)(b)(c), and (4)(a)(b)(c)

Name & Address (City, State, Country)	Principal Occupation	Title & Position with BHC	Title & Position with Subsidiaries	Title and Position with Other Business	Percentage of Voting Shares in BHC	Percentage of Voting Shares in Subsidiaries	Other companies if 25% or more of voting securities held
Larry G. Tubbs Bastrop, LA	Farmer	Director	Director Commercial Capital Bank	N/A	11.16%	None	N/A
Shannon Lockard Winnsboro, La	Banker	Director President	Director President/CEO Commercial Capital Bank	Member-Bo-Shan Investments LLC Partner-Deere Creek Place Member-SWL Investments, LLC	2.69%	None	Bo-Shan Investments LLC 50% Deere Creek Place 100% SWL Investments, LLC 50%

CAPITAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

WITH
INDEPENDENT AUDITOR'S REPORT

SILAS SIMMONS LLP

CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

CAPITAL BANCORP, INC. AND SUBSIDIARY

TABLE OF CONTENTS

SILAS SIMMONS LLP
CERTIFIED PUBLIC ACCOUNTANTS and ADVISORS

209 N. Commerce Street
P.O. Box 1027
Natchez, Mississippi 39121-1027
Telephone 601.442.7411
Fax: 601.442.8551
www.silassimmons.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Capital Bancorp, Inc. and Subsidiary
Delhi, Louisiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Capital Bancorp, Inc. and its Subsidiary (a Louisiana corporation), which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Capital Bancorp, Inc. and its Subsidiary as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Capital Bancorp, Inc. and Subsidiary as of December 31, 2017, were audited by other auditors whose reports, dated February 26, 2018, expressed an unmodified opinion on those statements.

Silas Simmons, LLP

Natchez, Mississippi
March 11, 2019

CONSOLIDATED FINANCIAL STATEMENTS

CAPITAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

Assets		2018		2017
Cash and due from banks	$	2,806,824	$	2,378,396
Interest-bearing deposits		14,500,000		1,508,980
Federal funds sold		500,000		500,000
Total cash and cash equivalents	$	17,806,824	$	4,387,376
Investment securities held-to-maturity	$	7,003,003	$	7,009,172
Restricted stock		1,341,400		1,296,700
Loans, net of allowance for loan losses		112,667,664		122,452,951
Premises and equipment, net		4,117,756		4,059,058
Bank-owned life insurance		489,600		469,264
Accrued interest receivable		1,917,461		1,721,892
Other real estate owned		17,281		-
Other assets		162,669		139,800
Total assets	$	145,523,658	$	141,536,213
Liabilities and Stockholders' Equity				
Liabilities				
Deposits				
Noninterest-bearing deposits	$	17,829,446	$	18,933,100
Interest-bearing deposits		104,855,397		96,801,389
Total deposits	$	122,684,843	$	115,734,489
Due to banks	$	1,500,000	$	1,005,077
Other borrowed funds		-		8,000,000
Accrued interest payable		172,543		137,350
Accrued expenses		88,139		48,325
Total liabilities	$	124,445,525	$	124,925,241
Stockholders' equity				
Common stock - 10,000,000 shares authorized, 527,569 shares and 475,695 shares issued, 527,569 and 475,695 shares outstanding, 2018 and 2017, respectively	$	13,587,619	$	10,664,429
Undivided profits		7,490,514		5,946,543
Total stockholders' equity	$	21,078,133	$	16,610,972
Total liabilities and stockholders' equity	$	145,523,658	$	141,536,213

The accompanying notes are an integral part of these consolidated financial statements.

CAPITAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2018 AND 2017

		2018		2017
Interest Income				
Interest on fees on loans	$	8,745,544	$	7,633,531
Interest on federal funds sold		11,088		4,913
Interest on interest-bearing deposits		271,327		63,637
Interest on investment securities		126,185		120,665
Total interest income	$	9,154,144	$	7,822,746
Interest Expense				
Interest expense on deposits	$	1,414,674	$	969,046
Interest - other		337,367		133,767
Total interest expense	$	1,752,041	$	1,102,813
Net Interest Income				
Net interest income	$	7,402,103	$	6,719,933
Provision for credit losses		(750,226)		(1,164,145)
Net Interest Income After Provision for Credit Losses	$	6,651,877	$	5,555,788
Other Income				
Sevice charges	$	638,021	$	601,217
Grants		1,363,795		884,208
Commissions and fees		242,537		217,140
Gain (loss) on foreclosed assets		(60)		(5,436)
Other income		90,596		60,523
Total other income	$	2,334,889	$	1,757,652
Other Expenses				
Salaries and employee benefits	$	2,565,224	$	2,202,625
Occupancy expense		582,368		466,803
Other operating expense		1,604,599		1,512,171
Total other expenses	$	4,752,191	$	4,181,599
Net Income	$	4,234,575	$	3,131,841
Income Per Common Share Outstanding	$	8.40	$	7.62
Weighted Average Outstanding		504,069		411,146

The accompanying notes are an integral part of these consolidated financial statements.

CAPITAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2018 AND 2017

	Shares		Common Stock		Undivided Profits		Total
Balance at January 1, 2017	340,467	$	5,931,448	$	5,050,468	$	10,981,916
Net income	-		-		3,131,841		3,131,841
Cash distributions	-		-		(2,235,766)		(2,235,766)
Sale of stock	135,228		4,732,981		-		4,732,981
Balance at December 31, 2017	475,695	$	10,664,429	$	5,946,543	$	16,610,972
Net income	-		-		4,234,575		4,234,575
Cash distributions	-		-		(2,690,604)		(2,690,604)
Sale of stock	51,874		2,923,190		-		2,923,190
Balance at December 31, 2018	527,569	$	13,587,619	$	7,490,514	$	21,078,133

The accompanying notes are an integral part of these consolidated financial statements.

CAPITAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Operating Activities		
Net income	$ 4,234,575	$ 3,131,841
Adjustments to reconcile net income to net cash provided by operating activities:		
Noncash donation	-	100,000
Provision for credit losses	750,226	1,140,000
Provision for depreciation	214,997	172,977
Loss on foreclosed assets	60	2,714
Increase cash value life insurance	(20,336)	(32,313)
(Accretion) amortization of investment securities discount	6,169	7,333
Increase in accrued interest receivable	(195,569)	(623,375)
Increase in other assets	(22,869)	(45,526)
Increase in accrued interest payable	35,193	98,866
Increase in accrued expenses	39,814	1,829
Net cash provided by operating activities	$ 5,042,260	$ 3,954,346
Cash flows from investing activities		
Net (increase) decrease in loans	$ 9,076,770	$ (44,508,993)
Purchase of premises and equipment	(282,345)	(831,903)
Purchase other restricted equity investments	(95,100)	(296,000)
Net cash provided by (used for) investing activities	$ 8,699,325	$ (45,636,896)
Cash flows from financing activities		
Net increase in deposits	$ 6,950,354	$ 29,136,687
Increase (decrease) other borrowed funds	(8,000,000)	8,000,000
Increase (decrease) due to banks	494,923	1,005,077
Distribution to shareholders	(2,690,604)	(2,235,766)
Sale of stock	2,923,190	4,732,981
Net cash provided by (used for) financing activities	$ (322,137)	$ 40,638,979
Increase (decrease) in cash and cash equivalents	$ 13,419,448	$ (1,043,571)
Cash and cash equivalents at beginning of year	4,387,376	5,430,947
Cash and cash equivalents at end of year	$ 17,806,824	$ 4,387,376
Supplementary cash flow information		
Interest paid	$ 1,716,848	$ 1,004,165
Income taxes paid	$ -	$ 5,873

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Capital Bancorp, Inc. and its wholly-owned subsidiary, Commercial Capital Bank, conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The following is a description of the more significant policies used in the preparation of the accompanying financial statements.

Nature of Operations

Capital Bancorp, Inc. (the Company) is a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, Commercial Capital Bank (the Bank). The Company is subject to regulation of the Office of Financial Institutions of the State of Louisiana and by the Federal Reserve Bank of Dallas. As a state bank, the Bank is subject to regulation of the Office of Financial Institutions of the State of Louisiana and by the Federal Deposit Insurance Corporation. The area served by Commercial Capital Bank is Richland Parish and the surrounding parishes. The Bank provides full banking services to these areas. The Bank opened a loan production office in Hamburg, Arkansas.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and the Bank. In consolidation, all significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Bank's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Presentation of Cash Flows
For the purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks (including cash items in process of clearing), interest-bearing deposits in other banks with an original maturity of 90 days or less, and federal funds sold. Generally, federal funds are sold for on-day periods.

Investment Securities
Securities classified as held-to-maturity are those debt securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are carried at cost, adjusted for amortization of premium and accretion of discount, computed using the interest method, over their contractual lives.

Securities classified as available-for-sale are equity securities with readily determinable fair values and those debt securities that the bank intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. These securities are carried at estimated fair value based on information provided by a third-party pricing service with any unrealized gains or losses excluded from net income and reported in accumulated other comprehensive income, which is reported as a separate component of stockholders' equity. Gains and losses on sales of securities are determined on the specific-identification method.

