



2022

ANNUAL REPORT

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About Us

National Cooperative Bank is the only bank in the United States dedicated to delivering nationwide banking products and solutions to cooperatives and other member-owned organizations to help communities thrive. We operate for the benefit of our cooperative members — not outside investors.

This allows us to focus on our commitment to support affordable housing, healthy food, renewable energy, small businesses, community-driven health care and non-profit organizations. NCB serves a variety of cooperatives



and likeminded, socially responsible organizations throughout the United States. These include community-owned housing, such as co-ops and community associations; community-driven healthcare solutions; retailer-owned grocers and

consumer-owned food cooperatives; small business cooperatives; consumer-owned credit unions and credit union service organizations and Community Development Financial Institutions (CDFIs).

Our cooperative and community development mission has guided us for 43 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.



Our Mission

NCB's mission is to support and be an advocate for America's cooperatives and their members, especially in low-income communities, by providing innovative financial and related services.



NCB's Commitment to Diversity, Equity, and Inclusion (DEI)

Our People. Our Work. Our Community.

We are dedicated to attracting, developing, and retaining the most diverse talent. We offer an inclusive environment where employees are respected, challenged, and rewarded for their contributions to our success. We integrate the diversity of experiences, opinions, thoughts, and skills into our business decisions to ensure that we are reaching all communities where we live and work. Our commitment to cooperatives and community development has guided us since our inception and is critical to building stronger links among our customers to help all communities accumulate wealth, fuel local economies, and provide homeownership.



A LETTER FROM OUR CEO



As a mission-driven organization, we strive to make a difference in our community while delivering financial results to our members. We achieved both in 2022.

2022 was the first year of our three-year strategic plan titled NCB 2025. Our plan focuses on growth, delivering value to our members, supporting and developing our employees, and managing risk in a safe and sound manner. I am happy to say we successfully delivered on these goals. And as a cooperatively owned bank, our members do well when we do well.

There are two components of this. First is cooperative principle #3: Member Economic Participation. This results in NCB distributing patronage dividends to members, which we will do again this year. And the other component is strengthening the foundations of the cooperative ecosystem, which makes us all stronger. This is memorialized as principle #7, Concern for Community.

As the National Cooperative Bank, we play a critical role in investing in the co-op ecosystem to ensure the cooperative model flourishes. We continued to do that in 2022 by investing heavily in cooperative development, both financially and through our employees' time.

The economic environment changed significantly in 2022, which impacted the entire banking sector. After over a decade of low-interest rates, the market saw a sharp increase as the Federal Reserve took a series of economy-slowing actions to lower the inflation rate. These actions continue this year.

Thankfully NCB has navigated the higher interest rate environment very well. For many years NCB has positioned its balance sheet to be reasonably neutral to interest rate changes. This is not because we expected sharp movements in interest rates but because we are not speculative in nature. While generating high profits is always great, it has to be measured against the risk involved.

NCB's core business is not dependent on taking big risks. In fact, our core businesses are anchored in society's deepest needs: housing, food, healthcare, energy, and financial services. NCB's core vision is to deliver value to our members through competitive products and services. Speculation is not needed for that. Accordingly, we have managed our balance sheet effectively with a mix of fixed and floating rate instruments and using derivatives when necessary.

This stability gives NCB the confidence to invest in areas that will sustain growth and deliver customers the quality of service they expect from their financial partner. NCB invested in several technology projects in 2022, including a significant upgrade to our NCB Treasury 24/7 commercial online banking platform, which delivers our banking customers a more modern experience with a greater ability to transact and report online and on their mobile devices.

NCB's increased net interest income in 2022 was a core facet of our strategic plan. Yet, it played a more critical role than we imagined, given the slowdown in mortgage banking activity. Higher mortgage rates and investor skittishness resulted in a significant decline in our robust co-op blanket and share loan salable loan businesses. After a record year in 2021, our gain on sale related to mortgages dropped significantly.

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But once again, our duty is to serve our members. We did not let the weaker capital markets prevent us from delivering value to our customers; instead, NCB deployed its own capital to originate portfolio loans in our housing markets and across many other businesses. Just because the capital markets take a pause, it doesn't mean that our customers do. As our customers grew, so did we. In fact, NCB grew its loan portfolio by 18%, a more considerable increase than we have seen in many years. We invest in our markets because we believe in them, are committed to them, and have the capital to support them.



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Driven by increased net interest income and expense control, yet with lower gains on sale, NCB ended the year with a net income of \$18.7 million, a respectable return in this environment. But as mentioned, this is only one aspect of doing well. NCB does not only measure its success by the bottom line. NCB continued to invest and contribute to cooperative development initiatives throughout the country.

Across various organizations, NCB made grants, donations, and contributions of \$2.9 million in 2022. This money helped support non-profit and cooperative organizations with co-op development and to expand their work in low-and-moderate income communities across the country. NCB's employee-driven corporate contributions

committee distributed \$150,000 to 69 non-profit organizations. Funds for this program are made possible by a dollar-for-dollar match from NCB's employee-giving campaign. And we have great employees at NCB.

