

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-17** | Period of Report: **1994-03-31**  
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### FILER

#### **NATIONAL CONSUMER COOPERATIVE BANK /DC/**

CIK: **356801** | IRS No.: **521157795** | State of Incorpor.: **DC** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **002-99779** | Film No.: **94529041**  
SIC: **6141** Personal credit institutions

Mailing Address  
*1401 EYE ST NW  
WASHINGTON DC 20005*

Business Address  
*1401 EYE ST N W  
WASHINGTON DC 20005  
2023367700*

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1994 Commission file number 2-99779

National Consumer Cooperative Bank  
(Exact name of registrant as specified in its charter)

United States of America  
(12 U.S.C. Section 3001 et seq.)  
(State or other jurisdiction of  
incorporation or organization)

52-1157795  
(I.R.S. Employer  
Identification No.)

1401 Eye St., NW, Suite 700, Washington, D.C. 20005  
(Address of principal executive offices)

Registrant's telephone number, including area code (202)336-7700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Outstanding at March 31, 1994

Class C (Common stock, \$100.00 par value)	205,738
Class B (Common stock, \$100.00 par value)	596,908
Class D (Common stock, \$100.00 par value)	3

National Consumer Cooperative Bank  
(doing business as National Cooperative Bank)  
and Subsidiaries

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No applicable items.

NATIONAL COOPERATIVE BANK  
CONSOLIDATED BALANCE SHEETS  
MARCH 31, 1994 AND DECEMBER 31, 1993

Assets	1994	1993
Cash and cash equivalents	\$ 40,235,005	\$ 22,938,795
Restricted cash	8,361,519	8,361,519
Investment securities		
Trading account		
Available-for sale	25,962,094	26,406,171
Held-to-maturity	1,395,770	3,380,698
Loans and lease financing	409,311,771	417,438,593
Loans held for sale	13,558,874	40,274,829
Less: Allowance for loan losses	(12,928,226)	(12,309,359)
	-----	-----
	409,942,419	445,404,063
Excess servicing fees receivable	17,045,539	20,722,861
Premises and equipment, net	2,170,551	2,028,044
Other assets	10,048,025	6,524,825
	-----	-----
Total assets	\$515,160,922	\$535,766,976
	=====	=====

Liabilities and Members' Equity

Liabilities

Deposits	\$ 50,436,254	\$ 66,931,434
Patronage dividends payable in cash	4,617,273	3,147,860
Other liabilities	13,969,245	8,722,495
Borrowings		
Short-term	19,039,690	31,541,577
Long-term	130,311,874	130,354,889
Other	1,868,632	2,040,406
	-----	-----
	151,220,196	163,936,872
Subordinated Class A notes	182,970,302	182,989,162
	-----	-----
Total borrowings	334,190,498	346,926,034

Total liabilities	403,213,270	425,727,823
Members' Equity		
Common stock		
Class B	59,690,818	59,671,095
Class C	20,573,753	20,573,753
Class D	300	300
Retained earnings		
Allocated	16,186,851	12,844,968
Unallocated	15,718,199	16,949,037
Unrealized loss on investment securities available for sale	(222,269)	
Total members' equity	111,947,652	110,039,153
Total liabilities and members' equity	\$515,160,922	\$535,766,976

NATIONAL COOPERATIVE BANK  
CONSOLIDATED STATEMENTS OF INCOME  
For the Three Months Ended March 31, 1994 and 1993

	1994	1993
Interest income		
Loans and lease financing	\$ 9,224,777	\$ 9,422,471
Investment securities	589,441	636,121
Total interest income	9,814,218	10,058,592
Interest expense		
Deposits	424,513	477,460
Short-term borrowings	426,063	343,955
Long-term debt, other borrowings and subordinated Class A notes	3,869,736	4,670,564
Total interest expense	4,720,312	5,491,979
Net interest income	5,093,906	4,566,613
Provision for loan losses	490,100	299,287
Net interest income after provision for loan losses	4,603,806	4,267,326
Non-interest income		
Gain on sale of loans	2,746,706	1,367,160
Loan and deposit servicing fees	362,945	297,978
Other	841,309	426,496
Total non-interest income	3,950,960	2,091,634
Non-interest expenses		
Compensation and employee benefits	2,527,583	2,051,783
Contractual services	697,995	652,977
Occupancy and equipment	684,988	681,965
Contribution to NCB Development Corporation		233,785
Other	477,773	362,005
Total non-interest expenses	4,388,339	3,982,515
Income before income taxes	4,166,427	2,376,445

