

# 2022 Annual Report

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Local banking  
that supports  
local business.

**NCB** NATIONAL CAPITAL BANK



# About Our Bank

The National Capital Bank of Washington, a wholly owned subsidiary of National Capital Bancorp, Inc. 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 employees are dedicated to making every transaction an exceptional and rewarding experience.

## NCB Product & Service Offerings Include:

- Commercial loans
- Commercial real estate & construction financing
- SBA 7(a) financing
- Residential mortgage loans
- Government contractor lending
- Asset based financing
- 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 not affiliated with the financial institution where investment services are offered.

# National Capital Bancorp, Inc. Consolidated Financial Highlights

December 31, 2022 and 2021

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

	2022	2021	% Change
<b>ANNUAL RESULTS</b>			
Net Income	\$4,588	\$4,646	-1.3%
Net Income per Common Share*	15.98	16.23	-1.5%
Common Dividends Paid per Share	2.40	2.20	9.1%

## PERFORMANCE RATIOS BASED ON NET INCOME

Return on Average Assets	0.67%	0.71%	-5.7%
Return on Average Common Shareholders' Equity	9.29%	8.57%	8.4%
Net Interest Margin	3.12%	3.22%	-3.3%
Cost Efficiency Ratio	78.49%	75.25%	4.3%

## SELECTED AVERAGE BALANCES

Total Assets	\$680,800	\$650,090	4.7%
Total Earning Assets	655,273	627,866	4.4%
Total Gross Loans	405,092	449,562	-9.9%
Total Deposits	605,455	569,681	6.3%
Non Interest	221,298	205,191	7.8%
Interest	384,157	364,490	5.4%
Total Borrowings	23,155	23,175	-0.1%
Total Shareholders' Equity	49,393	54,206	-8.9%

## SELECTED YEAR-END BALANCES

Total Assets	\$644,156	\$734,709	-12.3%
Total Earning Assets	617,948	712,351	-13.3%
Total Gross Loans	425,149	396,453	7.2%
Allowance for Loan Losses	5,069	5,959	-14.9%
Total Deposits	571,751	657,116	-13.0%
Non Interest	208,042	268,530	-22.5%
Interest	363,710	388,586	-6.4%
Total Borrowings	20,953	19,952	5.0%
Total Shareholders' Equity	48,328	54,854	-11.9%
Total Shares of Common Stock	287,300	286,457	0.3%

## CAPITAL RATIOS

Average Shareholders' Equity to			
Average Assets at Year-end	7.26%	8.34%	-13.0%
Shareholders' Equity to			
Assets at Year-end	7.50%	7.47%	0.5%

## COMMON STOCK, PER SHARE:

Book Value	\$168.21	\$191.49	-12.2%
Tangible Book Value	\$168.21	\$191.49	-12.2%
Market Price	\$165.00	\$197.00	-16.2%

*Average Shares Outstanding	287,115	286,328	0.3%
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# A Letter from the President

To Our Shareholders, Customers and Friends,

**As I write this section of the 2022 annual report letter, my last year as President and CEO of The National Capital Bank of Washington, I am filled with a sense of gratitude and a feeling of accomplishment to have had the opportunity to lead such a venerable institution as the culmination of my 47- year banking career.**

I could not be prouder of NCB as it stands today with a dedicated and talented team of officers and staff and an array of technological tools to meet the challenges of today and tomorrow. We weathered a major pandemic and the associated economic turmoil and emerged with the strength and resources necessary to re-engage our original business plan of growth, profitability, building shareholder value and maintaining a commitment to support the communities we do business in by providing an exceptional banking experience. Your Bank stands ready to write its next chapter of success.

