

NATIONAL COOPERATIVE BANK  
2014 ANNUAL REPORT

*Working  
Together*



*Building  
Community*



National Cooperative Bank



# A Letter from the President

**As a socially-responsible cooperative financial institution, the principles of collaboration, impact and community are at the heart of our mission and business practices. These values have allowed us to operate in a way that is both profitable and personal, by approaching every customer as an individual and every community as our partner.**

We Care is more than just a slogan for the Bank – it guides our operating principles for our customers, employees and communities.

## we care about our Customers

**W**e are proud to report 2014 was another stellar year for the Bank as we continued to provide the best financing solutions for our real estate and commercial customers. During this time, the real estate lending teams originated \$951 million in loans for cooperatives and individual unit owners and our commercial lending teams originated over \$150 million in new loans. We also saw a 9.8% growth in our deposits to \$1.44 billion as of December 31, 2014. The growth in our deposits is from a strategic focus on our credit union and housing customer segments.

The Bank's total assets increased to \$1.9 billion during 2014, from \$1.8 billion the previous year. If you include our loans originated and funded through various capital market transactions we now manage \$7.4 billion for our cooperative and single family customers.

At the end of 2014, we converted our thrift subsidiary, NCB, FSB, to a commercial bank and renamed it National Cooperative Bank, N.A. While most borrowers noticed very little day-to-day difference, as an institution it provides us with greater capacity to serve our commercial cooperative customers.

Co-op businesses across the country are benefiting from the Bank's growing commercial lending program. In Glennallen, Alaska – a town with a population of 483 – the future of its True Value store was a top priority for the community. The 18-year old store's owner was retiring and looking to sell the business. In stepped locals Rhonda and Ernest Christian, who always dreamed of owning their own store. The Christians turned to NCB, who was able to make this dream a reality by providing them with financing to purchase the land, building and

business assets. Since taking over the store in December 2014, the business is thriving and receiving strong support from its community.

The Bank's expanded level of service in 2014 is also the result of a number of newly-formed partnerships. Last year, we made a larger commitment to support the Senior Living/Long-term Care and Renewable Energy sectors. We embarked on a new initiative with LeadingAge and Grantmakers in Aging (GIA) to launch an \$85 million LeverAge Innovation Financing Program to provide assistance to organizations focused on serving low-income seniors. The program provides below market lending options for the development of new models of affordable senior housing and services to meet the evolving needs of aging communities and healthcare systems.

In addition to the innovative LeverAge program, NCB also partnered with the National Programs of All-Inclusive Care for the Elderly (PACE) Association (NPA) to develop a lending program to address the specific needs of the NPA members to implement new or expanded PACE programs. PACE is a comprehensive program that helps meet the health care needs in the community instead of going to a nursing home or other care facility.

While these new opportunities are always exciting for our team, we continue to work closely with our existing relationships to sustain the great work already in progress. In the renewable energy sector, we reached a major milestone by providing 312 Megawatts of DC (Direct Current) power across our 77 solar projects nationwide. The 312 Megawatts is equivalent to eliminating 604,822,400 lbs of carbon annually!





## we care *about our* Community

The projects we finance are at the heart of local communities – from healthcare centers to grocery cooperatives – and we are deeply aware that not all communities have the same opportunities. It's why we continue to grow our mission banking efforts to support organizations that serve low- and middle-income neighborhoods. In 2014, we committed and deployed \$268.5 million to entities and programs that serve residents of these communities.

In addition to the mission banking funds, we manage a corporate contributions committee that provides grants to local non-profit organizations. Resources for the corporate contributions are generated through a dollar-for-dollar match by the Bank from the employee giving campaign. Over the past three years we have raised and distributed more than \$250,000.

While funds are critical to these organizations, it takes more than just dollars to sustain these programs. Volunteers are integral to their success, which is why we host our annual employee volunteer days. Staff members from all of our offices are regularly volunteering at a wide range of organizations. From national entities like Habitat for Humanity to local charities such as Comfort Cases which provides a backpack of essentials to children in foster-care; our workers are dedicated to giving their time in the community.