Provision for income taxes	503,307	272,385
	-----	-----
Net income	\$ 3,663,120	\$ 2,104,060
	-----	-----
Distribution of net income		
Patronage dividends	\$ 3,266,030	\$ 2,111,436
Retained earnings	397,090	(7,376)
	-----	-----
	\$ 3,663,120	\$ 2,104,060
	=====	=====

NATIONAL COOPERATIVE BANK  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 1994 AND 1993

	1994	1993
Cash flows from operating activities		
Interest received	\$ 10,459,723	\$11,042,592
Commitment charges and other fees received	5,166,414	2,483,725
Proceeds from sales of loans held for sale	60,003,683	82,625,614
Loans originated for sale	(31,438,406)	(46,894,700)
Gain on hedges of loans held for sale	138,218	418,807
Increase in trading account securities, net		237,158
Interest paid	762,142	(1,823,798)
Transfer to restricted cash account		(1,844,978)
Cash paid to suppliers and employees	(7,763,996)	(10,230,414)
	-----	-----
Net cash used in operating activities	35,803,494	36,014,006
	-----	-----
Cash flows from investing activities		
Proceeds from sales of investments available for sale	9,151,971	
Purchase of investments available for sale	(8,905,151)	
Proceeds from investments held to maturity	1,984,928	
Proceeds from sales of portfolio loans	3,153,436	
Net decrease in loans and lease financing	5,568,100	7,756,509
Capital expenditures	(281,969)	(63,301)
	-----	-----
Net cash used in investing activities	10,671,315	7,693,208
	-----	-----
Cash flows from financing activities		
Net decrease in deposits	(16,493,851)	(952,109)
Net decrease in short-term borrowings	(12,501,887)	(26,043,917)
Repayment on long-term debt		(7,000,000)
Repayment on other borrowings	(171,774)	(194,767)
Redemption of common stock	(11,087)	(46,612)
	-----	-----
Net cash provided by financing activities	(29,178,599)	(34,237,405)
	-----	-----
Increase in cash and cash equivalents	17,296,210	9,469,809
Cash and cash equivalents, beginning of year	22,938,795	23,888,148
	-----	-----
Cash and cash equivalents, end of period	\$40,235,005	\$33,357,957
	=====	=====

NATIONAL COOPERATIVE BANK  
RECONCILIATION OF NET INCOME TO NET CASH  
USED IN OPERATING ACTIVITIES  
FOR THE THREE MONTHS ENDED MARCH 31, 1994 AND 1993

	1994	1993
Net income	\$ 3,663,120	\$ 2,104,060

Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Increase in restricted cash account		(1,844,978)
Increase (decrease) in accrued interest receivable	(114,235)	271,317
Net trading account activity		237,158
Increase in loans held for sale	28,565,277	35,730,914
Increase in other assets, net of real estate owned	(3,467,520)	(4,410,281)
Increase (decrease) in accounts payable and other accrued expenses	453,966	(714,815)
Increase in accrued interest payable	4,792,783	4,673,299
Provision for loan losses	490,100	299,287
Depreciation and amortization, net	3,662,179	978,643
Gain on sale of assets, net	(2,422,880)	(824,866)
Increase on hedges of loans held for sale	138,218	418,807
Other, net	42,486	(904,539)
	-----	-----
Net cash used in operating activities	\$35,803,494	\$36,014,006
	=====	=====

NATIONAL COOPERATIVE BANK

Condensed Notes to the Consolidated  
Financial Statements  
March 31, 1994  
(Unaudited)

The accompanying financial statements have been prepared without audit and reflect all adjustments (consisting only of normal recurring adjustments) which were, in the opinion of NCB, necessary to a fair statement of the results of the interim period presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Accordingly, these condensed financial statements should be read in conjunction with the financial statement and the notes thereto included in NCB's most current annual report.

1. Cash, Cash Equivalents and Investment Securities

As of March 31, 1994, NCB's portfolio of investment securities, cash and cash equivalents had an average adjusted maturity of 438 days with interest rates in those portfolios varying from 3.2% to 9.6%.

