

Third Quarter 2001

Interim Report to Shareholders

To Our Shareholders:

For the third quarterly period of 2001, we are pleased to report the following:

- Record earnings performance, marked by a 21% increase in our year-over-year quarterly earnings per share.
- Continued strong balance sheet expansion with assets, loans and deposits reflecting 25+% annualized growth rates.
- Participation in two pooled trust preferred offerings, receiving \$25 million in capital to support future growth.

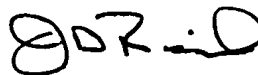
Fueled by a more than 23% increase in net operating revenues, to a quarterly record of \$23 million, Capitol Bancorp achieved a 21% increase in diluted earnings per share on a comparable year-over-year basis (\$0.35 in 2001 versus last year's third quarter figure of \$0.29). Through the first nine months of 2001, aggregate earnings of over \$7.7 million, or \$0.98 per share on a diluted basis, also reflect the significant strides Capitol Bancorp has made in harnessing the earnings power embedded within its affiliate system. Net operating revenues of \$66 million for the nine-month 2001 period indicate a 25% increase when compared to the \$53 million of net operating revenues posted in 2000.

Total consolidated assets, approximating \$2 billion, reflect an annualized growth rate exceeding 28%. For the nine-month period, total portfolio loans (+30%) and deposits (+27%) also demonstrated comparable annualized 2001 growth rates.

We are pleased to report continued positive trends in our consolidated performance, typified by our strengthening operating leverage as our \$2 billion organization proceeds on its maturation path. The volatility and uncertainty existent in the current economic environment, highlighted by the Federal Reserve Board's nine interest rate reductions thus far in 2001 and exacerbated by the national tragedies that unfolded on the morning of September 11th, are matched by our focus on balance sheet strength and prudent equity allocation initiatives. Our emphasis will continue to be quality organic growth within our affiliate family of community banks.

We look forward to reporting additional achievements during this exciting period of performance and growth. We thank you for your continued support of the Corporation and its endeavors.

Sincerely,



Joseph D. Reid
Chairman and CEO

Financial Highlights
(in \$1,000's, except share and per share data)

	<i>Three Months Ended Sept. 30</i>		<i>Nine Months Ended Sept. 30</i>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
<i>Condensed Statements of Operations</i>				
Interest income	\$39,058	\$34,651	\$115,766	\$95,481
Interest expense	<u>18,350</u>	<u>17,461</u>	<u>56,894</u>	<u>47,169</u>
Net interest income	20,708	17,190	58,872	48,312
Provision for loan losses	2,316	1,630	5,637	4,996
Noninterest income	2,382	1,550	6,994	4,374
Noninterest expense	<u>16,565</u>	<u>13,881</u>	<u>48,236</u>	<u>38,921</u>
Income before federal income taxes	4,209	3,229	11,993	8,769
Net income	<u>\$ 2,772</u>	<u>\$ 2,080</u>	<u>\$ 7,755</u>	<u>\$ 5,728</u>
<i>Per Share Data</i>				
Net income – basic	\$ 0.35	\$ 0.29	\$ 1.00	\$ 0.81
Net income – diluted	0.35	0.29	0.98	0.80
Cash dividends	0.10	0.09	0.30	0.27
Book value at end of period	\$ 9.96	\$ 8.81	\$ 9.96	\$ 8.81
<i>Condensed Statements of Financial Position</i>				
Total portfolio loans	<u>Sept. 30, 2001</u>	<u>June 30, 2001</u>	<u>Dec. 31, 2000</u>	
	\$1,660,042	\$1,564,666	\$1,355,798	
Total deposits	1,687,494	1,629,577	1,400,899	
Stockholders' equity	77,902	75,765	70,404	
Total capital funds	193,690	166,348	157,306	
Total assets	<u>\$1,975,379</u>	<u>\$1,881,967</u>	<u>\$1,630,076</u>	
Common shares outstanding at end of period	7,823,690	7,822,278	7,673,363	
<i>Selected Ratios</i>				
Allowance for loan losses as a percentage of portfolio loans	1.32%	1.31%	1.29%	
Total nonperforming loans as a percentage of portfolio loans	.71%	.71%	.50%	
Allowance for loan losses as a percentage of nonperforming loans	186.22%	184.56%	258.24%	
Stockholders' equity as a percentage of total assets	3.94%	4.03%	4.32%	
Total capital funds as a percentage of total assets	9.81%	8.84%	9.65%	