



ANSWERING THE WHY



WORKING TOGETHER. BUILDING COMMUNITY.

2015 ANNUAL REPORT

A LETTER FROM THE PRESIDENT



YOUR “WHY”: THE PURPOSE,
CAUSE OR BELIEF THAT INSPIRES
YOU TO DO WHAT YOU DO.

NCB’s “WHY”: OUR BELIEF IN
OUR COOPERATIVE MISSION, IN
HELPING OUR CUSTOMERS SUCCEED
AND IN BUILDING COMMUNITY DRIVES
OUR PERFORMANCE.

I was recently asked, “What is NCB’s ‘why’?”

It’s easy to answer with “great products and services” or “great customer service,” but that is not our “why.”

Our “why” is our strong belief in people working together to help each other, allowing them to find value not possibly achieved by themselves. Our “why” helps people and organizations gain access to goods and services that are only available through the power of cooperation. We help communities create wealth and fuel their local businesses, give residents access to healthy food and provide affordable housing options. **We help build community.**

Our dedication to our “why” also directly powers our success, as witnessed by many highlights in 2015.

To begin the year, NCB, FSB, our federally insured thrift subsidiary, converted to a national bank charter, National Cooperative Bank, N.A. We made this conversion to meet customer needs, allowing us to offer more products and services to the broader cooperative community.

In September of last year, we proved again that when we do well, our customers do well and issued a \$5 million patronage refund to 1,874 cooperative shareholders nationwide, \$2 million of which was in cash.

We are very fortunate to have cooperatives select NCB as their banking partner. With a shared set of values and principles, we know we can have a greater impact working together. 2015 was another great year of providing loan solutions to our commercial and housing customers. With interest rates remaining very low, customers were able to

lock in low rates to help refinance existing debt, fund capital improvements to their buildings or expand their businesses.

Our real estate lines of business generated \$1.1 billion in loans in 2015. This was an increase of 16% from 2014. Our commercial and non-profit lines of business disbursed \$114 million in 2015 and included \$47.6 million in new co-op development.

Our deposits continue to grow and, as of December 31, 2015, totaled \$1.7 billion. Credit unions have become a large percentage of our deposit base, having chosen NCB not only for our superior products and services but for our similar mission and values. Our “why” matters to them. We will continue to grow our deposit base across more cooperative partners so together we can have an even greater impact.



“

WE CHOSE NCB BECAUSE **NCB SHARES OUR VALUES**, THAT BUSINESSES AND BANKS, AND BANKS AS BUSINESSES, SHOULD BE IN THIS WORLD TO **DO MORE THAN JUST MAKE A PROFIT**

 **ROB EVERTS** Co-Executive Director
Equal Exchange

CORPORATE RESPONSIBILITY

NCB's commitment to mission banking and serving low- and moderate-income communities defines our difference in the market. That commitment has guided us for over 35 years and led us to make loans and investments in 2015 totaling \$290 million to benefit low- and moderate-income communities. This included the creation of 542 jobs, \$47.6 million in new co-op development and 12 solar energy projects providing 67 MW of power.

NCB's commitment to community and our mission goes beyond the loans we make. Building community takes time, talent and treasure. In 2015, NCB provided over \$440,000 in sponsorship dollars to cooperative and community organizations nationwide. In addition, our employee-driven corporate contributions committee distributed \$126,125 to 63 nonprofit organizations. Funds for this committee are made possible by a dollar for dollar match from NCB's employee giving campaign. NCB employees also volunteer countless hours in their community, and we were proud to honor four employees in 2015 with Volunteer Service Awards for their many hours of serving local nonprofit organizations.



MORE THAN JUST A BANK...

NCB's cooperative and community development mission has guided us for over 35 years and is a critical component of what defines our institution. In 2015 alone, NCB made loans and investments totaling \$290 million to benefit low and moderate income communities.



\$290
MILLION

serving low and moderate income communities



\$8.5
MILLION

in investments & grants to low & moderate income communities



\$47.6
MILLION

in new co-op development



1/3 of
EMPLOYEES

volunteer throughout the community



20

financial education seminars for the community



375
STUDENTS

completed NCB's high school financial education program through Everfi



The Village Cooperative of Shawnee

Seen here, the Village Cooperative of Shawnee was recently completed with help from a **\$7.3 million loan from NCB**. The new senior housing cooperative, located in Shawnee, Kansas, will be home to 53 residents.



COOPERATIVE PARTNERSHIPS

Our “why” is also a magnet for organizations that want to partner with NCB and share in the benefits of not only doing financially well but also doing good in their communities.