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Our people are our number one asset. Our ability to attract and retain great employees has led to NCB being once again recognized as a top workplace in the United States. As a multistakeholder cooperative, we touch many of the co-op markets. We have knowledgeable people in each of these markets who give time to serve on boards and committees and lend their voice in the marketplace of ideas to support co-op development.

And once again, NCB's most significant single contribution in 2022 was its \$1.5 million unrestricted contribution to Rochdale Capital. Rochdale Capital was created by NCB in December 2021 as a newly formed non-profit community development loan fund to promote cooperatives and community development with a focus on minority ownership. 2022 was Rochdale's first operational year, and NCB supported it in many ways, not just financially. Rochdale began as an idea by Chuck Snyder, NCB's former CEO, and has since developed into an active, growing financial institution, positioning itself as a driving force in the vital work of promoting cooperative principles in under-resourced communities.

We could only have done this good work with a strong and supportive Board of Directors. 2022 was my first year as CEO, and I am fortunate to have had such a great Board in my first year. NCB's directors are a group of highly talented and diverse professionals who care deeply about NCB and its mission. They find that great balance of governing a complex regulated \$3 billion bank with a goal of making a difference in our community.



A LETTER FROM OUR CFO



2022 was a transitional year when compared to 2021 for NCB from a financial results perspective. We ended 2022 with \$18.7 million of net income and over \$400 million of Tier 1 Capital. During this past year, we made considerable strides in growing our loan portfolio by over 18% to \$2.5 billion.

This loan growth increases our long-term sustainable net interest income and helps to offset the sharp declines versus 2021 in gains on loan sales due to deteriorating mortgage banking market conditions which was a direct result of the rapid rise in interest rates.

With the recent upheaval in the banking sector, I want to assure you that we at NCB are paying very close attention to our liquidity posture and preparedness for further market disruptions to deposits. And fortunately, we have built over the years a strong liquidity position.

We hold approximately \$2.7 billion of deposits which are spread across our customer relationships including housing cooperatives, homeowner community associations, credit unions, correspondent banking clients, non-profits, and other commercial and retail customers.

We have readily available funding lines primarily with both the Federal Home Loan Banks and the Federal Reserve that in total can back-stop our uninsured deposits under an extreme and very unlikely liquidity stress-event scenario.

Furthermore, our high-quality \$350 million liquidity investment portfolio has experienced extremely low unrealized losses despite the run-up in interest rates. On a related matter, our interest rate risk exposure is modest and well within policy limits, such that we are poised to withstand extreme interest rate shocks across, what is now, an inverted yield curve.

As we continue to serve our markets and mission, the credit quality of our loan portfolio remains strong with credit losses significantly below industry averages. During 2022, we were able to reverse the extra reserves we took as an allowance in 2020 when we anticipated significant pandemic-related credit losses that fortunately never materialized.

We endeavor to maintain a strong level of capital while we continue to grow our balance sheet in support of our customers and underlying mission.

In 2022, NCB continued to deliver on its strong mission as we originated a significant volume of loans and made investments serving under-resourced communities. NCB is a unique and truly mission-oriented bank that is on a journey of making profound impacts on communities nationwide.

2022 NATIONAL COOPERATIVE BANK MISSION-RELATED ACTIVITIES

Co-op & community development loans	\$413.4 Million
Low/moderate income mortgage loans	\$46.7 Million
Contributions, Investments & Grants	\$2.9 Million
Facilitated Transactions	\$12.0 Million
Grand Total	\$475.1 Million



NATIONAL CONSUMER COOPERATIVE BANK
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
Assets		
Cash and cash equivalents	\$ 222,439	\$ 570,777
Restricted cash	1,319	6,765
Investment securities		
Debt securities available-for-sale, at fair value	347,706	298,255
Debt securities held-to-maturity, at amortized cost	3,432	8,466
Equity securities, at fair value	-	1
Loans held-for-sale (includes \$1,976 and \$108,310, measured at fair value, respectively)	32,683	144,672
Loans held-for-investment (includes \$5,149 measured at fair value at December 31, 2021)	2,499,703	2,117,165
Less: Allowance for credit losses on loans	(19,815)	(22,636)
Total loans held-for-investment, net	2,479,888	2,094,529
Federal Home Loan Bank and Federal Reserve Bank stocks, at cost	10,467	10,512
Other assets	114,319	67,563
Total assets	\$ 3,212,253	\$ 3,201,540
Liabilities and Members' Equity		
Liabilities		
Deposits	\$ 2,597,128	\$ 2,667,495
Borrowings	165,954	115,927
Patronage dividends payable in cash	5,863	15,954
Other liabilities	76,409	42,973
Total liabilities	2,845,354	2,842,349
Commitments and contingencies		
Members' Equity		
Common stock		
Class B and C, \$100 par value. 3,925,000 shares authorized; 3,340,764 and 2,876,171 shares issued and outstanding, respectively. Class E, \$1,000 par value. 25 shares authorized; 15 and 14 issued and outstanding, respectively.	334,091	287,631
Retained earnings		
Allocated	15,077	37,226
Unallocated	23,305	30,912
Accumulated other comprehensive (loss) income	(5,574)	3,422
Total members' equity	366,899	359,191
Total liabilities and members' equity	\$ 3,212,253	\$ 3,201,540