Gains and losses realized on sales of investment securities, determined using the adjusted cost basis of the specific securities sold, are included in noninterest income in the consolidated statements of income. Additionally, declines in the estimated fair value of individual investment securities below their cost that are other-than-temporary are reflected as realized losses in the statements of income. Factors affecting the determination of whether an other-than-temporary impairment has occurred include a downgrading of the security by a rating agency, a significant deterioration in the financial condition of the issuer, or that management would not have the intent and ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value.

Dividend and interest income, including amortization of premium and accretion of discount arising at acquisition, from all categories of investment securities are included in interest income in the consolidated statements of income.

Restricted stock is stock from Federal Home Loan Bank (FHLB), First National Bankers Bankshares, and Financial Institution Service Corporation, which are restricted as to their marketability. Because no ready market exists for these investments and they have no quoted market value, the Bank's investment in these stocks is carried at cost.

Loans
The Bank grants real estate, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by real estate loans in the Bank's market area. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans (continued)
Loans are stated at the amount of unpaid principal balances, less the allowance for loan losses. Interest on loans is accrued based on the principal amount outstanding.

The accrual of interest on loans is discontinued when, in the opinion of management, there is an indication that the borrower may be unable to meet payments as they become due. Upon such discontinuance, all unpaid accrued interest is reversed. Loans are placed on nonaccrual or charged off when collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

For loan participations that are structured in accordance with issued guidance on sales of financial assets, which includes participating interest on loans, the sold portions are recorded as a reduction of the loan portfolio. Loan participations that do not meet the criteria are accounted for as secured borrowings.

Allowance for Loan Losses
The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as doubtful, substandard, or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows or collateral value of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent.

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Troubled Debt Restructurings

In situations where, for economic or legal reasons related to a borrower's financial difficulties, the Bank grants a concession for other than an insignificant period of time to the borrower that the Bank would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). The Bank strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance, and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where the Bank grants the borrower new terms that provide for a reduction of either interest or principal, the Bank measures any impairment on the restructuring as previously noted for impaired loans.

Loan Origination Fees and Costs

Loan origination fees and certain direct organization costs are recorded to income in the period in which received. These fees are not material to the consolidated financial statements.

Bank-Owned Life Insurance

The Bank purchased single-premium life insurance on certain employees of the Bank. Appreciation in value of the insurance policies is classified as noninterest income. These insurance policies can be surrendered subject to certain surrender penalties applied by the insurance carriers, as well as potential income taxes to be paid.

Bank Premises and Equipment

Land is carried at cost. Other premises and equipment are carried at cost net of accumulated depreciation. Depreciation is computed using the straight-line method, based principally on the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Foreclosed Assets

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at the lower of the Bank's carrying amount or fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, these assets are carried at the lower of their new cost basis or fair value less cost to sell.

Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. The portion of interest cost relating to development of real estate is capitalized. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

Income Taxes

The Company's stockholders have elected to have the Company's income taxed as an S Corporation under provisions of the Internal Revenue Code and a similar section of the Louisiana income tax law. Therefore, taxable income or loss is reported to the individual stockholders for inclusion in their respective tax returns, and no provision for federal and state income taxes is included in these statements. The Company remains subject to income tax examinations by tax authorities for years ending after December 31, 2014.

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)
The Company does not have uncertain tax positions that are deemed material and did not recognize any adjustments for unrecognized tax benefits. The Company's policy is to recognize interest and penalties on income taxes in other noninterest expense.

Compensated Absences
Employees of the Bank are entitled to paid vacation, depending on length of service. Vacation is granted on an annual basis to eligible employees. Unused vacation days expire on December 31 of each year. The estimated amount of compensation for future absences is deemed immaterial to the consolidated financial statements and, accordingly, no liability has been recorded in the accompanying financial statements. The Bank's policy is to recognize the cost of compensated absences when actually paid to employees.

Earnings Per Share
Earnings per share are calculated on the basis of the weighted average number of common shares outstanding during the period.

Reclassifications
Certain reclassifications have been made to the 2017 financial statements presentation to correspond to the current year's format. Total shareholders' equity and net income are unchanged due to these reclassifications.

Segment Reporting
FASB ASC 280, *Segment Reporting*, encourages nonpublic entities to report selected information about operating segments in its financial reports issued to shareholders. Based on the analysis performed by the Company, management has determined that the Company only has one operating segment, which is commercial banking. Management uses consolidated results to make operating and strategic decisions, and therefore, is not required to disclose any additional segment information.

Subsequent Events
The Company has evaluated the accompanying consolidated financial statements for subsequent events and transactions through March 11, 2019, the date these financial statements were available for issue, based on FASB ASC 855, *Subsequent Events*, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying consolidated financial statements or require additional disclosure.

Off-Balance Sheet Financial Instruments
In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters-of-credit, and standby letters-of-credit. Such financial instruments are recorded in the financial statements when they become payable.