To lead NCB as we move forward your Board undertook an extensive executive search to identify a leader with the vision, energy, and skills to execute on our business plan. The individual we chose James (Jimmy) Olevson is a young, dynamic banker who checked all the necessary boxes. An excellent communicator, strong lending and business development skills, leadership by example, an outgoing people person with the ability to connect and a commitment to community service as a servant leader. Since joining NCB last April and assuming the responsibilities of President, Jimmy has met and exceeded expectations. He has built a rapport with staff both on a one-on-one basis and through team building activities. He has sought introductions to key client relationships. He has established himself as a quick study of the Bank's operational and administrative functions going the extra mile to suggest viable solutions to certain operational issues. Additionally, Jimmy has played

a lead role in attracting new team members for key lending, business development and operational positions and has led several cross-departmental working groups tasked with the implementation of new system or process enhancements including Connections, a CRM platform through our core banking partner FIS and redesigning workflows for underwriting and loan processing to gain greater efficiency.

After a review of the National Capital Bancorp, Inc. FY 2022 financial results which are inclusive of the Bank, Jimmy will be sharing more information on these projects and others later in this joint letter. He will also provide his thoughts and vision regarding the Bank's strategic direction in 2023 and going forward.

2022 was characterized by rapidly rising interest rates as the Federal Reserve concluded that inflation was not transitory. This in turn raised the potential threat of a recession due to

a slowdown in economic activity which coupled with an uncertain international climate driven by Russia's invasion of Ukraine and a deterioration in U.S. and China relations negatively impacted both the stock and bond markets. In short it was again a challenging year to do business similar to 2021 but, for entirely different reasons. This again led to a mixed bag in terms of balance sheet growth resulting in a decline in deposits from 2021 as PPP related balances were spent down and depositors chased rate but, a healthy increase in loans even with PPP loan balances dramatically declining due to forgiveness. As a result of these factors earnings remained essentially unchanged from 2021.

Total assets of the Company at FYE 2022 decreased year-over-year to \$644.2 million compared to \$734.7 million the prior year. Total loans of \$425.1 million increased by \$28.7 million during the year from \$396.4 million the year before. Organic loan growth for 2022 of \$51 million was partially offset by PPP loan forgiveness received during the year. Asset quality remained outstanding. Total deposits decreased to \$571.7 million at FYE 2022 compared to \$657.1 million the year before, which included a year-end client deposit of \$55 million that was transferred out in January 2022. The Company's net interest margin contracted to 3.12% in 2022 compared to 3.22% for 2021 but, showed substantial improvement in the later part of the year. The favorable impact from the current-year interest rate increases on variable-rate loans, interest-bearing cash balances and for newly originated loans helped to soften the negative impact of significantly reduced PPP fee accretion during 2022 in comparison to 2021.

For FYE 2022, the Company reported net income of \$4.59 million, or \$15.98 per share, compared to \$4.65 million, or \$16.23 for FYE 2021. As noted earlier, solid organic loan growth during the current year helped offset the prior year's favorable impact from the Company's active role in PPP lending. In addition, the Company has benefitted from the interest rate increases instituted this year by the Federal Reserve. Non-interest income declined as the Company recorded a \$393 thousand loss on the sale of securities in the fourth quarter of 2022 in an attempt to position the portfolio for better performance in 2023. For FYE 2022, the return on average assets and return on average equity was 0.67% and 9.29%, respectively.

As I remain on the Bank and Company Boards as a director, I am excited to continue working with Jimmy and the NCB team and optimistic about their ability to take the Bank forward to greater success in the future. I am also thankful for the consistent loyalty and support our customers demonstrate for the Bank and for the confidence our shareholders continue to place in us.



**Richard B. (Randy) Anderson, Jr.**  
Director,  
The National Capital Bank of Washington and  
National Capital Bancorp, Inc.  
March 6, 2023

Let me start by saying how honored and excited I am to be the President and CEO of The National Capital Bank of Washington. I do not take this responsibility lightly and am excited to work with an exceptionally talented team to continue to grow the Bank while providing a strong return for our shareholders.

I joined the Bank in April 2022 and initially much of my time was spent building relationships with our internal and external partners, understanding workflows across all divisions, and learning about the staff, technology and new capabilities the Bank has invested in.