NATIONAL CONSUMER COOPERATIVE BANK
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
Interest income		
Loans	\$ 108,780	\$ 98,165
Investment securities	6,184	3,228
Other	5,214	488
Total interest income	120,178	101,881
Interest expense		
Deposits	21,846	9,242
Borrowings	4,598	3,773
Total interest expense	26,444	13,015
Net interest income	93,734	88,866
Reduction of credit losses on loans	(2,637)	(1,271)
Net interest income after reduction of credit losses on loans	96,371	90,137
Non-interest income		
Gain on mortgage banking activities and loan sales	8,995	57,529
Loan servicing fees	4,867	4,565
Real estate loan fees	2,742	4,085
Commercial loan fees	3,114	8,258
Deposit fee income	3,963	3,536
Other income	2,487	1,290
Total non-interest income	26,168	79,263
Non-interest expense		
Compensation and employee benefits	61,654	67,527
Contractual services	6,779	7,492
Provision for (reduction of) losses on unfunded commitments	282	(194)
Occupancy and equipment	6,181	6,341
Information systems	8,995	8,857
Loan costs	2,186	2,172
Foreclosure and REO costs	109	74
FDIC premium	843	794
Corporate development	3,934	7,938
Travel and entertainment	991	205
Training and tuition	347	357
Deposit costs	6,317	4,951
Other	2,251	2,375
Total non-interest expense	100,869	108,889
Income before income taxes	21,670	60,511
Income tax provision	3,017	7,613
Net income	\$ 18,653	\$ 52,898
Distribution of net income		
Patronage dividend accrual	\$ 20,940	\$ 53,180
Retained loss	(2,287)	(282)
Net income	\$ 18,653	\$ 52,898

2022 BOARD OF DIRECTORS



Patrick Jury

NCB Board Chair
Principal, Patrick S. Jury Advisor, LLC
Des Moines, IA



Jennifer Smith Dolin

NCB Vice-Chair
Principal, Jen Dolin Consulting
San Francisco, CA



Josh Ablett

Chief Information Security Officer
Adelia Associates
New Bedford, MA



Cigi Hyland

Executive Director
National Credit Union Foundation
Washington, DC



Andrea Levere

Former President
Prosperity Now
Washington, DC



Christine Neal

Former Chief Financial Officer
Unified Grocers
Commerce, CA



Caroline Blakely

President & CEO
Rebuilding Together
Washington, DC



Robyn DesHotel

Chief Financial Officer
National Co-op Grocers
St. Paul, MN



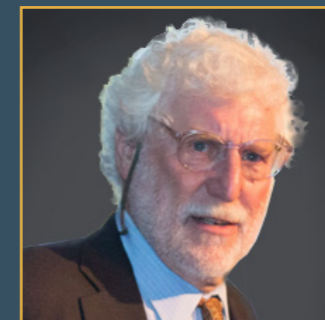
Thomas Fink

Capital Markets Executive
New York, NY



Brian Obergfell

Chairman and Partner
Emmet, Marvin & Martin, LLP
New York, NY



Andrew Reicher

Executive Director
UHAB
New York, NY



Elizabeth Vealey

President
Sophius, LLC
Lancaster, NY



Marc Friedman

Chief Financial Officer
A Few Cool Hardware Stores
Washington, DC



Janis Herschkowitz

Former President and CEO
PRL, Inc.
Cornwall, PA



Debra Huddleston

Managing Director
Brean Capital
New York, NY



Curtis Wynn

CEO
SECO Energy (Sumter Electric Cooperative)
Sumterville, FL

2022 BOARD OF DIRECTORS



Cigi Hyland

Executive Director
National Credit Union Foundation
Washington, DC



Andrea Levere

Former President
Prosperity Now
Washington, DC



Christine Neal

Former Chief Financial Officer
Unified Grocers
Commerce, CA



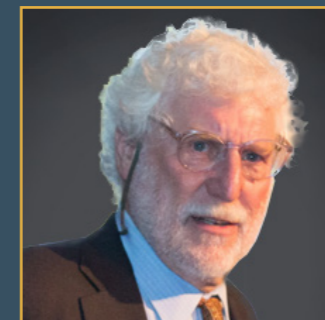
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Brian Obergfell

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Andrew Reicher

Executive Director
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Elizabeth Vealey

President
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Curtis Wynn

CEO
SECO Energy (Sumter Electric Cooperative)
Sumterville, FL

NATIONAL COOPERATIVE BANK CORPORATE INFORMATION

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