Treasury Stock
On January 1, 2015, the Louisiana Business Corporation Act (the Act) became effective. Under the provisions of the Act, there is no concept of "Treasury Shares." Rather, shares purchased by the Company constitute authorized but unissued shares. Under ASC 505-30, *Treasury Stock*, accounting for treasury stock shall conform to state law.

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 2 – INVESTMENTS SECURITIES

The carrying amounts of investment securities, as shown in the consolidated balance sheets, and their approximate market values at December 31, were as follows:

December 31, 2018

Securities held-to-maturity	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Approximate Market Value
U.S. government agencies	$ 6,744,979	$ -	$ 228,422	$ 6,516,557
State and municipalities	258,024	-	2,959	255,065
	$ 7,003,003	$ -	$ 231,381	$ 6,771,622

December 31, 2017

Securities held-to-maturity	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Approximate Market Value
U.S. government agencies	$ 6,744,108	$ -	$ 195,343	$ 6,548,765
State and municipalities	265,064	-	3,246	261,818
	$ 7,009,172	$ -	$ 198,589	$ 6,810,583

Information pertaining to securities with gross unrealized losses at December 31, 2018 and 2017, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	December 31, 2018					
	Less Than 12 Months		12 Months or Greater		Total	
Securities held-to-maturity	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. government agencies	$ -	$ -	$ 6,516,557	$ 228,422	$ 6,516,557	$ 228,422
State and municipalities	-	-	255,065	2,959	255,065	2,959
Total	$ -	$ -	$ 6,771,622	$ 231,381	$ 6,771,622	$ 231,381

	December 31, 2017					
	Less Than 12 Months		12 Months or Greater		Total	
Securities held-to-maturity	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. government agencies	$ -	$ -	$ 6,548,765	$ 195,343	$ 6,548,765	$ 195,343
State and municipalities	-	-	261,818	3,246	261,818	3,246
Total	$ -	$ -	$ 6,810,583	$ 198,589	$ 6,810,583	$ 198,589

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 2 – INVESTMENT SECURITIES (continued)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2018, the thirteen debt securities with unrealized losses had depreciated 3.39% from the Bank's amortized cost basis. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, no declines are deemed to be other-than-temporary.

An analysis of the investment portfolio by maturities as of December 31, is as follows:

	2018		2017	
	Amortized Cost	Approximate Market Value	Amortized Cost	Approximate Market Value
Securities held-to-maturity				
Due within one year	$ -	$ -	$ -	$ -
Due from one to five years	2,007,537	1,977,144	1,514,063	1,482,822
Due from five to ten years	2,498,753	2,423,908	1,499,584	1,457,359
Due over ten years	2,496,713	2,370,570	3,995,525	3,870,402
	$ 7,003,003	$ 6,771,622	$ 7,009,172	$ 6,810,583

Investment securities with an amortized cost of $6,119,979 and approximate market value of $5,899,026 at December 31, 2018, were pledged to secure various repurchase transactions, public funds on deposit, and for other purposes as required or permitted by law.

	At Cost	
	2018	2017
Restricted Equity Investments		
First National Bankers Bank	$ 274,800	$ 325,200
Federal Home Loan Bank	1,056,600	961,500
Financial Institutions Service Center	10,000	10,000
	$ 1,341,400	$ 1,296,700

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 3 – LOANS AND ALLOWANCES FOR LOAN LOSSES

Major classifications of loans at December 31, are as follows:

	2018	2017
Loans secured by real estate		
Secured by residential properties	$ 30,107,555	$ 27,708,174
Construction and land development	10,952,908	11,708,043
Secured by farmland	17,867,085	16,847,822
Secured by nonfarm, nonresidential properties	12,326,117	15,355,323
Consumer loans	3,540,360	2,895,896
Agricultural production	28,272,360	24,494,636
Commercial and other	11,098,001	24,544,338
	$ 114,164,386	$ 123,554,232
Allowance for loan losses	(1,496,722)	(1,101,281)
Net loans	$ 112,667,664	$ 122,452,951

An analysis of the change in the allowance for loan losses at December 31, is as follows:

	2018	2017
Balance, beginning of year	$ 1,101,281	$ 773,378
Addition to allowance	750,226	1,140,000
Recoveries	830	205
Available totals	$ 1,852,337	$ 1,913,583
Loans charged off	(355,615)	(812,302)
Balance, end of year	$ 1,496,722	$ 1,101,281

The amount of deposit account overdrafts reclassified as loans amounted to $113,983 and $138,111 at December 31, 2018 and 2017, respectively.