Over the last several years, NCB has launched various platforms, to include a CRM solution, Connections as Randy previously referenced. In 2022, we also initiated the Collaboration Hub, another banking innovation through FIS, which not only allows for clients to upload documents via a secure portal, but also works seamlessly in moving those documents into our core processor directly. We are still in the very early stages of maximizing efficiencies gained via Connections, the Collaboration Hub and other technology we have introduced, and I am excited to see the benefits which continue to grow.

With our foundation of talented people and technology platforms in place, the theme for 2023 of "doing more with what we have" became clear. Going forward NCB will utilize these platforms to gain efficiencies in process which will have a direct correlation to improving the



Bank's efficiency ratio. We will also be looking to grow the Bank with the right mix of assets taking advantage of new opportunities in the Asset Based Lending, Government Contracting and consumer mortgage arenas. Given the current interest rate environment and the rising cost of funds, this growth will be focused on bringing in appropriately priced relationships as we strive to deliver improved net earnings and increased shareholder value.

I am again very thankful for all that Randy has and continues to do to support me and NCB.

The future is very bright for The National Capital Bank of Washington, and I look forward to celebrating our success with you for years to come.



**Jimmy Olevson**  
President and CEO,  
The National Capital Bank of Washington  
March 6, 2023



CenCore, LLC

# They Are Uniquely Innovative

CenCore relies on NCB's forward thinking to help their contracting business run smoothly and without issue.

CenCore, LLC is a small business helping government and corporate clients overcome some of their most challenging problems. Headquartered in Washington, DC but servicing regions around the globe, CenCore provides superior security and intelligence analysis for the United States government and large multinational corporations. CenCore excels at working in tough places, supporting difficult missions, and facilitating critical solutions.

Allen Phelps and NCB's Vice President and Commercial Loan Officer, Sean Biehl

The administration of a government contracting business can be challenging due to the often extended payment terms from the United States government. To bridge the gap between delayed payments and payroll expenses, CenCore relies on the company's partnership with the National Capital Bank and its lines of credit to maintain its high standards of service and talented workforce.

In addition to longer payment schedules, government contracting presents growth challenges as well. Companies grow quickly because contracts come and go in chunks. Phelps notes, "we have several of those growth spurts on the horizon and NCB will be a critical partner for us." In addition, CenCore's corporate portfolio is growing quite rapidly and the bank has been able to ease some of the challenges traditionally associated with rapid growth.

**NCB will be a critical partner in our further growth, and it would be difficult to keep up without their support.**

**Allen Phelps, Co-Owner, CenCore, LLC**



Judy Cranford and NCB's Senior Vice President and Market Executive, Commercial Banking Ryan McKinley

## Cranford & Associates

# They Have My Best Interests at Heart

When Judy Cranford needed a loan for a dream project, NCB provided the capital and expertise to ensure its success.

Cranford and Associates, led by principal broker Judy Cranford, is a real estate company built on steadfast ideals and decades of experience. Judy started the firm in 1978 on Capitol Hill and has grown exponentially since.

The client-focused, six-agent, boutique brokerage was recently recognized by The Washingtonian for being named Elite Producers. Judy founded the firm upon the principles of hard work, sophisticated strategy, and a steadfast commitment to genuinely putting clients' interests first. With 130+ years of collective experience, their agents provide personalized service and "make it happen" for their clients, earning their trust and loyalty. The brokerage celebrates diversity, equity, and inclusion and Cranford and Associates works with all budget sizes and services the entire DC/VA/MD region.

"When working with Ryan McKinley [Senior Vice President, Commercial Banking] and National Capital Bank, it was immediately clear they were part of the community. They have strong principles and are good, solid bankers. They take care of the bank's interest, but not by making it overly complicated for the customer," Judy Cranford said



of starting to work with the bank. And she's still thrilled about the partnership.

"Ryan is always immediately responsive, no matter when I reach out to him. I would recommend him and the bank to anyone. They just simply get it done."

