



January 29, 2016

Dear Shareholder,

In the book *Good to Great*, Jim Collins talks about what takes an organization from being a good company to a great one. A few of the traits Collins discovered in his exhaustive research of great companies with long-term success were that they share a “flywheel” of continuous improvement and step-by-step goal achievement, maintain a culture of disciplined people leading to disciplined actions, and confront “the brutal facts” while maintaining faith in their mission. We have spent the past four years building a good company with a strong mission and values as well as a solid financial foundation. We began 2015 with one question that carried us through the year. That was the question of scale — how we take the success we have achieved over the past few years to grow and to make the leap from good to great.




Looking back, 2015 was a year of transition where we bolstered our foundation to position ourselves for the future. We outgrew our former office space and moved into new offices in the financial district that could accommodate our expansion in staff. We focused on improving our efficiency and effectiveness — a process of “confronting the brutal facts,” as Collins calls it — by documenting and fine-tuning every bank process from account opening to loan closing. We instituted a new hiring procedure to ensure we have “the right people in the right seats,” the basis for disciplined people and action. And we presented a new face to the world with a redesigned website, marketing materials and a rebranded Impact Report. Finally, we began laying the groundwork to open our first loan production office in Boulder, Colorado, which we expect to open by late spring.

Our financial performance in 2015 reflected slightly more tepid growth, due to higher than expected loan payoffs, coupled with expenses associated with our move and a higher loan provision. Net income for the quarter was \$125,000, a 70 percent decline compared with net income of \$414,000 for the last quarter of 2014. Included in this quarter was a \$1.1 million addition to our allowance for loan loss reserves. The write-down was counterbalanced by a nonrecurring \$716,000 tax benefit — a further “true-up” from the recognition of the bank’s



**GLOBAL  
ALLIANCE  
FOR BANKING  
ON VALUES**

**[newresourcebank.com](http://newresourcebank.com)**  
255 California Street, Suite 600  
San Francisco, CA 94111  
**P** (415) 995-8100 **F** (415) 947-0482

 [newresourcebank](https://www.facebook.com/newresourcebank)  
 [@newresourcebank](https://twitter.com/newresourcebank)  
 [in/newresourcebank](https://www.linkedin.com/company/newresourcebank)

deferred tax asset (DTA) in the third quarter of 2015. The recognition of the DTA pushed the 12-month net income to \$8.01 million, compared with \$1.75 million at year-end 2014. The DTA comprised \$7.6 million of the total net income; the deferred tax asset recognition reflects the Bank's ability to use the operating loss carry forward for the years 2006 to 2011.

We exceeded our goals for deposit growth this year, with total deposits reaching \$241.0 million, an increase of \$26 million or 12 percent growth over December 31, 2014. Our deposit growth reflects the continuing appeal of a bank with our unique mission. Gross loans totaled \$192.0 million — a \$10.6 million or 5.8 percent increase over December 31, 2014. Our net loan growth of 5.8 percent doesn't give the complete picture of our success in sourcing loans. Over the year, we generated \$48 million in new loans outstanding. However we had payoffs and paydowns of \$37 million because of the strengthening economy and success of our portfolio companies. Some of those companies enjoyed rapid sales growth and were purchased, resulting in loan payoffs. Others were companies with real estate loans that sold the underlying real estate into a strong market. For more on our financial data, please see the enclosed press release.

Over the past year, we deepened our thinking beyond our core lending markets — natural and organic products, clean energy, green real estate, sustainable companies and nonprofits — to ask ourselves about the impact we are having. Every new loan we make is to a values-driven organization, and our total loan commitment portfolio is 86 percent invested in organizations that are benefiting our communities and preserving our planet. But we wanted to go beyond the portfolio numbers to understand the true impact of our loans.

To achieve this, we defined impact areas as well as metrics that encompass what we believe to be the true impact of our loans. We have defined four key impact areas:

- Health and wellness
- Environmental protection
- Education and community empowerment
- Sustainable commerce

Within these four impact areas, we made loans this quarter to a variety of innovative, mission-driven companies, including Wise Woman Herbals, Hog Island Oyster and Moving Forward Education.

- **Wise Woman Herbals** (Impact: health & wellness) is a product line comprised of over 325 botanical supplements that are handmade in the company's FDA-inspected herbal manufacturing facility in Oregon. We provided them with working capital. Their mission is to provide a gentle and natural way for improving people's quality of life by offering superior quality botanical supplements. They source their organic plants from small local farms and extract and preserve with purely natural ingredients.
- **Hog Island Oyster** (Impact: environmental protection) is a longstanding client that we provided a new loan to finance a rooftop solar PV system at their headquarters and oyster farm in Tomales Bay. Hog Island Oyster is a sustainably run business and their restaurants embrace the farm-to-table concept.
- **Moving Forward Education** (Impact: education and community empowerment), a certified B Corporation located in Emeryville, is a tutoring and mentoring program that addresses the academic and self-esteem gaps that hinder student success in school. Students are pre- and post-tested after participation in the program and tutoring programs are custom built to match the student's needs. We provided them with a line of credit.

We ended 2015 with a number of accomplishments. We enjoyed our ninth year of operations, our fourth year of profitability and our fourth consecutive year as a B Corp "Best for the World" company, scoring in the top 10 percent of all certified B Corporations on the B Impact Assessment. What gives me even greater satisfaction is witnessing all the ways, big and small, that our employees live our values. In 2015 they dedicated over 1,000 total hours to volunteering initiatives from soup kitchens to planting trees. They also all committed themselves to personal sustainability challenges over the year ranging from reducing their water use, planting a garden to avoiding unsustainably sourced palm oil.

Looking ahead we have aggressive growth goals for 2016 as we expand into Colorado and grow our business development team in San Francisco as well. We look forward to

positioning ourselves in a new market and continuing our quest to take the company from good to great.

I thank you for your continued support that allows us to remain dedicated to our triple-bottom-line success. Please feel free to reach out anytime at 415.995.8170 — I always welcome hearing from you.

Sincerely,

  
A. Vincent Siciliano  
President and CEO

This communication contains forward-looking statements such as statements about certain expectations and projections and the Bank's preparedness for the coming year. Forward-looking statements are based on currently available information, are not guarantees of future performance, and are subject to numerous risks and uncertainties. Such risks and uncertainties may include, but are not necessarily limited to, fluctuations in interest rates; fluctuations in asset prices, including real estate; inflation; changes in laws or government regulations or policies; general economic conditions, including the real estate market in California; the adequacy of the bank's allowance for loan losses; and other factors beyond the bank's control. Such risks and uncertainties could cause results for subsequent interim periods or for entire years to differ materially from those indicated. Readers should not place undue reliance on forward-looking statements, which reflect management's view only as of the date of this communication. The bank undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

Client names are included in this communication with the clients' permission.