NOTE 3 – LOANS AND ALLOWANCES FOR LOAN LOSSES (continued)

The following is an analysis of the allowance for loan losses by class of loans for the year ended December 31, 2018 (in thousands):

	Construction and Land Development	Farmland	Residential	Nonfarm Non-residential	Agriculture Production	Loans to Individuals	Commercial and Other	Total
Allowance for loan losses:								
Beginning Balance	$ -	$ -	$ -	$ -	$ 44	$ 2	$ 1,055	$ 1,101
Provisions for loan losses	148	148	367	148	231	200	(491)	751
Charge-offs	-	-	(200)	-	-	(51)	(105)	(356)
Recoveries	-	-	-	-	-	-	1	1
Ending Balance	$ 148	$ 148	$ 167	$ 148	$ 275	$ 151	$ 460	$ 1,497
Individually evaluated for impairment	-	-	-	-	(85)	-	-	(85)
Collectively evaluated for impairment	$ 148	$ 148	$ 167	$ 148	$ 190	$ 151	$ 460	$ 1,412
Loans:								
Ending Balance	$ 10,953	$ 17,867	$ 30,108	$ 12,326	$ 28,272	$ 3,540	$ 11,098	$ 114,164
Individually evaluated for impairment	-	-	-	1,567	632	-	-	2,199
Collectively evaluated for impairment	$ 10,953	$ 17,867	$ 30,108	$ 10,759	$ 27,640	$ 3,540	$ 11,098	$ 111,965

NOTE 3 – LOANS AND ALLOWANCES FOR LOAN LOSSES (continued)

The following is an analysis of the allowance for loan losses by class of loans for the year ended December 31, 2017 (in thousands).

	Construction and Land Development	Farmland	Residential	Nonfarm Non-residential	Agriculture Production	Loans to Individuals	Commercial and Other	Total
Allowance for loan losses:								
Beginning Balance	$ -	$ -	$ -	$ -	$ 380	$ 3	$ 390	$ 773
Provisions for loan losses	-	-	-	-	(336)	26	1,450	1,140
Charge-offs	-	-	-	-	-	(27)	(785)	(812)
Recoveries	-	-	-	-	-	-	-	-
Ending Balance	$ -	$ -	$ -	$ -	$ 44	$ 2	$ 1,055	$ 1,101
Individually evaluated for impairment	-	-	-	-	-	-	-	-
Collectively evaluated for impairment	$ -	$ -	$ -	$ -	$ 44	$ 2	$ 1,055	$ 1,101
Loans:								
Ending Balance	$ 11,708	$ 16,848	$ 27,708	$ 15,355	$ 24,495	$ 2,896	$ 24,544	$ 123,554
Individually evaluated for impairment	-	-	-	-	632	-	-	632
Collectively evaluated for impairment	$ 11,708	$ 16,848	$ 27,708	$ 15,355	$ 23,863	$ 2,896	$ 24,544	$ 122,922

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (continued)

Credit Quality Indicators

Loans are categorized into risk categories based on relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The following definitions are utilized for risk rating, which are consistent with the definitions used for supervisory guidance.

Excellent – Loans fully secured by deposit accounts or the guaranteed portion of government loans.

Good – Loans that are well secured with unquestionable ability to cash flow the indebtedness. Also includes one- to four- family residential loans that meet loan policy criteria.

Satisfactory – Loans made within loan policy limits, unless certain criteria exist that require for a higher or lower rating.

Watch List – Loans are generally adequately secured, because of their nature require a higher classification. Income stream of borrower may be seasonal or weather dependent.

Substandard – Loans that need to be monitored on a regular basis. There is some indication that the borrower's condition is weakened, by various conditions, that could impair the cash flow and ability to repay.

Doubtful – Loans have a specific identifiable weakness in collateral values and/or financial weakness of the borrower to repay. Payments are slow and/or less than the required payment amount. Loans have been renewed with no significant reduction in principal amounts and/or have capitalized interest.

Loss – Significant deterioration in collateral value and/or sources of income. Each loan is reviewed on an individual basis and a specific reserve is assigned.

As of December 31, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows: (in thousands)

	2018	2017
Excellent	$ 9,892	$ 8,194
Good	2,069	2,865
Satisfactory	100,529	110,681
Watch List	1,527	240
Substandard	147	1,574
Doubtful	-	-
Loss	-	-
	$ 114,164	$ 123,554

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (continued)

Credit Quality Indicators (continued)

A summary of current, past due, and nonaccrual loans as of December 31, 2018, is as follows:

	Past Due 30-89 Days	Past Due Over 90 Days Accruing	Past Due Over 90 Days Nonaccruing	Total Past Due	Current or Less Than 30 Days Past Due	Total Loans
Real Estate Loans						
Residential	$ 118,921	$ 161,369	$ -	$ 280,290	$ 29,827,265	$ 30,107,555
Construction and land development	-	-	-	-	10,952,908	10,952,908
Farmland	251,674	200,833	-	452,507	17,414,578	17,867,085
Nonfarm nonresidential real estate	70,535	536,681	-	607,216	11,718,901	12,326,117
Consumer	258,904	97,451	-	356,355	3,184,005	3,540,360
Agricultural	331,676	1,764,774	-	2,096,450	26,175,910	28,272,360
Commercial and other	640,772	150,242	-	791,014	10,306,987	11,098,001
Total loans	$ 1,672,482	$ 2,911,350	$ -	$4,583,832	$109,580,554	$114,164,386

A summary of current, past due, and nonaccrual loans as of December 31, 2017, is as follows:

	Past Due 30-89 Days	Past Due Over 90 Days Accruing	Past Due Over 90 Days Nonaccruing	Total Past Due	Current or Less Than 30 Days Past Due	Total Loans
Real Estate Loans						
Residential	$ 386,891	$ 61,051	$ 231,424	$ 679,366	$ 27,028,808	$ 27,708,174
Construction and land development	-	-	-	-	-	-
Farmland	-	-	-	-	16,847,822	16,847,822
Nonfarm nonresidential real estate	1,510,803	-	-	1,510,803	25,552,563	27,063,366
Consumer	161,877	77,307	-	239,184	2,656,712	2,895,896
Agricultural	36,197	138,017	394,546	568,760	23,925,876	24,494,636
Commercial and other	194,948	26,791	-	221,739	24,322,599	24,544,338
Total loans	$ 2,290,716	$ 303,166	$ 625,970	$3,219,852	$120,334,380	$123,554,232

The following table summarizes information relative to loan modifications determined to be troubled debt restructurings. As of December 31, 2018, all the troubled debt restructurings are included in watch loans.

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (continued)

Credit Quality Indicators (continued)

Troubled Debt Restructurings	December 31, 2018		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Nonfarm nonresidential real estate	3	$ 1,504,258	$ 1,504,258
Total real estate loans	3	$ 1,504,258	$ 1,504,258
Total loans	3	$ 1,504,258	$ 1,504,258

There were no loans as of December 31, 2017, that had been modified as troubled debt restructurings.

There were no loans as of December 31, 2018, that had been modified as troubled debt restructurings during 2018 and then subsequently re-defaulted in 2018.

At December 31, 2018, there are no commitments to lend additional funds to any borrower whose loan terms have been modified in a troubled debt restructuring.

NOTE 4 – BANK PREMISES AND EQUIPMENT

A summary of bank premises and equipment and related accumulated depreciation at December 31, is as follows.

	2018	2017
Land	$ 515,290	$ 515,290
Buildings	3,446,547	2,678,366
Furniture, fixtures, and equipment	1,034,269	908,951
Vehicles	46,011	44,415
Construction in progress	-	650,269
Total cost	$ 5,042,117	$ 4,797,291
Less accumulated depreciation	(924,361)	(738,233)
Net bank premises and equipment	$ 4,117,756	$ 4,059,058
Depreciation expenses for years ended December 31	$ 214,997	$ 172,977

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 5 – TIME DEPOSITS

The following is a summary of categories of deposits at December 31, 2018 and 2017:

	December 31,	
	2018	2017
Noninterest-bearing deposits	$ 17,829,446	$ 18,933,100
NOW, savings, and money market accounts	$ 36,000,563	$ 28,033,306
Certificates of deposit of $250,000, or more	27,769,400	17,055,665
Other certificates of deposit	41,085,434	51,712,418
Total interest-bearing deposits	$ 104,855,397	$ 96,801,389
Total deposits	$ 122,684,843	$ 115,734,489

At December 31, 2018, the scheduled maturities of time deposits were as follows:

	2018
2019	$ 40,693,757
2020	19,790,882
2021	5,087,736
2022	3,136,100
2023	146,359
	$ 68,854,834

Certificates of deposit and other time deposits in denominations that meet or exceed the FDIC insurance limit of $250,000 or more totaled $27,769,400 at December 31, 2018, and are included in interest-bearing deposits in the consolidated balance sheet.

The Bank held related-party deposits of approximately $2,104,710 at December 31, 2018.

NOTE 6 – OTHER BORROWED FUNDS

The Bank contracts to borrow funds from Federal Home Loan Bank of Dallas (FHLB), whereby the Bank can borrow funds for fixed rates and terms, pledging loans made for residential and other real estate loans. The collateral for all loans from FHLB includes pledges by the Bank of a security interest in first mortgage collateral of real estate loans, capital stock of FHLB, and deposits at FHLB up to the collateral maintenance requirement which can be determined by FHLB from time to time. The balances outstanding on this line of credit amounted to $0 and $8,000,000, for the years ended December 31, 2018 and 2017, respectively. The loans mature within the next twelve months.