	Cash and Cash Equivalents	Investment Available for Sale	Investments held to maturity
	-----	-----	-----
Cash	\$ 6,937,787		
Corporate bonds		\$14,907,931	
Federal funds	29,000,000		
Money market securities and commercial paper	2,297,218	530,170	
Eurodollar certificates and repurchase agreements	2,000,000		1,395,770

US Treasury and  
agency  
obligations

	10,523,993	
	-----	-----
\$ 40,235,005	\$ 25,962,094	\$ 1,395,770
=====	=====	=====

At March 31, 1994, the investments available for sale portfolio were recorded at aggregate market value. Restricted cash of \$8,361,519 is held by a trustee for the benefit off certificate holders in the event of loss on certain loans and will become available to NCB as the principal balance of the respective loan decreases. The loans sold have original maturities of ten to fifteen years.

2. Loans, Lease Financing and Non-performing Assets

Loans and leases outstanding by category at March 31, 1994 were:

Commercial loans	\$214,126,407
Lease financing	6,618,921
Real estate loans:	
Residential	185,911,696
Construction	5,709,586
Commercial	10,504,035
	-----
	\$422,870,645
	=====

At March 31, 1994 and December 31, 1993 real estate loans held for sale were \$13.6 million and \$40.3 million, respectively. The loan portfolio includes loans which were not currently accruing any interest. The total outstanding principal of these loans at March 31, 1994 and the effect on income for the three months ended March 31, 1994 is shown below:

Principal outstanding	\$ 875,506
	=====
Gross amount of income which would have been recorded under original terms	\$ 55,046
Less interest received	12,565
	-----
Interest not recorded	\$ 42,481
	=====

The loan portfolio includes loans that are renegotiated with a reduced interest rate or with an extension of payment of interest and principal. The total outstanding principal of these loans at March 31, 1994 and the effect on income for the three months ended March 31, 1994 is shown below:

Principal outstanding	\$2,273,399
	=====
Gross amount of income which would have been recorded under original terms	\$ 73,832
Less interest received	31,889

Interest not recorded

-----  
\$ 41,943  
=====

### 3. Allowance for Loan Losses

The following is a transaction summary of the allowance for loan losses during the three months ended March 31, 1994:

Balance at December 31, 1993	\$12,309,359
Provision for loan losses	490,100
Charge-offs	( 4,283)
Recoveries of loans previously charged off	133,050
	-----
Balance at March 31, 1994	\$12,928,226
	=====

The allowance for loan losses as a percentage of loans outstanding at March 31, 1994 was 3.1%.

NATIONAL COOPERATIVE BANK  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED MARCH 31, 1994 AND 1993

#### SUMMARY

NCB's net income for the three months ended March 31, 1994 was \$3.7 million. This was a 76.2% or \$1.6 million increase over the three months ended March 31, 1993. The increase primarily resulted from an increase in non-interest income of \$1.8 million.

Total assets decreased by \$20.6 million or 3.8% to \$515.2 million at March 31, 1994 from \$535.8 million at December 31, 1993. The decrease resulted from a significant real estate loan sale of \$54 million in March 1994. Loans and leases outstanding at March 31, 1994 decreased 7.6% to \$422.9 million from \$457.7 million at December 31, 1993.

#### NET INTEREST INCOME

Net interest income increased \$0.5 million to \$5.1 million from the same period the prior year. As shown on Table 1, the net yield on interest-earning assets increased to 4.05% from 3.59% as higher yielding warehoused real estate loans held in the portfolio were funded by interest-bearing liabilities that were sensitive to short term interest rate movements. As shown on Table 2, declining rates caused a positive variance of \$.5 million. In comparison to prior year-end and the prior quarter, average commercial balances have increased due to strengthening origination in the cooperative loan market.

Interest income decreased \$.2 million to \$9.8 million for the three months ended March 31, 1994. In general, average rates on interest-earning assets decreased to 7.81% in the 1994 period from 7.91% in the 1993 period due to declining market rates. Declining average rates accounted for a \$.10 million negative variance. Average rates on the commercial loan portfolio dropped 59 basis points as interest sensitive assets in the commercial portfolio reacted to declining short term market rates. Real estate rates increased by 32 basis points as existing portfolio loans repriced at higher rates that occurred during the latter quarters in 1993 and the first quarter in 1994.

Interest expense decreased \$ .8 million to \$4.7 million for the three months ended March 31, 1994 due to the maturity of \$10 million in intermediate term debt in the third quarter of 1993 and the repricing of a \$36.9 million tranche of the US Class A notes during October 1993 at the prevailing US 3 year Treasury rate. Average rates on interest-bearing liabilities decreased to 4.80% from 5.36%.

