



NATIONAL CAPITAL BANK

Trust.
Responsibility.
Relationships.



2020 Annual Report

Local banking that supports local business.

About Our Bank

The National Capital Bank of Washington (NCB) is a full-service community bank serving the greater Washington, D.C. metropolitan area. Founded in 1889, we are proud to be Washington's oldest bank.

NCB is headquartered on Capitol Hill with additional branches in Friendship Heights in Northwest D.C., in the Fox Hill community of Bethesda, Maryland and the Courthouse neighborhood in Arlington, Virginia.

We also operate residential mortgage and commercial lending offices and a wealth management services division, National Capital Financial Group. Founded on the principle that "customers come first," our officers and staff are dedicated to making every transaction an exceptional and rewarding experience.

NCB PRODUCT & SERVICE OFFERINGS INCLUDE:

- Commercial loans
- Commercial real estate & construction financing
- Equipment leasing
- Residential mortgage loans
- Personal and business deposit accounts
- Mobile banking services for consumers and businesses
- Treasury management solutions
- Fraud monitoring solutions
- Financial planning & investment management

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National Capital Financial Group's securities and advisory services through Cetera Advisor Network LLC member FINRA, SIPC, a broker/dealer and a registered investment adviser. Cetera is under separate ownership from any other named entity. 316 Pennsylvania Avenue, SE, Suite 402, Washington, DC 20003. **Securities and insurance products are: Not FDIC/NCUSIF insured * May lose value * Not financial institution guaranteed * Not a deposit * Not insured by a federal government agency.** Cetera Advisor Networks LLC is affiliated with the financial institution where investment services are offered.

2020 Financial Highlights

December 31, 2020 and 2019

Year ended December 31, Dollars in thousands, except per share data

	2020	2019	% Change
ANNUAL RESULTS			
Net Income	\$2,648	\$2,552	3.8%
Net Income per Common Share*	9.26	8.94	3.5%
Common Dividends Paid per Share	2.20	2.20	0.0%

PERFORMANCE RATIOS BASED ON NET INCOME

Return on Average Assets	0.46%	0.52%	-11.4%
Return on Average Common Shareholders' Equity	5.12%	5.44%	-5.9%
Net Interest Margin	3.29%	3.50%	-5.9%
Cost Efficiency Ratio	75.68%	81.33%	-6.9%

SELECTED AVERAGE BALANCES

Total Assets	\$580,528	\$495,548	17.1%
Total Earning Assets	560,463	473,673	18.3%
Total Gross Loans	423,865	352,628	20.2%
Total Deposits	497,895	419,067	18.8%
Non Interest	160,649	122,637	31.0%
Interest	337,246	296,429	13.8%
Total Borrowings	28,146	26,665	5.6%
Total Stockholders' Equity	51,746	46,918	10.3%

SELECTED YEAR-END BALANCES

Total Assets	\$615,294	\$523,312	17.6%
Total Earning Assets	592,629	500,873	18.3%
Total Gross Loans	440,819	383,508	14.9%
Allowance for Loan Losses	6,111	4,098	49.1%
Total Deposits	532,444	447,470	19.0%
Non Interest	171,909	130,295	31.9%
Interest	360,535	317,175	13.7%
Total Borrowings	25,576	24,111	6.1%
Total Shareholders' Equity	53,449	48,873	9.4%
Total Shares of Common Stock	286,057	285,682	0.1%

