

# 2018

## ANNUAL REPORT



Working Together.  
Building Community.



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.

INVESTING IN  
OUR CUSTOMERS

INVESTING IN  
TECHNOLOGY

INVESTING IN  
OUR COMMUNITY

INVESTING IN  
OURSELVES



# 2018

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# LETTER FROM OUR PRESIDENT



We are proud to report that 2018 was another great year for National Cooperative Bank. We continued to provide our customers with banking products and services that met their needs. We invested in new technology, made product enhancements and partnered with key co-op organizations that increased our impact nationwide.

NCB exists to help our cooperative customers, their members and other socially responsible organizations throughout the country. On their behalf, the bank once again delivered a strong financial performance, **resulting in \$9.8 million in net income.**





# INVESTING IN OUR CUSTOMERS

Our lines of business generated \$953 million in loans in 2018. This included more than \$664 million in financing for cooperatives, community associations and commercial real estate; \$207 million in new loans and home-equity lines of credit for 768 residential unit owners; and \$81.9 million for other commercial segments across the country.

In 2018, NCB made our fourth loan in collaboration with The Village Cooperative and its parent company, Real Estate Equities Development, LLC, to create a new 49-unit senior housing cooperative in Olathe, Kansas. The Village Cooperative is an organization that builds new limited-equity housing cooperatives for active seniors who want a maintenance-free lifestyle with all the benefits of home ownership.

NCB has financed a total of \$32 million for four senior co-op housing properties in Iowa and Kansas since 2015.

Our Specialty Finance team established a lending program with HomeOwnership Lending, a nonprofit Community Development Financial Institution (CDFI) and subsidiary of Urban Home-steading Assistance Board (UHAB) to provide individual unit loans to new residents of limited-equity housing cooperatives in New York. The program, with a minimum loan amount of \$10,000 and a 15-year fixed-rate term, will serve borrowers with Area Median Income from 30% to 165% in approved New York limited-equity housing cooperatives.



As of December 31, 2018, our deposits totaled \$1.94 billion. In 2018, we saw an increase of \$48 million in deposits related to our community association line of business through lockbox/payment processing and traditional deposit accounts. We continue to enhance our product offerings to management companies so they can become more efficient and create a great customer experience for their residents.

In September, we showed the benefit of cooperative ownership by remitting a \$7.2 million patronage refund to 1,757 cooperative shareholders nationwide including \$2.9 million in cash. We greatly value the business we have with our cooperative customers, many of which have been shareholders and committed to NCB's success for a very long time. Our success is their success.



*“Please take advantage  
of our Impact Deposit  
Accounts. Your choices  
reflect your values.  
Your bank should too.”*

## INVESTING IN OUR TECHNOLOGY

In 2018, we worked on enhancing our digital capabilities to improve the banking experience for our consumer customers. In May 2018, NCB launched our mobile banking app to make it easier for our consumer customers to conduct their day-to-day banking from their mobile devices.

Consumers nationwide can now open personal banking accounts online with NCB. Our national consumer deposit campaign launched at the end of 2018, targeting socially conscious consumers and our mortgage customers. Please take advantage of our Impact Deposit Accounts. **Your choices reflect your values. Your bank should too.**

For our commercial customers, 2018 was used to implement a new loan approval system. The new system will allow our customers to have a smoother loan approval process with the ability to upload documents and communicate through a secure portal.



# INVESTING IN OUR COMMUNITY

Our cooperative and community development mission has guided us for 40 years and is a critical component of what defines our institution. In 2018 alone, NCB made loans and investments totaling \$240.4 million to benefit low- and moderate-income families and communities. These transactions across the country created 227 new jobs and \$22.2 million in new co-op development.

In June, NCB, in cooperation with CoBank, made a \$200,000 contribution to The Food Co-op Initiative. This donation will support the development of sustainable cooperative grocery options in rural communities that have lost or are at risk of losing their local grocery store. In addition, NCB disbursed \$227,282 in grant awards to four CDFIs to support cooperative development efforts in worker-owned businesses and expand membership and services for low-income credit unions.

***“In 2018 alone, NCB made loans and investments totaling \$240.4 million to benefit low-and moderate-income families and communities.”***

NCB provided critical support for food and worker-owned co-ops by helping pass the “Main Street Employee Ownership Act of 2018.” The bill directs the Small Business

Administration to develop practical reforms to make the agency’s 7(a) loan program more accessible to cooperatives. Cooperatives can’t access the SBA programs since SBA requires a personal guarantee, which is prohibitive for food and worker-owned co-ops.