In the past year, we have leveraged our many partnerships with other cooperative organizations and Community Development Financial Institutions to do more together for communities across the country.

In 2015, we forged a \$40 million financing program with ROC USA and MetLife to finance resident-owned manufactured home communities (ROCs) at scale. This program will provide first mortgage and acquisition loans to finance the conversion of ROCs to limited-equity housing cooperatives.

In early 2016, we finalized a program with the National Federation of Community Development Credit Unions to provide \$5 million in secondary capital loans to eligible

credit unions in the Federation’s Community Development Investment (CDI) Program. This program provides capital resources to its member credit unions seeking funds to increase liquidity, boost net worth, mitigate risk and introduce innovative products. Since its inception in 1982, the CDI Program has invested more than \$120 million in community development credit unions.

And in our Ohio community, NCB provided a \$4 million line of credit to Ohio Capital Finance Corporation, a Community Development Financial Institution, to provide bridge financing for two affordable housing projects located in Brown County, Ohio.



NCB HAS HELPED US IN MANY WAYS SINCE 2007. WE HAVE WORKED WITH SOME WONDERFUL, PROFESSIONAL PEOPLE THAT CARE ABOUT US AND COOPERATIVES.

LARRANE HARTRIDGE *Former General Manager*
New Leaf Market Co-op

COMMITMENT TO IMPROVEMENT



In 2015, we reinstituted our customer satisfaction surveys across all lines of business.

I want to thank everyone who participated for their honest remarks. We utilize these responses to help strategize and focus on initiatives and products that are critical to help you and your business.

I was very pleased to see that we had strong ratings for our overall relationship and product offerings to our customers. Another theme was that you value your relationship with NCB and you see us as a partner in your success. I could not agree more.

We also heard that you wanted more product awareness and that we need to do a better job of expanding our product offerings and enhancing our technology solutions to make the experience easier.

For our consumer customers, I thank you for your feedback. That continues with every new loan closing. In the light of increased residential mortgage regulation and compliance, we will continue to work on improving communicating expectations and status with our customers and strive to make the home-buying experience with NCB as efficient as possible.

Finally, NCB's "why" cannot be defined without our employees, who are committed to NCB's mission and serving our customers. Many have been employed by NCB for three decades. Our satisfaction surveys noted that our "people" are one of the top reasons they

bank with NCB, and I thank the entire NCB staff for doing such a fabulous job. Our hard work has paid off as we were once again awarded top workplace in the DC Metro area by The Washington Post and top workplace in Ohio. We all certainly enjoy what we do, and it pays off.

In Cooperation,

Charles E. Snyder,
President & CEO



Ohio Capital Finance Corporation

NCB provided a \$4 million line of credit to Ohio Capital Finance Corporation, a Community Development Financial Institution to fund low income housing projects in Brown County, Ohio. Working with Ohio Capital Finance Corporation, which has a successful track record in identifying affordable housing projects in Ohio, is a great partner to help serve our mission.

NATIONAL COOPERATIVE BANK

BOARD OF DIRECTORS



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President & Chief Executive Officer
Georgia Credit Union Affiliates
Duluth, Georgia

STEVEN F. CUNNINGHAM **VICE CHAIR**

President
S.F. Cunningham, LLC
Vienna, VA

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Former President
Thanexus, Inc.
Wall Township, NJ

ROGER COLLINS

Chief Executive Officer & Chairman
Harps Foods
Springdale, AR

PAUL HAZEN

Executive Director
**U.S. Overseas Cooperative
Development Council, Inc.**
Washington, DC

JANIS HERSCHKOWITZ

President & Chief Executive Officer
PRL, Inc.
Cornwall, Pennsylvania

PETER LARKIN

President & Chief Executive Officer
National Grocers Association
Arlington, VA

ANDREA LEVERE

President
CFED
Washington, DC

MARTIN LOWERY

*Executive Vice President,
External Affairs*
**National Rural Electric
Cooperative Association**
Arlington, VA

L. RAY MONCRIEF

Former Chief Operating Officer
**Kentucky Highlands Investment
Corporation**
London, Kentucky

MARY ANN ROTHMAN

Executive Director
**Council of New York Cooperatives
& Condominiums**
New York, NY

MAURICE SMITH

President
**Local Government Federal
Credit Union**
Raleigh, NC

DAVID P. SWANSON

Partner
Dorsey & Whitney LLP
Minneapolis, Minnesota

DAVID VLIET

CEO
**Tiburcio Vasquez
Health Center, Inc.**
Hayward, CA

NATIONAL COOPERATIVE BANK

CORPORATE INFORMATION



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OHIO OPERATIONS CENTER

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Anchorage, Alaska 99501
(907) 561-0777

RETAIL BRANCHES

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(937) 393-4246

Hillsboro Kroger
575 Harry Sauner Road
Hillsboro, Ohio 45133
(937) 393-4247

Wilmington
2829 Rombach Avenue
Wilmington, Ohio 45177
(937) 382-2484

Fayetteville
19575 State Route 68
Fayetteville, Ohio 45118
(513) 875-4030

ACCOUNT INFORMATION

You can view loan, stock and deposit account information in the online banking section of www.ncb.coop. If you have specific questions regarding your account, please contact your loan administrator or NCB deposit operations.