In Ohio, we continue to provide our free financial literacy program for local high school students. Since the launch of the program in 2013, we have served over 700 students in six local high schools. Participants are granted access to a web-based, consumer education resource powered by EverFi, covering such topics as saving, budgeting, responsible decision-making, credit and debt, careers, income and charity. Upon successful completion of the course, students receive a Certification in Financial Literacy, a valuable mark of distinction on college applications and resumes. The Bank also awards the school with the highest percentage of students completing the program a \$2,000 technology grant each year, and one student from each participating school a \$1,000 scholarship annually.

# we care *about our Employees*

The level of compassion and dedication our employees show their communities is one of the many outstanding attributes they bring to work every day. We recognize our exceptional team furthers the Bank's mission daily, and they are the main reason 2014 was such a successful year. We are equally devoted to making their office environment one that is positive and inspiring every day.

We continue to explore new ways to further improve our employees' work experience and are honored these efforts led to some local and national recognition. In 2014, The Washington Post ranked NCB number five of mid-sized companies on its Top Workplaces List, based solely on employee surveys. Over the past several years we've also instituted new programs to benefit our employees' health and well-being. This year we ranked eighth in the 100-499 employees category on the Washington Business Journal's Greater Washington's Healthiest Employers 2014 List, an awards program that recognizes best practices in corporate wellness and measures progress yearly. We are equally pleased to be named to The Dave Thomas Foundations 100 Best Adoption-Friendly Workplaces in 2014, for providing our employees with support when making this important family decision.

From our customers to our communities to our employees, we are proud to be a financial institution that

'cares.' As a Bank and as individuals, we recognize how much caring can truly make a difference. We will continue to use our platform to spread this message and explore new cooperative opportunities. Through the continued support of our loyal customers, strong communities and dedicated employees we are confident that our values and cooperative principles will have an even broader and deeper impact on businesses, neighborhoods and individuals in the coming year.

*In cooperation,*  


“ I am very happy to be a part of an organization that has such a great company culture, a strong mission and which cares for its employees and customers. I find NCB to be very empowering and provides a lot of opportunities for employee growth. ”

Honoree  
WASHINGTON  
BUSINESS JOURNAL  
Greater Washington's  
**Healthiest  
Employers**  
2014 AWARDS



# Financials

## CONSOLIDATED BALANCE SHEETS

December 31, 2014 and 2013

(Dollars in thousands)

	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 215,917	\$ 333,050
Federal funds sold	4,030	4,504
Total cash and cash equivalents (note 4)	219,947	337,554
Restricted cash (note 4)	2,815	3,417
Investment securities (note 5):		
A available-for-sale (amortized cost of \$92,322 and \$58,591, respectively)	92,455	56,169
Held-to-maturity (fair value of \$33,367 and \$29,291, respectively)	33,215	29,489
Loans held-for-sale (includes \$48,642 and \$23,706, measured at fair value, respectively) (note 6)	57,529	59,005
Loans held-for-investment (note 8)	1,437,931	1,236,615
Loans pledged for secured borrowings (note 8)	2,592	14,989
Total loans held-for-investment	1,440,523	1,251,604
Less: Allowance for credit losses on loans (note 8)	(12,493)	(14,498)
Total loans held-for-investment, net	1,428,030	1,237,106
Federal Home Loan Bank Stock, at cost (note 12)	8,251	9,651
Other assets (note 13)	73,948	79,614
Total assets	<u>\$ 1,916,190</u>	<u>\$ 1,812,005</u>
<b>Liabilities and Members' Equity</b>		
<i>Liabilities</i>		
Deposits (note 15)	\$ 1,443,341	\$ 1,314,078
Secured borrowings (note 16)	2,592	10,649
Borrowings (note 16)	193,971	229,028
Patronage dividends payable in cash (notes 19, 23)	2,000	-
Other liabilities (note 9)	29,650	30,659
Total liabilities	<u>1,671,554</u>	<u>1,584,414</u>
Commitments and contingencies (notes 9, 14, 21)		
<i>Members' equity</i>		
Common stock		
Class B and C, \$100 par value. 2,350,000 shares authorized; 2,126,310 and 2,119,044 shares issued and outstanding, respectively. Class E, \$1,000 par value. 25 shares authorized; 15 issued and outstanding.	212,646	211,904
Retained earnings		
Allocated	3,000	-
Unallocated	28,848	18,262
Accumulated other comprehensive income (loss)	142	(2,575)
Total members' equity (note 17)	<u>244,636</u>	<u>227,591</u>
Total liabilities and members' equity	<u>\$ 1,916,190</u>	<u>\$ 1,812,005</u>