Our mission, financial health and commitment to our customers, employees and community were recognized in 2018 as we became a member of the Global Alliance for Banking on Values (GABV). This is a network of the world’s leading banks and credit unions with a shared mission:

*To use finance to advance sustainable economic, social and environmental development, with a focus on helping individuals fulfill their potential and build stronger communities.*



# INVESTING IN OURSELVES

Customers work with NCB because of our mission, our industry expertise and our people. In 2018, NCB invested in our employees by taking time to reflect and reinforce our internal culture. When we get so busy with our day-to-day tasks, it is easy to forget to communicate our mission and purpose to our 317 employees. In 2018, we established a Culture Committee made up of 27 employees from across the bank to reflect on our mission and establish our new Core Values, NCB Steps of Service and Employee Promise.

Making all the success of 2018 possible are NCB's employees. They are dedicated and committed to our customers and mission, and I personally thank them for their hard work. Our work environment and culture are critical components of NCB's success, and our efforts were validated by several honors. In 2018, NCB was named to the "Top Workplaces" by the Washington Post for the fifth consecutive year and recognized as one of the "Best Employers in Ohio" for the fourth year in a row. We also were honored to be listed among the "Nation's Best and Brightest in Wellness®" for 2018 by the National Association for Business Resources.



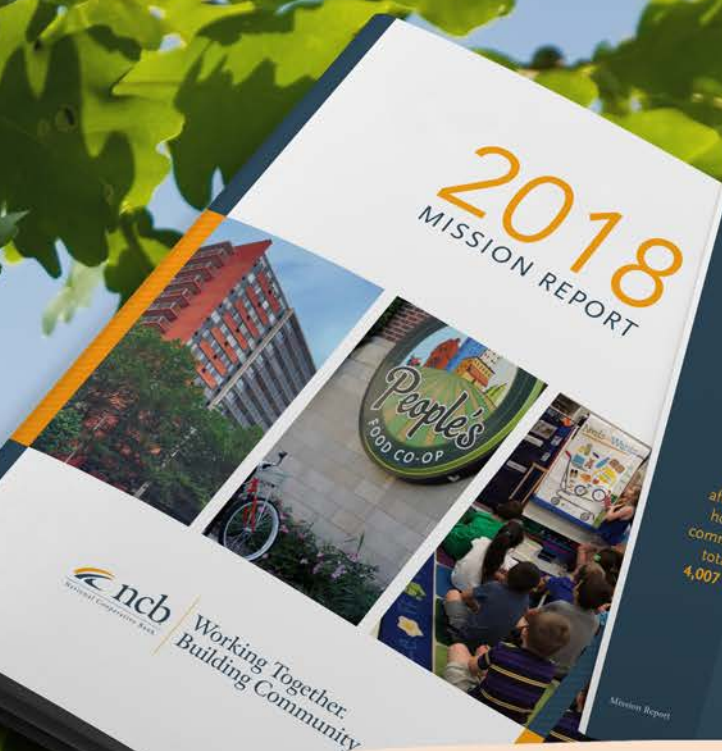
By investing in customers, community and ourselves, we achieved financial success in 2018. That will grow even more in 2019, as we expand our product offerings and use new technology to improve the customer experience.

Thank you for your business, and we look forward to a great 2019.

In Cooperation,  
Charles E. Snyder  
President & CEO







## Your Choices Reflect Your Values. Your Bank Should, Too.

NCB SERVES COOPERATIVES AND LIKE-MINDED, SOCIALLY RESPONSIBLE ORGANIZATIONS THROUGHOUT THE UNITED STATES. THESE INCLUDE:

<p>COMMUNITY-OWNED HOUSING SUCH AS CO-OPS AND COMMUNITY ASSOCIATIONS</p>	<p>COMMUNITY-DRIVEN HEALTH CARE SOLUTIONS</p>	<p>RETAIL-OWNED GROCERS AND CONSUMER-FOOD COOPERATIVES</p>
<p>SMALL BUSINESS COOPERATIVES</p>	<p>CONSUMER-OWNED CREDIT UNIONS AND SERVICE ORGANIZATIONS</p>	<p>COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS</p>

Our cooperative and community development mission has **guided us for 40 years** and is a critical component of what defines our institution. As part of its enabling legislation, NCB has an uncommon mandate to ensure our efforts benefit those most in need, supporting low-and moderate-income communities and cooperative expansion initiatives. **We help low-and moderate-income communities accumulate wealth, fuel their local economies and provide affordable homeownership.**

Working Together.  
Building Community.