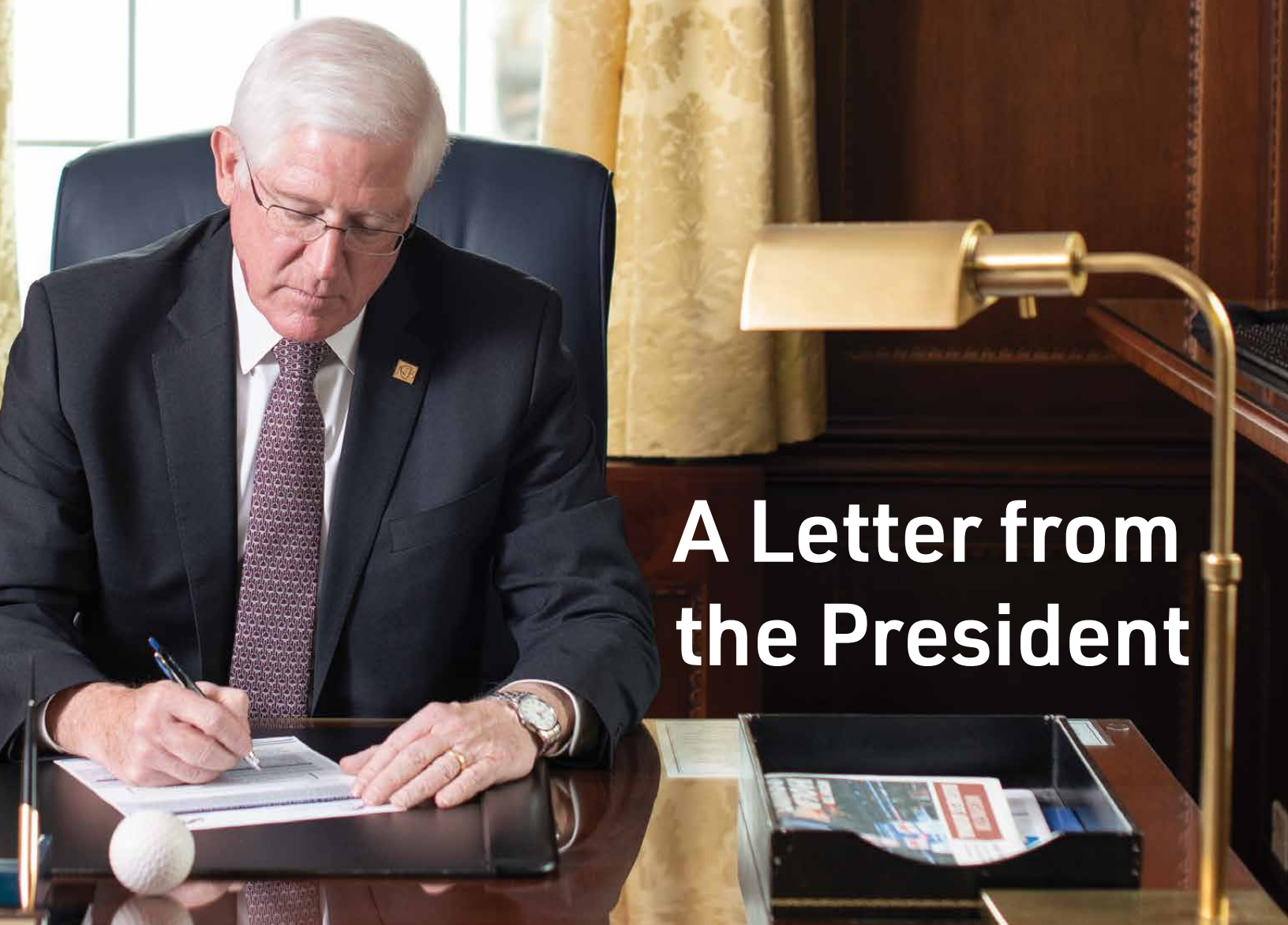
CAPITAL RATIOS

Average Shareholders' Equity to			
Average Assets at Year-end	8.91%	9.47%	-5.9%
Shareholders' Equity to			
Assets at Year-end	8.69%	9.34%	-7.0%

COMMON STOCK, PER SHARE:

Book Value	\$186.85	\$171.07	9.2%
Tangible Book Value	\$186.85	\$171.07	9.2%
Market Price	\$163.00	\$218.00	-25.2%

*Average Shares Outstanding	285,999	285,420	0.2%
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A Letter from the President

To our Stockholders, Customers and Friends:

For National Capital Bank's officers and employees, 2020 was a year we will not soon forget. The year started with great anticipation as preparations and training continued for the Bank's scheduled April core system conversion to the FIS Horizon platform. However, in early March, everything changed. Within four weeks, we felt the impact of COVID-19 in almost every aspect of our business. Mandatory shutdowns took place across the economy in an attempt to limit the virus spread. Interest rates fell 150 basis points as the Federal Reserve initiated emergency measures to stabilize an economy in shock. Many businesses sent employees home to work remotely, and branch operations were initially limited to drive-up/walk-up in-person services.