The bank just helped her secure financing for the purchase and renovation of an historic garage in Northwest DC that serves as Cranford & Associates new headquarters. The building provides a peaceful, calming space for employees and customers alike, and serves as a showcase of modern design while retaining many elements of its past existence as a garage. When Judy went to NCB, they helped her not only secure funding but also helped secure her first SBA loan. "They've just been wonderful," she said. "I really am delighted to be their customer."

They're trustworthy, they don't waste your time, and they provide what you need – whether it's banking services or financing. I just pick up the phone if I need anything and they're always there, ready to help. And that's what you want from a community bank.

**Judy Cranford**  
Cranford & Associates



Geoffrey Diner Gallery

# They Took Time to Learn Our Industry

After years of frustrating experiences with banks, Geoffrey and Maureen Diner found relief and true partnership at NCB.



The Geoffrey Diner Gallery is a preeminent international art and design gallery owned and curated by Geoffrey and Maureen Diner.

In the early 1980s, Geoffrey helped to propel praise and recognition of the finest examples from the American and British Arts & Crafts Movement, assisting many museums and collectors. The Gallery, led by Geoffrey and Maureen Diner since 1988, traverses genres and periods, and is considered today to be a preeminent source of post-war art. The Gallery art and design continues to thrive based on its founders initial motivations and nearly 40 years of experience in art and design.

After years of procedural challenges with several other banks, Geoffrey and Maureen Diner needed an upgrade. After launching their art gallery and design business and turning a credit line of \$200K into assets worth upwards of \$20 million, they wanted a partner that trusted them and understood their very niche business.

Jenny Shtipelman, Senior Vice President of Commercial Banking, their banker, not only understands the art world, she understands how much it means to the Diners.

"NCB has flexible thinking," Maureen said. "They look at the big picture and can make sense of it. Art as an investment is a big business, but in Washington, DC, not a lot of banks understand that."

Geoffrey agreed completely. "We used to spend days compiling lists and reports for other banks, but at NCB, we feel like we're partners. They looked at our records, know we have excellent credit... and that's enough for them. They trust us - which means we can spend more time making money than on paperwork. They're a partner in our success rather than a watchdog."



At previous institutions, people don't answer the phone. It's always voicemail. At NCB, someone always answers the phone. It's very easy to bank when you have human interaction every time.

**Geoffrey and Maureen Diner**  
Owners,  
Geoffrey Diner Gallery

Geoffrey and Maureen Diner with NCB's Senior Vice President and Market Executive, Commercial Banking, Jenny Shtipelman



## Blues Alley

# They Put the Customer First

NCB has been an unwavering foundation for the Blues Alley Jazz club for more than 40 years.

Blues Alley Jazz was established in 1965 and has consistently been ranked and labeled the number one jazz club in the world by its industry peers. It is America's oldest, continuously operating jazz supper club and has been home to such luminaries as Tony Bennett, Ella Fitzgerald, Dizzy Gillespie, and Wynton Marsalis. The historic club is best in class, and its leadership seeks partners who can meet their high level of expectations.

In addition to being a jazz club, Blues Alley is an important and contributing member of the Georgetown and DC communities, sponsoring such programs as the Blues Alley Jazz Society, a youth orchestra and a youth summer camp.

In 1980, Executive Director of Blues Alley, Harry Schnipper was introduced to the Didden family when he bought his first home on Capitol Hill and he has been banking with National Capital Bank ever since.

Since then, the nightclub and their non-profit Blues Alley Jazz Society, have established a variety of accounts and services including Treasury Management with ACH transfers, commercial loans and lines of credit, safe deposit boxes, certificates of deposit, residential and commercial mortgages and checking accounts.

Schnipper cites NCB as instrumental to the club's success. "National Capital Bank is convenient, personable, flexible, accessible, and friendly. The bank possesses a generational knowledge of both the community it serves and the banking industry that serves us."



Kathryn Speakman, NCB's Vice President, Commercial Loan Officer & Harry Schnipper

How many customers can boast that they know their bankers personally, and how many banks have relationships that have lasted over four decades?

