



CAPITAL BANK

"Banking Outside the Box"

December 12, 2008

To our Valued Shareholders, Customers and Friends;

You have heard much in the news over the last several months about the turbulence in the financial markets and the heightened focus cast upon the financial strength of the banking industry as a whole and its impact on community banks.

"Fixing" the bruised and battered financial markets will be a herculean task, to say the least, for our Federal and State governments. You may be aware of the recently developed program whereby the federal government has offered all banks capital and other forms of assistance as part of the United States Treasury Department's Capital Purchase Program. While we are supportive of the government's effort to assist those banks in need, we have chosen *not* to apply for these federal funds.

Capital Bank is in the enviable position of being exceptionally well capitalized, with capital ratios of eight to twelve times the regulatory minimum in each category to be considered "*well capitalized*" by federal regulatory standards. Because of our financial strength, we simply do not need to participate.

For your reference, the following table compares our Bank's actual capital ratios to regulatory standards:

<u>Ratio's</u>	<u>"Well Capitalized" Regulatory Standard</u>	<u>Capital Bank As of September 30, 2008</u>
Leverage	5.00%	63.06%
Tier 1 Risk Based	6.00%	79.45%
Total Risk Based	10.00%	80.60%

Our experienced Management Team is deeply committed to operating a safe and sound banking franchise, today and for many years to come. We have not, *and will not*, participate in risky lending practices but instead, will continue to focus on producing high quality loans and forming high quality relationships within the communities we serve.

The strength of our capital base combined with an exceptionally clean loan portfolio, with no losses or past due loans, produces a very safe and sound balance sheet for our Bank. This, combined with the recent increase in FDIC insurance coverage, with **unlimited coverage** for business non-interest bearing transaction accounts until year end 2009, makes Capital Bank one of the safest places to keep your money during these turbulent and uncertain times. Please feel free to share this information with your business associates, colleagues, family & friends, we have some attractive deposit rates as you'll see on the enclosed information and we would be happy to take care of their banking needs.

Our ongoing vision and goal is to become recognized as the Premier Business and Professional Bank of south Orange County. While the current economic times may be turbulent, our bank remains financially strong and stable. Thank you for your ongoing confidence and support, we look forward to expanding our existing relationship and serving you for many years to come.

Sincerely,

J.M. "Mike" Justice Jr.
President &
Chief Executive Officer