INQUIRIES

For general information on NCB, please call (800) 955-9622.



FINANCIAL REPORTS



CONSOLIDATED BALANCE SHEETS (December 31, 2015 and 2014)

Dollars in thousands

ASSETS	2015	2014
Cash and cash equivalents	\$ 240,462	\$ 215,917
Federal funds sold	1,322	4,030
Total cash and cash equivalents	241,784	219,947
Restricted cash	4,026	2,815
Investment securities:		
Available-for-sale (amortized cost of \$90,866 and \$92,322, respectively)	91,099	92,455
Held-to-maturity (fair value of \$26,510 and \$33,367, respectively)	26,442	33,215
Loans held-for-sale	90,768	57,529
Loans held-for-sale pledged for secured borrowings	76,481	---
Total loans held-for-sale (includes \$156,664 and \$48,642, measured at fair value, respectively)	167,249	57,529
Loans held-for-investment (includes \$5,022 measured at fair value at December 31, 2015)	1,626,723	1,437,931
Loans pledged for secured borrowings	1,821	2,592
Total loans held-for-investment	1,628,544	1,440,523
Less: Allowance for credit losses on loans	(13,151)	(12,493)
Total loans held-for-investment, net	1,615,393	1,428,030
Federal Home Loan Bank and Federal Reserve Bank stocks, at cost	10,632	8,251
Other assets	68,644	73,948
TOTAL ASSETS	\$ 2,225,269	\$ 1,916,190
LIABILITIES AND MEMBERS' EQUITY		
<i>Liabilities</i>		
Deposits	\$ 1,700,414	\$ 1,443,341
Borrowings	169,060	193,971
Secured borrowings	71,352	2,592
Patronage dividends payable in cash	3,600	2,000
Other liabilities	24,209	29,650
Total liabilities	1,968,635	1,671,554
Commitments and contingencies		
<i>Members' equity</i>		
Common stock		
Class B and C, \$100 par value. 2,350,000 shares authorized; 2,168,972 & 2,126,310 shares issued & outstanding, respectively. Class E, \$1,000 par value. 25 shares authorized; 15 issued and outstanding.	216,912	212,646
Retained earnings		
Allocated	5,400	3,000
Unallocated	33,777	28,848
Accumulated other comprehensive income	545	142
Total members' equity	256,634	244,636
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 2,225,269	\$ 1,916,190