**Harry Schnipper**  
Executive Director,  
Blues Alley



Whitestone Custom Homes

# They Understand My Unique Needs

Flexibility and ease paired with a long-standing relationship built on trust powers the partnership between Whitestone Custom Homes and NCB.

Whitestone Custom Homes is a family-owned business with a deep appreciation for relationships and their community. As an experienced custom home builder, Whitestone Custom Homes holds the quality of its workmanship to the highest standards. They are committed to upholding this high level of excellence for each custom project – and strive to give the best possible service before, during, and after the construction process.

Each home is designed to meet the individual needs of each client. The construction process is scheduled well in advance and closely monitored to ensure that it goes smoothly and on time. The four main cornerstones of their business are integrity, quality, service, and value, each of which is represented in every single custom project – and qualities they look for in their partners.

Whitestone Custom Homes found the perfect borrowing partner in National Capital Bank. “My company is the size I want, and I think it fits well with the size of bank I’m



working with,” Herb Aman, Owner and President of Whitestone Custom Homes said about NCB. “I’m a small company, and want to work with somebody that knows me, so I get the attention and flexibility that I need.”

Aman knows that if he wants to pursue something new or diversify, he has a partner in NCB. “I’m considering additional land acquisitions for new construction as well as commercial acquisitions for retail...and NCB is always willing to help,” he said.

NCB has made the lending process easier for Herb too. “I’m more of a marketing and sales person. I’m not necessarily a bean counter or a number cruncher, and NCB simplifies everything for me so I can focus on my business.”

Brad Duncan, NCB’s Senior Vice President, Construction Lending Director & Herb Aman

You really get the benefit of the doubt. You have people that already understand your business and how you operate. It is a really good, seamless relationship.

**Herb (Cabby) Aman**  
Whitestone Custom Homes



# They Believe in the Local Community

NCB has been an integral part of the Capitol Hill Community Foundation since its inception more than three decades ago.

For more than 27 years, Capitol Hill residents and businesses have joined together to build the Capitol Hill Community Foundation.

The Capitol Hill Community Foundation draws on the generosity and idealism of the Capitol Hill neighborhood to help build a stronger and more caring community—a place where families can flourish and where every resident can share in a better future.

Funded entirely by annual donations from members and friends of the community, the Foundation proudly directs every dollar contributed to grants. They support activities, projects and organizations that enrich the lives of residents and celebrate the history of the Capitol Hill community. Since its founding in 1989, the Foundation has directed just under \$11 million to a broad range of projects, with the organization giving more than \$500,000 a year to worthy causes.

The generosity of the community has enabled the Foundation to provide seed money for new efforts, support worthy community programs and organizations, and also undertake important initiatives for the Capitol Hill neighborhood.

NCB has always played an important role in the Capitol Hill Community Foundation. From its inception, NCB executives have been intimately involved in the Foundation, serving on the board and helping fund and run the organization.

“Randy Anderson, President and Chief Executive Officer of National Capital Bancorp, Inc. has been a very active member of our board, offering thoughtful ideas and insight to guide our deliberations. Before Randy, Richard Didden and George Didden were also incredibly involved and supportive. We’ve been like a family,” Nicky Cymrot said about the decades-long partnership.

We don’t have any other banks in the community that jump in and get involved in helping the non-profit sector. NCB is one-of-a-kind in our community and it’s a truly defining factor.

**Nicky Cymrot**  
President,  
Capitol Hill Community Foundation



Randy Anderson, President and Chief Executive Officer of National Capital Bancorp, Inc. & Nicky Cymrot

# Board of Directors

\* Signifies simultaneous membership on the Board of Directors of National Capital Bancorp, Inc.

