

**FOR IMMEDIATE RELEASE**

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## **The National Capital Bank of Washington Reports Fourth Quarter Earnings**

Washington, DC, January 25, 2017

The National Capital Bank of Washington “NCB” reported net income of \$1,195,000, or \$4.15 per common share, for the three months ended December 31, 2016, compared to \$2,109,000, or \$7.33 per share, for the three months ended December 31, 2015. For the year ended December 31, 2016, net income is \$4,943,000, or \$17.17 per share, compared to \$6,587,000, or \$22.90 per share, for the year ended December 31, 2015. After charging off \$10.9 million of problem loans and reporting a loss of \$7.1 million in 2014, NCB has been diligently working to restore profitability through the addition of new executive management, development of new lending programs and policies, and the improvement of core operations. As a result, NCB is proud to report net loan recoveries of \$4.1 million and \$3.5 million for 2015 and 2016, respectively, and two solid years of net operating earnings.

Total assets remained constant year over year at \$411,864,000 for December 31, 2016 compared to \$411,914,000 for December 31, 2015. Total loans of \$208,723,000 at December 31, 2016 decreased from \$216,005,000 from the year before as the Bank ran-off \$24 million of 30-year fixed rate residential mortgages, partially offset by a \$20 million in new commercial real estate lending. Total investment securities available for sale are \$164,695,000 at the end of 2016 compared to \$171,699,000 at December 31, 2015. The decrease is a result of exiting a large portfolio of callable agencies at a gain while reinvesting the funds into amortizing real estate backed agencies at a net yield improvement of 24 basis points. This change in investments has improved the Bank’s liquidity for planned loan growth. Total deposits also remained relatively constant at \$362,170,000 at December 31, 2015 compared to \$364,310,000 the year before.

Total shareholders’ equity increased to \$40,899,000 at December 31, 2016 from \$37,914,000 a year ago. The increase resulted from core earnings and loan recoveries during the last 12 months, partially offset by the increase in unrealized losses on investment securities, available for sale, from market interest rate increases during the fourth quarter of 2016. At December 31, 2016 the return on average assets and return on average equity was 1.20% and 11.90%, respectively. NCB was pleased to announce and distribute a \$0.50 per share cash dividend along with a special \$0.50 cash dividend during the fourth quarter of 2016.

Richard B. (Randy) Anderson, Jr. President and Chief Executive Officer said, “Our fourth quarter operating results represented a strong finish to a year dedicated to solidifying NCB’s core operations from a staffing and infrastructure perspective, continued improvement in asset quality and repositioning the Bank’s loan and securities portfolios to take advantage of market opportunities. Hallmarks of the quarter were \$796,000 in net loan recoveries, a \$6.7 million increase in commercial real estate loans, continued improvement in the Bank’s net interest margin and a healthy backlog of loans in process going into the new year. We were also gratified to reward our shareholders for their patience with \$1 per share in cash dividends. The NCB Team is excited about our prospects in 2017 and looks forward to building upon the positive momentum of the past year.”

The National Capital Bank of Washington is the oldest bank in the District of Columbia having been founded in 1889. The Bank operates from its main office on Capitol Hill and a branch office in Friendship Heights. To learn more about the Bank, please visit [www.NationalCapitalBank.com](http://www.NationalCapitalBank.com) or call 202-546-8000.

## **Forward Looking Statements**

This news release may contain certain forward-looking statements, such as statements of the Bank's plans, objectives, expectations, estimates and intentions. Forward-looking statements may be identified by the use of words such as "expects," "subject," "will," "intends," "will be" or "would," These statements are subject to change based on various important factors (some of which are beyond the Bank's control) and actual results may differ materially. Accordingly, readers should not place undue reliance on any forward-looking statements (which reflect management's analysis of factors only as of the date of which they are given). These factors include general economic conditions, trends in interest rates, the ability of the Bank to effectively manage its growth and results of regulatory examinations, among other factors. The foregoing list of important factors is not exclusive.

**The National Capital Bank of Washington  
Financial Highlights**

(In thousands, except share data)  
(Unaudited)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2016	2015	2016	2015
<b>Condensed Statement of Income:</b>				
Interest income	\$3,182	\$2,670	\$11,822	\$11,709
Interest expense	111	118	447	516
Net interest income	3,071	2,552	11,375	11,193
Provision (reversal) for loan losses	(892)	(3,079)	(3,662)	(7,279)
Net interest income after provision	3,963	5,631	15,037	18,472
Non-interest income	446	448	2,318	1,871
Non-interest expense	2,775	2,626	9,544	9,672
Income before taxes	1,634	3,453	7,811	10,671
Income tax provision	439	1,344	2,868	4,084
Net income	<u>\$1,195</u>	<u>\$2,109</u>	<u>\$4,943</u>	<u>\$6,587</u>

**Share Data:**

Weighted avg. no. of shares outstanding	288,033	287,652	287,884	287,652
Period end shares outstanding	288,033	287,652	288,033	287,652

**Per Common Share Data:**

Net income	\$4.15	\$7.33	\$17.17	\$22.90
Closing Stock Price			\$176.00	\$155.00
Book Value			\$141.99	\$131.80

**Profitability Ratios, Annualized:**

Return on average stockholders' equity	11.11%	23.63%	11.90%	19.42%
Return on average total assets	1.18%	2.03%	1.20%	1.54%
Average equity to average total assets	10.65%	8.61%	10.06%	7.92%

**Condensed Balance Sheets:**

	December 31 2016	December 31 2015
<b>Assets</b>		
Cash and equivalents	\$23,913	\$12,367
Securities, available for sale	164,695	171,699
Loans	208,723	216,005
Allowance for loan losses	(4,711)	(4,854)
Premises and equipment, net	2,710	2,320
Bank owned life insurance	11,115	8,491
Other assets	5,419	5,886
Total assets	<u>\$411,864</u>	<u>\$411,914</u>
<b>Liabilities and stockholders' equity</b>		
Deposits	\$362,170	\$364,310
Securities sold under agreement to repurchase	6,662	8,473
Federal Home Loan Bank advances	0	0
Other liabilities	2,133	1,217
Stockholders' equity	40,899	37,914
Total liabilities and stockholders' equity	<u>\$411,864</u>	<u>\$411,914</u>

**Other Data:**

Non-performing loans to total loans	1.95%	2.11%
Allowance to total loans	2.26%	2.25%
Net charge-offs (recoveries) to average loans	-1.68%	-1.79%
Net interest margin for the quarter	3.02%	2.59%
Net interest margin for the year	2.86%	2.72%