In June 2018, in cooperation with CoBank, **we made a \$200,000 contribution to Food Co-op Initiative.** This donation will support the development of sustainable cooperative grocery options in rural communities that have lost or are at risk of losing their local grocery store.

# 2018 IN REVIEW

We made our fourth loan in collaboration with The Village Cooperative and its parent company, Real Estate Equities Development, LLC, to create **a new 49-unit senior housing cooperative in Olathe, Kansas.** This is our fourth loan transaction totaling \$32 million for new senior limited-equity housing cooperatives.



NCB provided PrimeCare Community Health with a \$5.8 million loan to support a New Markets Tax Credit financing package. This financing allowed PrimeCare to acquire and renovate a two-story, 16,000-square-foot clinic in Chicago's Belmont Cragin community. It will house **22 medical exam rooms, four dental suites and community meeting space** to provide the full scope of health-care services for a community largely populated by Latino and Eastern European immigrants.

## \$953M ►

in loans were generated through our various lines of business

## \$664M

in financing for cooperatives, community associations & commercial real estate

## \$207M

of our loan volume went to new loans & home equity lines of credit for 786 residential unit owners

## \$81.9M

in financing for other commercial segments across the country



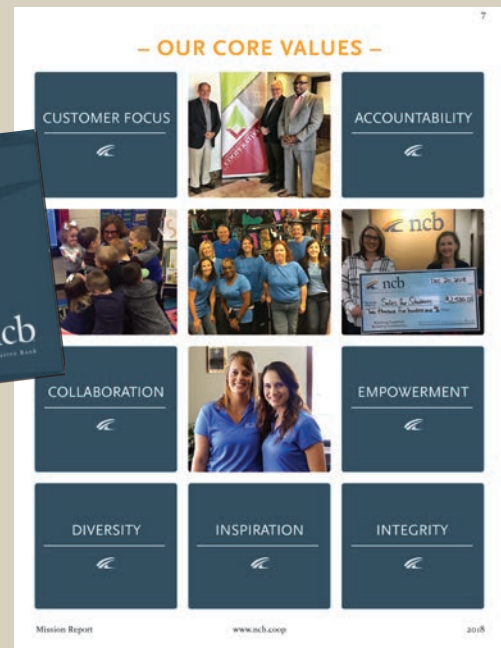
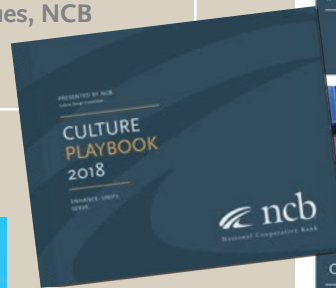


NCB exists to help our cooperative customers, their members and other socially responsible organizations nationwide. On their behalf, the bank once again delivered a strong financial performance, **resulting in \$9.8 million in net income.**

In 2018, we established a **Culture Committee** made up of 27 employees from across the bank to reflect on our mission and establish our **new Core Values, NCB Steps of Service and Employee Promise.**



In 2018, NCB was named to the **"Top Workplaces"** by the **Washington Post** for the **fifth consecutive year.**



As of 12.31.18  
our deposits  
totaled  
**\$1.94B**

We saw an increase of  
**\$48M**  
in deposits related to  
our community association  
line of business through  
lockbox/payment processing  
and traditional deposit  
account

In September we  
remitted  
**\$7.2M**  
in patronage refund  
to 1,757 cooperative  
shareholders

**NATIONAL CONSUMER COOPERATIVE BANK**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2018 and 2017**  
**(Dollars in thousands)**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 339,030	\$ 320,823
Federal funds sold	105	43
Total cash and cash equivalents	339,135	320,866
Restricted cash	795	606
Investment securities:		
Available-for-sale	168,823	152,680
Held-to-maturity	22,816	29,318
Loans held-for-sale	40,995	65,776
Loans held-for-investment	1,772,807	1,685,230
Loans pledged for secured borrowings	305	305
Total loans held-for-investment	1,773,112	1,685,535
Less: Allowance for credit losses on loans	(15,122)	(15,282)
Total loans held-for-investment, net	1,757,990	1,670,253
Federal Home Loan Bank and Federal Reserve Bank stocks	10,512	10,932
Other assets	59,136	55,346
Total assets	<u>\$ 2,400,202</u>	<u>\$ 2,305,777</u>
<b>Liabilities and Members' Equity</b>		
<i>Liabilities</i>		
Deposits	\$ 1,939,032	\$ 1,923,953
Borrowings	146,047	81,014
Secured borrowings	304	304
Patronage dividends payable in cash	3,738	2,872
Other liabilities	29,865	22,415
Total liabilities	2,118,986	2,030,558
Commitments and contingencies		
<i>Members' Equity</i>		
Common stock		
Class B and C, \$100 par value. 2,790,000 shares authorized; 2,337,185 and 2,307,026 shares issued and outstanding, respectively. Class E, \$1,000 par value. 25 shares authorized; 15 issued and outstanding.	233,734	230,718
Retained earnings		
Allocated	5,608	4,308
Unallocated	42,240	40,281
Accumulated other comprehensive loss	(366)	(88)
Total members' equity	281,216	275,219
Total liabilities and members' equity	<u>\$ 2,400,202</u>	<u>\$ 2,305,777</u>