Passage of the CARES Act stimulus bill challenged the lending and credit teams with essentially an overnight implementation of consumer and commercial payment deferral processes. Additionally, the SBA Paycheck Protection Program (PPP), critical to many businesses' survival and ability to retain employees, tested our team members who worked tirelessly to ensure all organizations that applied received funds. Asset quality became a primary concern as prospects for retail, hospitality and specific real estate sectors remained uncertain. Lastly, completing the FIS Horizon conversion on a fully remote basis, without the usual onsite support from a vendor specialist team, became the only option.

In the ensuing months, I am proud to report NCB's management team and staff responded to each of these situations with an extraordinary level of commitment,

hard work and resilience while remaining true to our founding principle: Customers come first. NCB established new COVID protocols and implemented PPE policies and infrastructure to enable branch offices to return to lobby operations quickly. Moreover, NCB's investment to upgrade its technology paid dividends and established efficiencies swiftly. Improvements included upgrades to new laptops and tablets, the implementation of a virtual private network, database transitions to cloud-based storage, a new VOIP telephone system with remote access capabilities and a shift to video conferencing through the Microsoft Teams platform with enhanced cybersecurity. Video conferencing enabled remote and onsite staff to stay in touch with customers and work effectively with fellow team members.

A quick reaction to adjust to declining interest rates, strategic municipal securities purchases, and a 24/7 commitment to making over \$63 million in PPP loans minimized reductions in the Bank's net interest margin. These efforts, combined with cost containment and strong results from the National Capital Financial Group, enabled NCB to maintain profitability while also adding \$2 million to the loan loss reserve allowance as insurance for any future asset quality issues.

The FIS Horizon core system conversion and a related system conversion to Verafin, a cloud-based financial crime management solution, were additionally completed on time, providing the Bank and its customers a full complement of new digital, online, and mobile consumer and business banking products and services. The enhancements included more convenient payment options such as Zelle, Apple Pay, Google Pay and Samsung Pay, enhanced debit card controls, better cybersecurity and fraud prevention and a scalable operating system to meet future growth with greater operational effectiveness.

NCB's 2020 financial results reflect the pandemic's various impacts on operations and management's steps to react to them. Total assets at FYE 2020 of

\$615.3 million increased 17.6% from the prior year, driven by a 14.9% rise in total loans to \$440.8 million (primarily representing PPP loans) and a 21.4% increase in the securities portfolio to \$122.1 million. Total deposits also experienced a healthy 19.0% increase to \$532.4 million, reflective of new accounts funded by PPP loan proceeds and the impact of higher levels of liquidity maintained in commercial accounts. As noted earlier, the Bank's net interest margin came under pressure from historic low-interest rates; however, the decline to 3.29% was considered a managed success given the year's volatility.

As a result of the asset growth and aggressive efforts to minimize damage to the net interest margin, net interest income rose 11.3% to \$18.4 million. This increase, along with improved non-interest income and the decision to take several strategic securities gains, enabled the Bank to prudently increase its allowance for loan losses by \$2.0 million while still generating \$2.65 million in net income for the year. In total, this was a 3.8% increase over 2019 and a welcome result given the historical circumstances and many challenges brought on by the pandemic.

Another extraordinary impact COVID-19 had on operations was the limitation of personal contact and interactions brought on by the need to socially distance. To counter this and continue to build our community ties and relationships, the Bank focused on increasing its social media presence and digital outreach and maintaining financial support for community non-profits. For example, in response to the inability to host our annual Holiday Open House, and because of the forgone cost of the event, NCB made \$4,000 donations to five local organizations: Barracks Row Main Street, Capitol Hill Cluster School PTA, My Sister's Place, National Capital Treatment and Recovery and Ready, Willing and Working.