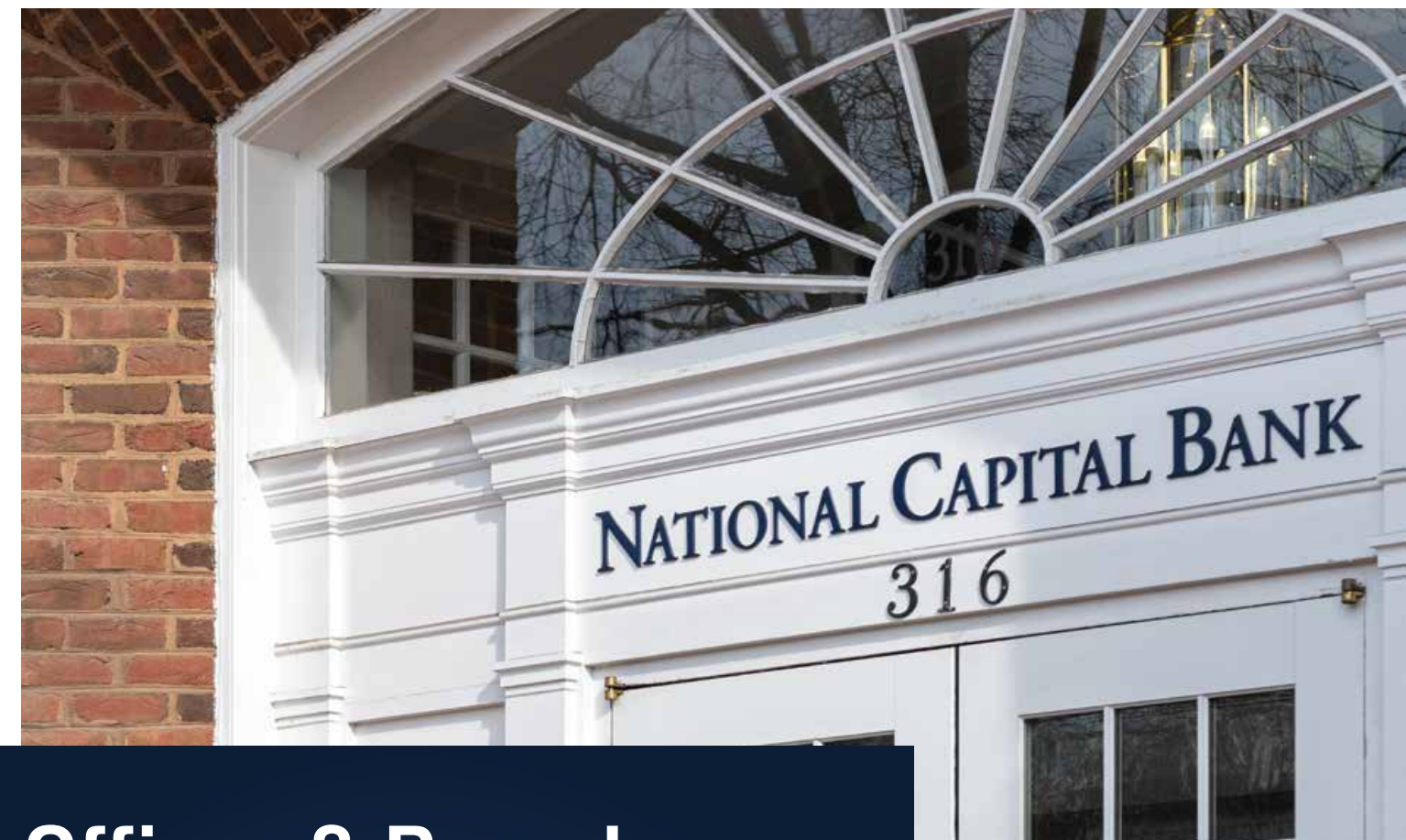




# Executive Management

**Standing L-R:** Randal J. Rabe - Executive Vice President, Chief Financial Officer; Debra A. Keats - Executive Vice President, Chief Retail Administration Officer; Joseph Marchese - Executive Vice President, Chief Credit Officer; Paul T. Yeloushan - Executive Vice President, Chief Information Officer; R. Andrew Didden Jr. - Executive Vice President, Chief Investment Services Officer

**Seated L-R:** Jimmy Olevson - President and Chief Executive Officer; Patricia M. Ostrander - Executive Vice President, Chief Administrative Officer and Compliance Officer



# Offices & 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  
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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