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Benjamin Moore

2023 ANNUAL REPORT

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 like-minded, 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



Back in early 2023 there was an industry-wide sense of anxiety following the collapse of two large regional banks. Like all banks, NCB took stock of where we were, and took steps to ensure our continued success. I have two main takeaways from that period of time.

First, the cooperative model is alive and well. As a member-owned institution that serves a wide variety of cooperatives and co-op members in several industries, NCB reaped the benefits of trust, transparency, and having a mission focus.

Secondly, NCB employees work tirelessly in serving our members. They are experts in their fields and have built strong relationships with members and customers.

Every time we conduct a customer survey, the two biggest strengths that are highlighted are our people and their knowledge of the markets they cover.

As a result, NCB's balance sheet at the end of the year was stronger than when it began. I will highlight a few metrics I am particularly proud of:

- Our consolidated asset growth was 8.75%, resulting in year-end total assets of \$3.5 billion.
- Our loan portfolio grew nearly 8.50%.
- Our deposit portfolio grew over 6.0%.
- We increased liquidity facilities with the Federal Reserve and Federal Home Loan Bank by optimizing our loan-level reporting, resulting in our highest ever levels of borrowing capacity.
- We maintained risk-based capital ratios above our targeted 15% level, a sign of stability and strength.

NCB's net income in 2023 was a respectable \$12.2 million, albeit not at the high levels we got used to during the last cycle of low interest rates. Higher Federal Funds rates increased our cost paid to depositors and more importantly, significantly reduced the loan demand for our multifamily cooperative and share loan markets. In fact, mortgage originations for our available- for-sale businesses, which generate one-time gains for NCB, were down over \$300 million year-over-year.

While not ideal, we have always recognized the cyclical nature of the mortgage banking business. Our mortgage banking business has not gone away, but it has slowed down as many of our customers are sitting tight and enjoying their low interest rate loans from a few years ago. Yet as time passes, loans will come due and capital projects will need to be completed.

Recognizing the ups and downs of the mortgage market, NCB's growth-focused strategic plan lessened the reliance on mortgage gains. I am happy to say that our focus on balance sheet growth beginning in 2021 has paid off. Our increased net interest income, driven by larger loan and deposit portfolios, provides stable income regardless of mortgage production. By the end of this year, we will have grown our loan portfolio 33% over this three-year strategic planning period.



Growth in our portfolio, as typical, was in our core cooperative markets. Our 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.

In 2023, NCB originated just over \$900 million in loans to customers across the country. We were proud to provide capital in the areas of cooperative housing, renewable energy, credit union, grocery, not-for-profit, hardware, and small businesses. Delivering capital into the co-op ecosystem is what NCB was created to do and we continue to do it very well. We have not lost focus on our low-income or cooperative development mission. In 2023, NCB originated or invested in \$384 million in low- and moderate-income communities and cooperative development opportunities.

I'd like to highlight a few of these transactions:

- NCB made a \$5 million equity investment in a Turner Healthcare Fund. After financing several Turner Healthcare projects, NCB saw the impact Turner had on the dual Medicare/Medicaid population and decided to make an even greater impact on this financially sensitive community by investing in an equity fund that will develop Federally Qualified Health Clinics and Day Centers for elders. Our investment will lead to better health outcomes for low-income communities.
- NCB has been involved in providing secondary capital loans to low-income designated credit unions for many years. In 2023, NCB was positioned to benefit when the National Credit Union Association (NCUA) expanded its rules to broaden the community of credit unions that could access this capital. NCB increased its credit union lending by over \$30 million in 2023 by investing in subordinate debt that gives mission-focused credit unions equity like treatment, from which they can leverage their balance sheets to serve their core communities.
- We continued our lending in community solar projects. NCB financed a significant project with Solar Landscape, an existing NCB renewable energy customer. NCB's \$46 million facility funded the installation of a 25-Megawatt project on the rooftops of 50 Public Storage facilities in Maryland. These solar projects will power 2,600 homes in Maryland and save residents \$1 million in utility expenses, while reducing the demand for fossil fuels.

These are just a few examples of impactful transactions. We made loans and provided financial services to limited equity cooperatives from New York to Kansas, independent grocers from Long Island to Chicago, hardware operators from Maryland to Nebraska, and co-op homeowners from Washington, D.C. to Seattle. Once again, NCB made a \$1.5 million capital contribution to Rochdale Capital, the aspiring CDFI NCB established in 2021.

As mentioned, we funded our loan growth largely by deposit growth. NCB's strongest deposit sources are credit union customers, housing communities, and our commercial cooperative customers. NCB's investment in technology over the last few years has supported the deposit growth in these markets. NCB has only one retail branch. While our Hillsboro, Ohio branch serves the local community very well, most of our customers are national commercial customers.