**NATIONAL CONSUMER COOPERATIVE BANK**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**Years Ended December 31, 2018 and 2017**  
**(Dollars in thousands)**

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	<b>2018</b>	<b>2017</b>
<b>Interest income:</b>		
Loans	\$ 88,141	\$ 81,279
Investment securities	3,979	2,663
Other	5,691	4,534
Total interest income	<u>97,811</u>	<u>88,476</u>
<b>Interest expense:</b>		
Deposits	19,436	14,123
Borrowings	4,231	3,429
Total interest expense	<u>23,667</u>	<u>17,552</u>
Net interest income	74,144	70,924
Provision for credit losses on loans	<u>511</u>	<u>2,594</u>
Net interest income after provision for credit losses on loans	<u>73,633</u>	<u>68,330</u>
<b>Non-interest income:</b>		
Gain on mortgage banking activities and loan sales	16,108	20,705
Loan servicing fees	3,465	3,887
Real estate loan fees	2,871	2,721
Commercial loan fees	200	416
Deposit fee income	2,625	2,475
Other	1,416	1,865
Total non-interest income	<u>26,685</u>	<u>32,069</u>
<b>Non-interest expense:</b>		
Compensation and employee benefits	54,271	52,412
Contractual services	5,931	7,921
Provision for (reduction of) losses on unfunded commitments	142	(117)
Occupancy and equipment	8,093	8,131
Information systems	7,625	7,648
Loan costs	2,253	1,452
Foreclosure and REO costs	338	180
FDIC premium	675	699
Corporate development	2,078	1,640
Deposit costs	3,281	3,808
Other-than-temporary impairment	70	178
Other	4,199	3,348
Total non-interest expense	<u>88,956</u>	<u>87,300</u>
Income before income taxes	11,362	13,099
Income tax provision	1,484	1,515
Net income	<u>\$ 9,878</u>	<u>\$ 11,584</u>
<b>Distribution of net income:</b>		
Patronage dividend accrual	\$ 9,346	\$ 7,180
Retained earnings	532	4,404
Net income	<u>\$ 9,878</u>	<u>\$ 11,584</u>

# BOARD OF DIRECTORS



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FORMER EXECUTIVE VICE  
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Cooperative Association  
*Arlington, VA*



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VICE CHAIR  
FORMER CHIEF EXECUTIVE  
OFFICER AND CHAIRMAN  
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*Cornwall, PA*



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Centennial Bank  
*New York, NY*



**PATRICK JURY**  
PRINCIPAL  
Patrick S. Jury Advisors, LLC  
*Des Moines, IA*

\*National Cooperative Bank, N.A. Board Member Only



# 2018



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*Arlington, VA*



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Prosperity Now  
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Georgia Credit Union Affiliates  
*Duluth, GA*



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Unified Grocers  
*Commerce, CA*



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Council of New York Area  
Cooperatives & Condominiums  
*New York, NY*



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Local Government  
Federal Credit Union  
*Raleigh, NC*



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PARTNER  
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*Minneapolis, MN*



**DAVID B. VLIET**  
CHIEF EXECUTIVE OFFICER  
Tiburcio Vasquez  
Health Center, Inc.  
*Hayward, CA*

\*National Cooperative Bank, N.A. Board Member Only

# NATIONAL COOPERATIVE BANK CORPORATE INFORMATION

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## Operations Center

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

## Regional Offices

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

585 East 36th Street  
Suite 222  
Anchorage, Alaska 99503  
(907) 561-5799

## Retail Branch

Main Office  
139 South High Street  
Hillsboro, Ohio 45133  
(937) 393-4246  
(800) 322-1251

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