While the pandemic and related matters dominated most of the year's activities, NCB was notably able to continue strengthening its board of directors with the

edition of Shawn M. Wright. Shawn is a partner with Blank Rome LLP and co-chair of their Washington D.C. office. Her expertise in anti-corruption and antitrust law, government contract matters, workplace compliance policies, the Foreign Corrupt Practices Act (FCPA), and the Office of Foreign Asset Control (OFAC) will be beneficial in guiding the Bank on corporate governance, audit, and compliance matters.

Lastly, NCB completed a substantial \$3 million renovation of the underground parking garage at the Capitol Hill branch and Main Office on time and budget. This project was made more efficient by the pandemic with Bank staff and many of our tenants working remotely. Included in the renovation were energy-efficiency and accessibility improvements.

Throughout our history, NCB has persevered through periods of uncertainty by applying prudent business practices, supporting our community and never forgetting that customers come first. These times are no different, and we are committed to continuing to serve our customers and community. That is why we devoted

maximum resources towards our PPP lending efforts. In the following pages, you will read stories about some of the businesses we assisted during these unprecedented times.

As we turn our attention to getting back to business in 2021, I would like to acknowledge the tremendous effort and dedication the entire NCB team exhibited in meeting our customers' needs and often exceeding expectations in a challenging environment. I would also like to thank our customers for their patience, loyalty and support as we worked our way through the year's hardships. We believe this is the essence of what community banking is all about!



Richard B. (Randy) Anderson, Jr.
President and Chief Executive Officer
March 8, 2021



2020 Year in Review

A better banking experience begins at our core.

At NCB, our goal has always been to make banking an approachable, customer-first experience. That's why we recently updated our Core Banking System to equip customers with tools to handle day-to-day banking functions seamlessly.

What necessitated the upgrade? In short, our inclination to continuously provide our customers with the latest resources to improve their banking experience. And the systems conversion did just that, equipping us with the tools and technology to offer even more products and services, advance our efficiencies and accommodate growth. Additionally, keeping your information secure is a top priority for us, which is why we've enhanced our safety features to ensure your information remains uncompromised.

So, what does our Core Banking System update mean for you? More dynamic solutions to banking needs – personal or business – and access to accounts in the palm of your hand. Download the NCB Consumer or Business app in the AppStore to see just how simple and convenient banking with NCB can be.

The core upgrade also offers access to time-saving capabilities and benefits, including:

- Mobile Wallet capabilities, integrated with Apple Pay™, Samsung Pay™, Google Pay™ and Zelle®
- Contactless Visa® debit cards that enable quick and secure payment with a single tap
- A personal financial management and budgeting tool available within Online and Mobile Banking
- Advanced security and fraud monitoring and protection capabilities
- Positive Pay integration to more efficiently manage unauthorized checks and electronic transactions
- ACH Services for processing payables electronically reducing processing costs and potential for check fraud
- Mobile access to review, approve and send business wires, ACH and Positive Pay
- An eClient Services Center of experts to field your online and mobile banking questions and concerns

Doing Our Part So You Could Do Yours

For more than 130 years, National Capital Bank has proudly served the DC community. As a local bank, we know firsthand the importance of strong relationships.

Among our proudest accomplishments during our tenure as the District's oldest full-service bank are the long-term connections we've built with our customers and the times we've supported them and their businesses when they needed us most.

NCB has faced and survived many periods of uncertainty throughout our history through prudent business practices and community support. Even amid a pandemic, our commitment to serving our community, customers and their businesses endures.



OTJ Architects



“The quick response time and personal service that NCB provided was critical. The importance of a trusted local bank cannot be overstated.”

Lisa Williams
Principal Cap8 Doors
& Hardware

Cap8 Doors & Hardware

This steadfast commitment is why we devoted maximum resources towards implementing and executing the Small Business Administration’s (SBA) Paycheck Protection Program (PPP). As a result, NCB approved 100% of the more than 360 loan applications received from both existing and new customers, securing a total of \$63 million in funding.