The Bank also contracts to borrow funds from Zion Bank, whereby the Bank can borrow funds for fixed rates and terms, pledging loans made for residential and other real estate loans. The collateral for all loans from Zion Bank includes pledges by the Bank of a security interest in first mortgage collateral of real estate loans, capital stock of Zion Bank, and deposits at Zion Bank up to the collateral maintenance requirement which can be determined by Zion Bank from time to time. The balances outstanding on this line of credit amounted to $1,500,000 and $0, for the years ended December 31, 2018 and 2017, respectively. The loans mature within the next twelve months.

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 7 – COMMITMENTS AND CONTINGENT LIABILITIES

The Bank is party to several lawsuits and claims, which it is rigorously defending. While the results of litigation cannot be predicted with certainty, management believes, based on advice of the Bank's legal counsel, the final outcome of such litigation will not have a material adverse effect on the Bank's financial condition.

In the normal course of business, there are outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters-of-credit, which are not included in the accompanying financial statements. Management does not expect any loss as a result of these transactions. There were $472,972 letters-of-credit outstanding at December 31, 2018, and $480,522 at December 31, 2017. The Bank had unfunded loan commitments of $13,903,000 at December 31, 2018, and $18,627,000 at December 31, 2017.

The Bank maintains average reserve balances consisting of cash and bank accounts.

NOTE 8 – RELATED-PARTY TRANSACTIONS

At December 31, 2018 and 2017, certain officers and directors and their companies, in which they have ten percent or more beneficial ownership, were indebted to the Bank in the aggregate amount of $259,385 and $708,593, respectively.

An analysis of changes in these loans follows:

	2018	2017
Balance, beginning of year	$ 708,593	$ 348,980
New loans	-	848,640
Repayments	(449,208)	(489,027)
Balance, end of year	$ 259,385	$ 708,593

Financial Institutions Service Center (FISC) provides various computer services and equipment to the Bank. For the years ended December 31, 2018 and 2017, the amounts paid for these services amounted to approximately $172,751 and $153,002, respectively. The Bank owns an equity interest in FISC.

NOTE 9 – CONCENTRATION OF CREDIT RISK

In the ordinary course of business, the Bank's loans, commitments, and letters-of-credit have been granted to customers in the Bank's market area. Such customers are also depositors of the Bank. The concentrations of credit by type of loan are set forth in Note 3. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

The Bank had two certificates of deposit as of December 31, 2018, that amounted to $14,000,000, issued to one customer.

The Bank maintains cash on deposit and accounts due from depository institutions, during the normal course of business, which exceeds the amounts that would normally be insured.

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 10 – REGULATORY MATTERS

The Bank, as a state bank, is subject to dividend restrictions set forth by the Office of Financial Institutions of the State of Louisiana. The Bank may not, without prior approval of the Office of Financial Institutions, declare dividends in excess of the sum of the current year earnings (as defined) plus the retained earnings (as defined) from the prior year. The Bank declared and paid a dividend for 2018 to the holding company in the amount of $2,690,604.

The Company and its subsidiary bank are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct and material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measure of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and its subsidiary bank to maintain minimum amounts and ratios (set forth in the following table) of total capital (as defined in the regulations) to risk-weighted assets (as defined), and tangible and core capital (as defined) to tangible assets (as defined). Management believes that as of December 31, 2018, the Company and its subsidiary bank meet all capital adequacy requirements to which it is subject.

As of December 31, 2018, the most recent notification from regulatory agencies, the Bank was categorized as well-capitalized under the regulatory framework for prompt corrective action. To remain categorized as well-capitalized, the Bank will have to maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's prompt corrective action category.

The Bank's actual and required capital amounts and ratios as of December 31, 2018 and 2017, were as follows:

	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2018						
Total Risk-Based Capital (to risk-weighted assets)	$ 21,038,000	19.57%	$ 8,597,000	8.00%	$ 10,746,000	10.00%
Tier 1 Capital (to risk-weighted assets)	$ 19,693,000	18.33%	$ 6,447,000	6.00%	$ 8,597,000	8.00%
Tier 1 Capital (to average assets)	$ 19,693,000	11.67%	$ 6,749,000	4.00%	$ 8,436,000	5.00%
Common Equity Tier 1 Capital (to risk-weighted assets)	$ 19,693,000	18.33%	$ 4,836,000	4.50%	$ 6,985,000	6.50%

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 10 – REGULATORY MATTERS (continued)