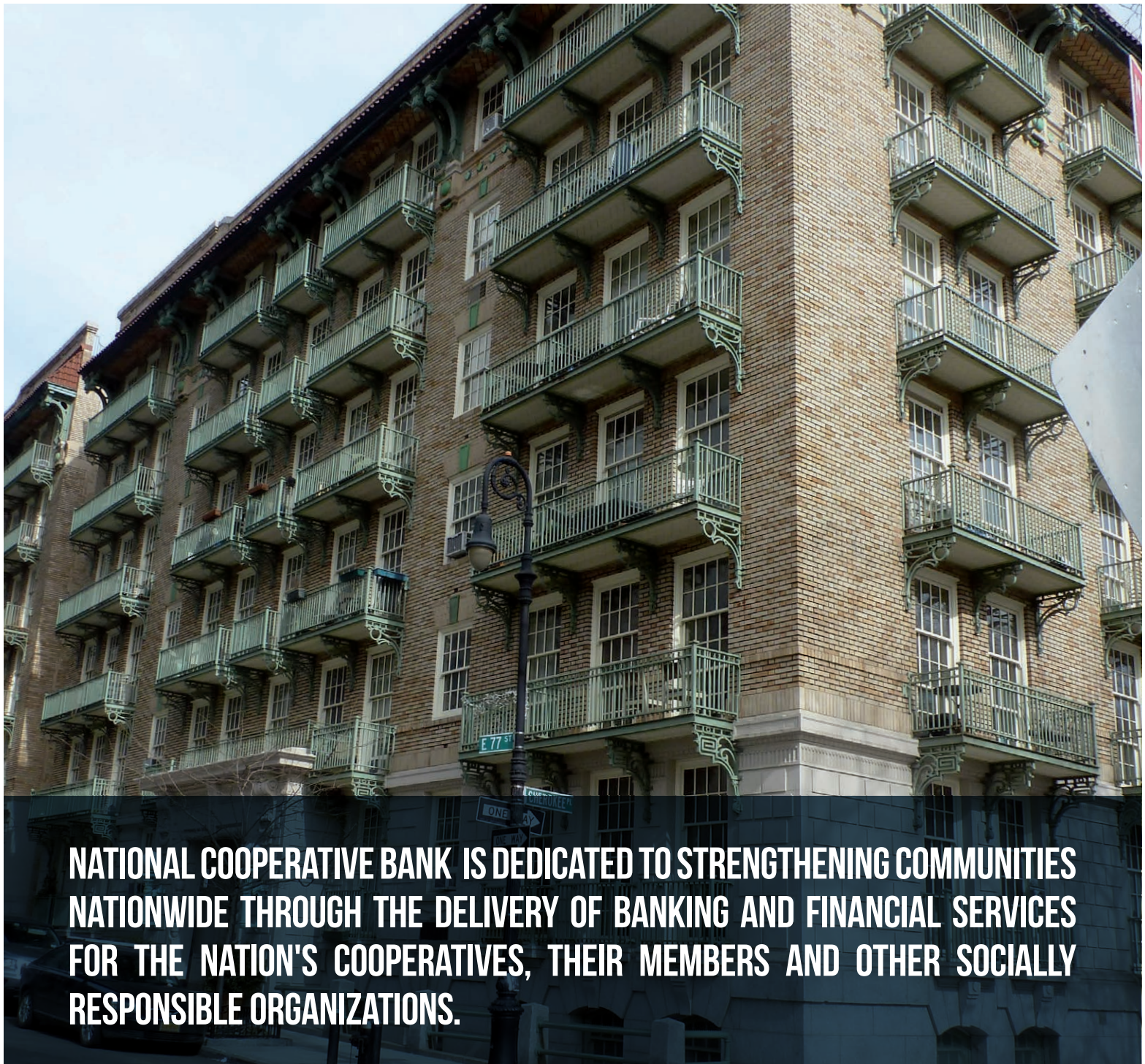
CONSOLIDATED STATEMENTS OF INCOME (Years Ended December 31, 2015 and 2014)

Dollars in thousands

INTEREST INCOME		
Loans	\$ 74,941	\$ 69,191
Investment securities	2,403	1,948
Other	1,257	1,594
Total interest income	78,601	72,733
INTEREST EXPENSE		
Deposits	8,298	7,384
Borrowings	4,139	5,655
Total interest expense	12,437	13,039
Net interest income	66,164	59,694
Provision for credit losses on loans	1,566	318
Net interest income after provision for credit losses on loans	64,598	59,376
NON-INTEREST INCOME		
Gain on mortgage banking activities and loan sales	16,295	18,233
Letter of credit fees	120	796
Loan servicing fees	4,839	5,795
Real estate loan fees	2,305	3,118
Commercial loan fees	423	489
Deposit fee income	1,650	1,332
Other	2,391	1,688
Total non-interest income	28,023	31,451
NON-INTEREST EXPENSE		
Compensation and employee benefits	47,360	47,350
Contractual services	7,458	5,608
Reduction of losses on unfunded commitments	(1,911)	(3,321)
Occupancy and equipment	6,485	6,666
Information systems	5,937	5,177
Loan costs	2,239	3,624
Foreclosure and REO costs	499	281
FDIC premium	1,216	1,229
Corporate development	1,683	1,370
Deposit costs	2,513	2,380
Other-than-temporary impairment	201	83
Other	3,907	3,533
Total non-interest expense	77,587	73,980
Income before income taxes	15,034	16,847
Income tax provision	1,165	1,262
NET INCOME	\$ 13,869	\$ 15,585
DISTRIBUTION OF NET INCOME		
Patronage dividend accrual	9,000	5,000
Retained earnings	4,869	10,585
	\$ 13,869	\$ 15,585



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**NATIONAL COOPERATIVE BANK IS DEDICATED TO STRENGTHENING COMMUNITIES
NATIONWIDE THROUGH THE DELIVERY OF BANKING AND FINANCIAL SERVICES
FOR THE NATION'S COOPERATIVES, THEIR MEMBERS AND OTHER SOCIALLY
RESPONSIBLE ORGANIZATIONS.**



Working Together.
Building Community.

VISIT US ONLINE AT WWW.NCB.COOP