The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED INCOME STATEMENTS

Years ended December 31, 2014 and 2013

(Dollars in thousands)

	2014	2013
<b>Interest income:</b>		
Loans	\$ 69,191	\$ 65,166
Investment securities	1,948	1,073
Other	1,594	2,097
Total interest income	<u>72,733</u>	<u>68,336</u>
<b>Interest expense:</b>		
Deposits (note 15)	7,384	8,867
Borrowings (note 16)	5,655	8,264
Total interest expense	<u>13,039</u>	<u>17,131</u>
Net interest income	59,694	51,205
Provision for (reduction of) credit losses on loans (note 8)	318	(1,515)
Net interest income after provision for (reduction of) credit losses on loans	<u>59,376</u>	<u>52,720</u>
<b>Non-interest income:</b>		
Gain on mortgage banking activities and loan sales (note 7)	18,233	38,220
Letter of credit fees (note 9)	796	1,078
Loan servicing fees (note 7)	5,795	4,819
Real estate loan fees	3,118	1,555
Commercial loan fees	489	799
Deposit fee income	1,332	1,554
Other	1,688	2,044
Total non-interest income	<u>31,451</u>	<u>50,069</u>
<b>Non-interest expense:</b>		
Compensation and employee benefits (note 18)	47,350	47,208
Contractual services	5,608	8,231
(Reduction of) provision for losses on unfunded commitments (note 9)	(3,321)	681
Occupancy and equipment (notes 11, 14)	6,666	6,364
Information systems	5,177	4,659
Loan costs	3,624	4,304
Foreclosure and REO costs	281	772
FDIC premium	1,229	1,341
Deposit costs	2,380	1,973
Other-than-temporary impairment (note 5)	83	124
Other	4,903	3,973
Total non-interest expense	<u>73,980</u>	<u>79,630</u>
Income before income taxes	16,847	23,159
Income tax provision (note 19)	1,262	1,961
Net income	<u>\$ 15,585</u>	<u>\$ 21,198</u>
<b>Distribution of net income:</b>		
Patronage dividend accrual	\$ 5,000	\$ -
Retained earnings	10,585	21,198
	<u>\$ 15,585</u>	<u>\$ 21,198</u>

## Corporate Office

2001 Pennsylvania Ave, NW  
Suite 625  
Washington, DC 20006  
(202) 349-7444  
(800) 955-9622

## Operations Center

2011 Crystal Drive  
Suite 800  
Arlington, Virginia 22202  
(703) 302-8000  
(800) 955-9622

## Regional Offices

### California

360 22nd Street, Suite 320  
Oakland, California 94612  
(510) 496-2200

### New York

250 Park Avenue, Suite 900  
New York, New York 10177  
(212) 808-0880

### Alaska

801 B Street, Suite 300  
Anchorage, Alaska 99501  
(907) 561-0777

## Retail Branches

### Main Office

139 South High Street  
Hillsboro, Ohio 45133  
(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](http://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**.

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