Table 1



Rate Related Assets and Liabilities

( in thousands )

<TABLE>

ASSETS	Three Months Ended March 31,					
	1994			1993		
	Average Balance	Income/ Expense	Yields/ Rates	Average Balance	Income/ Expense	Yields/ Rates
<C>	<S>	<S>	<S>	<S>	<S>	
Interest-earning assets						
Real estate loans	\$228,488	\$ 5,123	8.97%	\$249,422	\$ 5,395	8.65%
Commercial loans & leases	222,950	4,102	7.36%	202,733	4,028	7.95%
	-----	-----		-----	-----	
	451,438	9,225	8.17%	452,155	9,423	8.33%,
Investment securities and cash equivalents	51,220	589	4.60%	56,498	636	4.50%
	-----	-----		-----	-----	
Total interest-earning assets	502,658	9,814	7.81%	508,653	10,059	7.91%
Allowance for loan loss	(12,632)			(10,648)		
Non-interest earning assets						
Cash	3,689			2,270		
Other assets	33,412			28,624		
	-----			-----		
Total non-interest earning assets	37,101			30,894		
	-----			-----		
Total assets	\$527,127			\$528,899		
	=====			=====		
LIABILITIES AND MEMBERS' EQUITY						
Interest-bearing liabilities						
Subordinated Class A notes	\$182,979	2,214	4.84%	\$183,291	2,536	5.54%
Notes payable	156,578	2,075	5.30%	175,160	2,478	5.66%
Deposits	53,865	432	3.21%	51,648	477	3.70%
	-----	-----		-----	-----	
Total interest-bearing liabilities	393,422	4,721	4.80%	410,099	5,491	5.36%
	-----	-----		-----	-----	
Other liabilities	23,012			13,754		
Members' equity	110,693			105,046		
	-----			-----		
Total liabilities & members' equity	\$527,127			\$528,899		
	=====			=====		
Net interest revenue		\$ 5,093			\$ 4,568	
Net interest spread			3.01%			2.52%
Net yield on interest-earning assets			4.05%			3.59%

</TABLE>

Table 2  
Changes in Net Interest Income  
( in thousands )

<TABLE>

March 31, 1994 compared to March 31,1993

-----  
Increase ( decrease ) due to changes in:  
-----

	Average Volume ----- <S>	Average Yield ----- <S>	Net ----- <S>
Interest income			
Cash equivalents and investment securities	\$ (61)	\$ 14	\$ (47)
Commercial loans and leases	385	(310)	75
Real estate loans	(464)	192	(272)
	-----	-----	-----
Total interest income	(140)	(104)	(244)
	-----	-----	-----
Interest expense			
Deposits	20	( 66)	(46)
Notes payable	(232)	(171)	(403)
Subordinated Class A notes	(4)	(318)	(322)
	-----	-----	-----
Total interest expense	(216)	(555)	(771)
	-----	-----	-----
Net interest income	\$ 76 =====	\$ 451 =====	\$ 527 =====

</TABLE>

#### NON-INTEREST INCOME

Non-interest income increased 90.5% to \$4.0 million for the three months ended March 31, 1994 from \$2.1 million for the three months ended March 31, 1993. Gains from the sales of loans resulted in an increase of \$1.4 million from the prior year. Servicing fee income and excess servicing fees receivable accounted for the remaining increase in non-interest income.

#### NON-INTEREST EXPENSES

Non-interest expenses for the three months ended March 31, 1994, increased 12.8% to \$4.4 million from \$3.9 million as of March 31, 1993. Non-interest expenses as a percentage of average assets increased to 3.3% at March 31, 1994 from 3.0% at March 31, 1993 due to an increase in salary and benefit expenses during the first quarter 1994.

Salaries and benefits expenses increased due to the accrual of first quarter employee and senior management incentive bonuses.

#### PROVISION FOR INCOME TAXES

The provision for income taxes is driven by taxes due on non-member income earned by NCB and by state and local income taxes owed by NCB's subsidiaries. The federal income tax provision has increased by \$231 thousand from the prior year reflecting additional non-member income generated by NCB Mortgage Corporation and NCB Savings Bank.

#### LOANS AND LEASE PORTFOLIO

Consolidated Loans and Leases Outstanding (millions)

	3/31/94 -----	12/31/93 -----	% Change -----
Commercial	\$214.1	\$223.7	-4.3%
Real estate	202.1	227.2	-11.0
Leases	6.6	6.8	-2.9
	-----	-----	
Total:	\$422.8 =====	\$457.7 =====	- 7.6%

Total loans and leases outstanding at March 31, 1994, were \$422.8 million, down 7.6% from \$457.7 million at December 31, 1993. Real estate loans decreased by \$25.1 million or 11% from year-end due to a \$54 million loan

sale in March 1994.