	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
December 31, 2017	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Risk-Based Capital (to risk-weighted assets)	$ 17,712,000	13.94%	$ 10,166,000	8.00%	$ 12,708,000	10.00%
Tier 1 Capital (to risk-weighted assets)	$ 16,611,000	13.07%	$ 7,625,000	6.00%	$ 7,625,000	6.00%
Tier 1 Capital (to average assets)	$ 16,611,000	10.69%	$ 6,216,000	4.00%	$ 7,770,000	5.00%
Common Equity Tier 1 Capital (to risk-weighted assets)	$ 16,611,000	13.07%	$ 5,719,000	4.50%	$ 5,719,000	4.50%

NOTE 11 – EARNINGS PER SHARE

Earnings per share were calculated using the weighted average number of shares outstanding as of December 31, 2018 and 2017.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events were evaluated through March 11, 2019, which is a date other than the financial statements issue date.

Subsequent to the end of the year and before the financial statements issuance date, the Bank has been under examination by the Office of Financial Institutions of the State of Louisiana. The results of the examination was not made available prior to the issuance of these financial statements.

NOTE 13 – PENSION PLAN

The Bank made matching contributions to its Plan of $44,473 and $41,867 for the years ended December 31, 2018 and 2017, respectively.

NOTE 14 – EQUITY INCENTIVE PLAN

The Company approved an Equity Incentive Plan for employees and directors of the Company where 175,000 shares can be exercised at the price of $35.00 per share. The Plan expires 10 years after the grant date.

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 15 - ACCUMULATED ADJUSTMENTS ACCOUNT (AAA)

The Company's Accumulated Adjustments Account (AAA) is as follows:

	December 31,			
	2018		2017	
Balance - beginning of year	$	5,673,817	$	4,507,677
Ordinary income for year		4,502,524		3,515,617
Other additions		14,684		15,493
Other reductions		(39,534)		(129,203)
Balance - before distributions	$	10,151,491	$	7,909,584
Distributions		(2,690,602)		(2,235,767)
Balance - end of year	$	7,460,889	$	5,673,817

The AAA is the first tier used to determine the tax treatment of distributions when the Company has prior accumulated earnings and profits. The AAA is used to track the undistributed net income that has been subject to tax at the shareholder level. The AAA balance generally can be distributed to the shareholder without causing additional shareholder-level tax. However, if AAA exceeds stock basis, the tax-free amount is limited to the shareholders' basis. Distributions that exceed basis, up to the amount in the AAA, are capital gain from the deemed disposition of stock.

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 16 – SUMMARIZED FINANCIAL INFORMATION OF PARENT COMPANY ONLY

CAPITAL BANCORP, INC.
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
Assets		
Cash and due from banks	$ 1,385,229	$ 1,023
Interest bearing deposits	1,254	1,248
Investment in subsidiary	19,691,650	16,608,701
Total assets	$ 21,078,133	$ 16,610,972
Liabilities and stockholders' equity		
Liabilities	$ -	$ -
Stockholders' equity	$ 21,078,133	$ 16,610,972
Total liabilities and stockholders' equity	$ 21,078,133	$ 16,610,972

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 16 – SUMMARIZED FINANCIAL INFORMATION OF PARENT COMPANY ONLY (continued)

CAPITAL BANCORP, INC.
STATEMENTS OF INCOME
DECEMBER 31, 2018 AND 2017

	2018	2017
Income		
Interest from deposits	$ 1,766	$ 219
Income from subsidiary	3,181,563	3,203,725
Grants	1,130,408	-
Total income	$ 4,313,737	$ 3,203,944
Expenses		
Other expenses	$ 79,162	$ 72,103
Net income	$ 4,234,575	$ 3,131,841

CAPITAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 16 – SUMMARIZED FINANCIAL INFORMATION OF PARENT COMPANY ONLY (continued)

CAPITAL BANCORP, INC.
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities		
Net income	$ 4,234,575	$ 3,131,841
Items not providing cash:		
Equity in undistributed net income of subsidiary	(3,181,563)	(3,203,725)
Net cash provided by (used for) operating activities	$ 1,053,012	$ (71,884)
Cash flows from investing activities		
Capital injection to subsidiary	$ (2,923,190)	$ (4,732,981)
Proceeds from subsidiary	3,021,804	2,306,768
Net cash provided by (used for) investing activities	$ 98,614	$ (2,426,213)
Cash flows from financing activities		
Cash distributions	$ (2,690,604)	$ (2,235,766)
Sale of common stock	2,923,190	4,732,981
Net cash provided by (used for) financing activities	$ (232,586)	$ 2,497,215
Net increase (decrease) in cash	$ 1,384,212	$ (882)
Cash – beginning of year	2,271	3,153
Cash – end of year	$ 1,386,483	$ 2,271