“During one of the most uncertain periods in our fifteen-year history, NCB rescued us. They returned every message (sometimes late at night), facilitated an easy and user-friendly application process, and most of all, approved and funded our PPP loan within days of the request. I have never been more thankful for such stellar customer service.”

Dr. Arshia Shingler, DDS, MS
Vice President, Gainesville Pediatric Dentistry

Local banking that supports local business.



OTJ Architects

“NCB is not just our bank – NCB is our business partner. Responsiveness, accountability, accessibility and the feeling that our business objectives matter are just a few things that set NCB apart.”

Nick Orrison
Chief Financial Officer OTJ Architects



Mangialardo & Sons

This funding helped businesses like Mangialardo & Sons, an almost seven-decades-old family-owned restaurant, stay open. Today, with his six children’s help, Tony Mangialardo continues to serve up some of the best Italian subs around.

“NCB was the biggest reason we were able to receive PPP funding quickly. We never had to close the store, and our customers were so appreciative. They certainly go the extra mile to help you and your business.”

Tony Mangialardo
Owner Mangialardo & Sons

Award-winning firms like OTJ Architects also turned to NCB to help navigate the complex PPP funding process. The outcome: OTJ maintained its operation levels and expanded the company’s offerings to address challenges related explicitly to the pandemic – meeting new standards of safety and promoting the long-term wellness of building occupants.



Cap8 Doors & Hardware

Ultimately, the places and people important to our neighbors are important to us – which is why regional doors, frames, hardware and specialties distributor Cap8 Doors & Hardware turned to NCB at the onset of the pandemic. Founder and Principal Lisa Williams leaned on the relationships she had at NCB to secure PPP funding, allowing her to keep her doors open so that she could continue to serve the business community and her employees.

Regardless of size or industry, local businesses – from Gainesville Pediatric Dentistry and Dezenhall Resources to Glass Distributors, Inc. – could count on NCB to guide them through the process of securing crucial funding. As a result, these valuable pillars of the Washington community could feel confident in their businesses’ future during an otherwise precarious time.



OTJ Architects

Board of Directors



Richard B. (Randy) Anderson, Jr.
President & Chief Executive Officer



Robert B. Donohoe, Jr.
Senior Vice President & Chief Investment Officer
The Donohoe Companies, Inc.



Harold C. (Harry) Rauner
Chairman of the Board
The Business Bank (Retired)



Kathleen W. (Kate) Carr
Vice Chair
Chevy Chase Land Company



Donald G. Eckrod, Jr.
President & CEO
Hotbed Technologies, Inc.



Dennis T. Scurletis
Managing Member
S D Capital Partners, LLC



James M. Didden
Senior Relationship Manager



George T. Pedas
Attorney at Law



Stephen L. Venti
Director
Spillane Consulting Associates, Inc.



Kathryn H. Didden
Investor



William T. Pedas
Vice President
Circle Management



Shawn M. Wright
Partner
Blank Rome, LLP



R. Andrew Didden, Jr.
Executive Vice President
National Capital Financial Group



Executive Management

L-R: Randal J. Rabe; Debra A. Keats; Richard B. (Randy) Anderson, Jr.; R. Andrew Didden, Jr.; Patricia M. Ostrander; Paul T. Yeloushan; Joseph Marchese; Renee C. Aldrich