The level of activity that NCB's customers push through our systems is eye-popping; for example, NCB processed over 40,000 wires last year totaling nearly \$30 billion. On a monthly basis we process 155,000 co-op and condo maintenance fees, which come in all forms of payment types. We process over 700,000 Federal Reserve entries for our credit union customers each month. With more customers coming on board this year, we will be steadily processing over one million transaction per month.



To manage all the deposit processing, NCB has invested in technology to serve our customers and enable them to compete in their markets. Whether it is personal banking or business banking, financial products and capabilities have expanded rapidly, and NCB has kept pace with the changing environment by investing in new products and services by building them internally and by working with great partners.

As our online and mobile banking world gets more and more complex, we have paid close attention to cybersecurity. We devote significant resources to protect our environment and our customers' information and are constantly improving and adapting to address the growing level of risk.

In addition to our day-to-day banking activities, NCB continues to be a leader in advocating for cooperatives in Washington, D.C. NCB has strengthened its alignment with the National Cooperative Business Association in our lobbying efforts. We continue to fight to change the Small Business Administration (SBA) rules for cooperative lending. Over the years we have made progress. NCB now makes SBA loans to consumer cooperatives, most recently a consumer food co-op in Lovettsville, Virginia, however the SBA rules for cooperatives are not great, and desperately need to be updated. We need to continue educating lawmakers about cooperatives and keep pushing for change.

With all this going on, it's fun to come to work every day. I am lucky to work with great colleagues. I have a great board of directors and lead a mission focused cooperative organization with great customers who make a difference in so many ways.

- Casey Fannon
CEO and President



A LETTER FROM OUR CFO



The first quarter of 2023 started with the uncertainties of a potential recession yet by mid-March, attention had shifted as everyone was laser-focused on the looming liquidity crisis in the banking sector. I'm pleased to report after the series of actions taken by NCB, our liquidity position remains robust and even enhanced by the end of the year. By the end of the first quarter in 2024, our deposit growth exceeded our growth expectations for the entire year. This is one of many highlights we have to look forward to for 2024, but let's first go back to 2023.

NCB's financial performance in 2023 was overshadowed by significantly higher deposit costs that outpaced our growth in interest income thus compressing net interest income margins. Accordingly, we closed the year with \$12.2 million of net income.

Loan Growth

Midway in 2023, we felt it prudent to scale back our portfolio loan growth slightly in order to better align with the growth of our deposits. By year-end, we had still grown our loan portfolio by 8.5%. We anticipate continuing to align loan and deposit growth and expect that rates of growth to remain fairly steady and in line with our strategic plan. Our loan growth enables us to expand our nationwide mission of supporting cooperatives and low-to-moderate income communities, particularly in underserved areas.

Gains on Loan Sales

We have recently focused on increasing loans that we hold on our balance sheet, but we are still very active in originating both cooperative multifamily loans and single family co-op loans for subsequent sale. During the past two years, we experienced a decline in generating income from such sales due to the deterioration of mortgage banking market conditions, which was highly correlated to the rapid rise in the Federal Reserve's interest rates. Despite the continuation of somewhat adverse market conditions, we are already experiencing success with profitable loan sales and we anticipate growth year-over-year in our income from such sales in 2024.

Liquidity

Since the wake-up call emanating from Silicon Valley Bank's demise over a year ago, NCB acted prudently to strengthen our liquidity posture and preparedness levels. In addition to our deposit growth from both new and existing customers, we significantly expanded available fundings from both the Federal Home Loan Bank and the Federal Reserve Bank. With our increased borrowing capacity coupled with our elevated on-hand cash position and nearly \$350 million of high-quality liquidity investments, we are in a strong position, exceeding even our level of deposits that are above the per account FDIC insurance limits.



Capital

By year-end 2023, we built our Tier 1 Capital Level to \$422 million, and our Total Risk-based Capital Ratio was over 15%, which is 5 percentage points above the 10% “Well Capitalized” level set by the Federal Banking Regulators. While we continue to grow our balance sheet, we endeavor to maintain a strong level of capital to facilitate NCB’s loan originations to our existing and new customers thereby supporting our underlying mission.

Patronage

In July of 2023, we distributed our patronage refund to 1,660 of our shareholder-members. Of the \$20.8 million in patronage distributed, \$4.6 million was in cash. In recognizing that the cash portion of these distributions directly reduces NCB’s capital, we carefully strike a balance between stock and cash in order to support NCB’s mission through continued portfolio loan growth.

Credit

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.

Servicing

One major NCB function that receives little notice is that we are servicing our portfolio loans as well as the loans that we originated and sold over time, and some originated by others who seek out co-op servicing expertise. As of year-end 2023, the loans serviced for others is over \$5 billion, which brings our loan servicing total to nearly \$8 billion.

Mission & Deposits

NCB has a critical mission and in 2023, we made significant mission loans and targeted investments. To enable us to support our mission, it is necessary to maintain and grow our capital and deposit base.