Commercial loans and leases decreased by almost \$9.6 million or 4.3% from year-end due to collections on commercial accounts.

CASH, CASH EQUIVALENTS AND INVESTMENT SECURITIES

Cash, cash equivalents and investment securities increased 24.2% to \$75.9 million at March 31, 1994 from \$61.1 million at year-end 1993. NCB used the proceeds available from loan sales to maintain cash reserves during the period. As a percentage of earning assets, cash, cash equivalents, and investment securities increased slightly to 14.4% from 11.2% at December 31, 1993.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses at March 31, 1994 increased 4.9% to \$12.9 million from \$12.3 million at December 31, 1993. The allowance was impacted primarily by the \$.5 million loan loss provision taken during the first three months of the year. The provision for loan losses increased to \$.5 million for the three months ended March 31, 1994 from \$.3 million for the three months ended March 31, 1993. NCB's provision for loan losses as a percentage of average loans and leases outstanding has increased to .4% in 1994 from .3% in 1993.

The allowance as a percentage of loans outstanding at March 31, 1994 increased from 2.57% and 2.69% at March 31, 1993 and December 31, 1993, respectively to 3.05% at March 31, 1994. The increase is due primarily to declining real estate assets as compared to the prior year and year end 1994.

As shown in Table 3, total nonperforming assets ( renegotiated and non-accruing loans, REO, and in- substance foreclosures ) remained flat at \$3.3 million at March 31, 1994 from December 31, 1993. Nonperforming assets as a percentage of loans and leases outstanding plus REO and in-substance foreclosures increased slightly to .8% at March 31, 1994 from .7% at December 31, 1993. The allowance for loan loss as a percentage of nonperforming loans has increased to 416% at March 31, 1994 from 384% from December 31, 1993.

Table 3  
Nonperforming assets  
( in thousands )  
<TABLE>

	Mar. 31, 1994	Dec. 31, 1993	Sept. 30, 1993	June 30, 1993	Mar. 31, 1993
	-----	-----	-----	-----	-----
<C>	<S>	<S>	<S>	<S>	<S>
Nonaccrual loans					
Commercial	\$ 20	\$ 10	\$ 17	\$ 431	\$ 285
Real estate- construction	0	0	0	0	0
Real estate- commercial	0	0	0	0	0
Real estate- residential	855	876	1,592	1,574	4,096
	-----	-----	-----	-----	-----
Total nonaccrual loans	875	886	1,609	2,005	4,381
Restructured loans	2,273	2,283	2,309	2,339	3,397
	-----	-----	-----	-----	-----
Total nonperforming loans	3,148	3,169	3,918	4,344	7,778

Real estate acquired  
through foreclosure  
and insubstance

foreclosure	171	172	217	341	2,527
	-----	-----	-----	-----	-----
Total nonperforming assets	\$ 3,319	\$ 3,341	\$ 4,315	\$ 4,685	\$10,305
	=====	=====	=====	=====	=====
Non- performing assets/ Loans plus REO and insubstance foreclosure	.8%	.7%	1.1%	1.0%	2.5%
Allowance/ non performing loans	416%	384%	298%	235%	138%

INTEREST-BEARING LIABILITIES

Interest-Bearing Liabilities (millions)	3/31/94	12/31/93	% Change
	-----	-----	-----
Class A notes	\$ 182.98	\$182.99	-0.8%
Short-term	19.00	31.54	-39.8
Deposits	50.45	66.93	24.6
Non-current term debt	75.33	75.35	-0.1
Current term debt	55.00	55.00	-
Other borrowings	1.87	2.04	-8.3
	-----	-----	
Totals	\$384.63	\$413.85	-7.1%
	=====	=====	

Interest-bearing liabilities decreased by \$29.2 million to \$385 million at March 31, 1994. A portion of the proceeds of the aforementioned loan sale was used to decrease the outstanding balance on NCB's bank line of credit by \$12.5 million. Unused capacity under the line of credit ( \$ 161 million ) is sufficient to meet anticipated commitments. The decrease in deposits is due to large demand deposits that occurred at year-end 1993 that were subsequently liquidated in the first quarter of 1994.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATIONAL CONSUMER COOPERATIVE BANK

Date: May 15, 1994

By: /s/ Richard L. Reed  
(Richard L. Reed,  
Chief Financial Officer )

/s/ Marietta J. Orcino  
(Marietta J. Orcino, Controller/  
Principal Accounting Officer)