Bank Officers

Richard B. (Randy) Anderson, Jr.
President
Chief Executive Officer

Jenny A. Shtipelman
Senior Vice President
Commercial Loan Officer

Kathryn R. Speakman
Vice President
Commercial Loan Officer

Carmella Elliott
Banking Officer
Deposit Operations Specialist

Renee C. Aldrich
Executive Vice President
Chief Commercial Lending Officer

Richard M. Sobonya
Senior Vice President
Construction Lending Director

Amy M. Woodward
Vice President
Human Resources Director

Leslie A. Inciardi
Banking Officer
Senior BSA Analyst

R. Andrew Didden, Jr.
Executive Vice President
Chief Investment Services Officer

Keith B. Arnold
Vice President
Credit Administration

Angela M. Beckham
Assistant Vice President
Financial Advisor

Lois F. Mastel
Banking Officer
Financial Assistant

Debra A. Keats
Executive Vice President
Chief Retail Administration Officer

William D. Bauder
Vice President
Finance Director and Treasurer

Mauricio A. Benitez
Assistant Vice President
Branch Manager

Janis A. Mourtopalas
Banking Officer
Assistant Branch Manager

Joseph Marchese
Executive Vice President
Chief Credit Officer

Robert G. Byrer
Vice President
Compliance and CRA Officer

Charles F. Brandon
Assistant Vice President
Loan Administration Officer

Claire R. O'Connor
Banking Officer
HR Generalist

Patricia M. Ostrander
Executive Vice President
Chief Administrative and Compliance Officer

Keshawn R. Clark
Vice President
Business Development Officer

Fatima Fonseca
Assistant Vice President
Branch Manager

Tamara Robinson
Banking Officer
eClient Services Supervisor

Randal J. Rabe
Executive Vice President
Chief Financial Officer

Claudio W. Cobian
Vice President
IT Director and Information Security Officer

Joan D. Gaitan
Assistant Vice President
Branch Manager

Delana D. Rose
Banking Officer
Loan Operations Officer

Paul T. Yeloushan
Executive Vice President
Chief Information Officer

William G. DuBose
Vice President
Mortgage Loan Officer

Christopher M. Pate
Assistant Vice President
Loan Operations Officer

Yaminah S. Stanley
Banking Officer
Executive Assistant and Corporate Secretary

David M. Glaser
Senior Vice President
eClient and Treasury Services Director

Juan J. Elias
Vice President
Wire Transfer Manager

Daniel S. Solomonraj
Assistant Vice President
Deposit Operations Manager

Sherrri A. Waid
Banking Officer
Loan Services Supervisor

Francina Jones
Senior Vice President
Controller and Accounting Director

Chad W. Heiges
Vice President
Credit Analysis Manager

Leslie A. Walter
Assistant Vice President
Senior Credit Analyst

Arthur T. Williamson
Assistant Vice President
Facilities Manager and Security Officer

Ryan W. McKinley
Senior Vice President
Commercial Loan Officer

Ian A. Kilby
Vice President
BSA Officer

Rachel M. Vladimer
Assistant Vice President
Retail Administration Officer

Elaine B. Rial
Senior Vice President
Loan Operations and Administration Director

Stephanie V. Lipscomb
Vice President
Branch Manager

Michelle Curtis
Banking Officer
Wire Transfer Supervisor

Robin P. Robertson
Senior Vice President
Retail Banking and Marketing Director

Sharon T. Peters
Vice President
Loan Administration Manager

Franco L. de Guzman
Banking Officer
Assistant Branch Manager

Christopher S. Reddick
Vice President
Mortgage Sales Director

David A. Didden
Banking Officer
Assistant Branch Manager

THE NATIONAL CAPITAL BANK

WASHINGTON'S OLDEST BANK



Offices and Branches

Executive Offices

316 Pennsylvania Avenue, SE
Washington, D.C. 20003
202-546-8000

National Capital Financial Group**

316 Pennsylvania Avenue, SE
Suite 402
Washington, D.C. 20003
202-546-9310

Commercial and Construction Lending Groups

316 Pennsylvania Avenue, SE
Suite 400
Washington, D.C. 20003
202-546-8000

Residential Mortgage Lending Group

316 Pennsylvania Avenue, SE
Mezzanine
Washington, D.C. 20003
202-546-8000

Courthouse Business Offices

2533 Wilson Boulevard
Arlington, VA 22201
571-982-5460

Capitol Hill Branch

316 Pennsylvania Avenue, SE
Washington, D.C. 20003
202-546-8232

Courthouse Branch

2505 Wilson Boulevard
Arlington, VA 22201
571-982-5460

Friendship Heights Branch

5228 44th Street, NW
Washington, D.C. 20015
202-966-2688

Fox Hill Branch

8300 Burdette Road
Bethesda, MD 20817
240-858-4044

This restricted-access location is open only to the Fox Hill senior living community in Bethesda, Maryland.

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