NCB continues to financially support many cooperative-related organizations nationwide. Our largest contribution in 2023 was to fund Rochdale Capital by an additional \$1.5 million, bringing our total contribution since 2021 to \$8 million and we are planning an additional \$1.5 million contribution during 2024. It is impressive to watch Rochdale Capital as it continues to thrive and grow.

I am proud to be at NCB as it's a unique and truly mission-oriented bank. We are on a long-term journey of making profound impacts on communities nationwide despite times of adverse economic or market conditions. Our success is made possible by NCB's dedicated employees who are passionate about our mission and adept at going the extra mile to meet our customers' needs.

- Alan Goldblatt
Chief Financial Officer





NATIONAL CONSUMER COOPERATIVE BANK
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022
(Dollars in thousands)

Assets	2023	2022
Cash and cash equivalents	\$ 236,739	\$ 222,439
Restricted cash	2,417	1,319
Investment securities		
Debt securities available-for-sale, at fair value	345,925	347,706
Debt securities held-to-maturity, at amortized cost	2,903	3,432
Equity securities, at fair value	1	-
Loans held-for-sale (includes \$79,379 and \$1,976, measured at fair value, respectively)	89,325	32,689
Loans held-for-investment	2,710,404	2,499,697
Less: Allowance for credit losses on loans	(24,262)	(19,815)
Total loans held-for-investment, net	2,686,142	2,479,882
Federal Home Loan Bank and Federal Reserve Bank stocks, at cost	12,595	10,467
Other assets	116,864	114,319
Total assets	\$ 3,492,911	\$ 3,212,253
Liabilities and Members' Equity		
Liabilities		
Deposits	\$ 2,756,645	\$ 2,597,128
Borrowings	280,980	165,954
Patronage refunds payable in cash	2,342	5,863
Other liabilities	74,213	76,409
Total liabilities	3,114,180	2,845,354
Commitments and contingencies		
Members' Equity		
Common stock		
Class B and C, \$100 par value. 4,105,000 shares authorized; 3,510,470 and 3,340,764 shares issued and outstanding, respectively. Class E, \$1,000 par value. 25 shares authorized; 14 and 15 issued and outstanding, respectively.	351,061	334,091
Retained earnings		
Allocated	13,271	15,077
Unallocated	16,502	23,305
Accumulated other comprehensive loss	(2,103)	(5,574)
Total members' equity	378,731	366,899
Total liabilities and members' equity	\$ 3,492,911	\$ 3,212,253

NATIONAL CONSUMER COOPERATIVE BANK
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2023 and 2022
(Dollars in thousands)

	2023	2022
Interest income		
Loans	\$ 145,893	\$ 108,780
Investment securities	17,308	6,184
Other	11,846	5,214
Total interest income	175,047	120,178
Interest expense		
Deposits	64,181	21,846
Borrowings	14,279	4,598
Total interest expense	78,460	26,444
Net interest income	96,587	93,734
Provision for (reduction of) credit losses on loans	1,179	(2,637)
Net interest income after provision for (reduction of) credit losses on loans	95,408	96,731
Non-interest income		
Net gain on mortgage banking activities and loan sales	9,035	8,995
Loan servicing fees	5,038	4,867
Real estate loan fees	2,230	2,742
Commercial loan fees	1,999	3,114
Deposit fee income	4,012	3,963
Other income	1,836	2,487
Total non-interest income	24,150	26,168
Non-interest expense		
Compensation and employee benefits	61,486	61,654
Contractual services	4,708	6,779
(Reduction of) provision for losses on unfunded commitments	(5)	282
Occupancy and equipment	5,972	6,181
Information systems	9,205	8,995
Loan costs	2,204	2,186
Foreclosure and REO costs	82	109
FDIC premium	1,464	843
Corporate development	3,888	3,934
Travel and entertainment	1,234	991
Training and tuition	351	347
Deposit costs	12,316	6,317
Other	2,328	2,251
Total non-interest expense	105,233	100,869
Income before income taxes	14,325	21,670
Income tax provision	2,153	3,017
Net income	\$ 12,172	\$ 18,653
Distribution of net income		
Patronage refunds accrual	\$ 15,613	\$ 20,940
Retained loss	(3,441)	(2,287)
Net income	\$ 12,172	\$ 18,653

2023 BOARD OF DIRECTORS



Jennifer Smith Dolin

NCB Board Chair
Principal, Jen Dolin Consulting
San Francisco, CA



Marc Friedman

NCB Vice-Chair
Chief Financial Officer,
A Few Cool Hardware Stores
Washington, D.C.



Josh Ablett

Chief Information Security Officer
Adelia Associates
New Bedford, MA



Caroline Blakely

President and CEO
Rebuilding Together
Washington, D.C.



Robyn DesHotel

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



Thomas Fink

Capital Markets Executive
New York, NY



Janis Herschkowitz

Former President and CEO
PRL, Inc.
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National Credit Union Foundation
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2023 BOARD OF DIRECTORS



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Curtis Wynn

CEO
SECO Energy (Sumter Electric Cooperative)
Sumterville, FL

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