

# Annual Report 2020



[www.ncb.coop](http://www.ncb.coop)



## WORKING TOGETHER. BUILDING COMMUNITY.

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.

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## 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.



## — MESSAGE FROM THE CEO



“**People helping people. That is what being a cooperative- a community is all about. And it was inspiring.**”

**Chuck Snyder**  
CEO

2020 was a year of many emotions. From fear and uncertainty to resilience and inspiration. We saw our customers, co-op organizations, and employees shift how they do business and develop creative methods of serving their members and the community. People helping people. That is what being a cooperative — a community is all about. And it was inspiring.

NCB had a very successful year in 2020 despite all the challenges and changes we encountered. Not only were we successful financially, but in every aspect of our business. We attribute this to you our customers who also found ways to weather the storm. As you did well, we did well.

Cooperatives serve their members and avoid speculative ventures, so when the sudden decline in economic activity hit, they tended to do well. We know cooperatives and the industries they serve. This gave us the advantage to assess risk

accurately, so while other banks slowed down lending we continued to lend to our customers.

NCB is a very unique bank in the United States, in that we are the only commercial bank that is cooperatively owned by over 3,200 cooperatives nationwide.



We have a mission, to ensure our efforts benefit those most in need, supporting low- and moderate-income communities and cooperative expansion initiatives. Last year we were able to take our mission and turn it into our advantage.

In 2020, we made loans and investments of \$399 million to benefit low- and moderate-income families and communities. 38% of NCB's portfolio is comprised of loans serving low- and moderate-income communities and co-op development.

While many other banks received complaints about obtaining PPP loans from the SBA, we received thank you letters and calls of appreciation for knowing their business and taking the time to help in a time of need.



We also provided \$2.7 million in grants and investments to support entities serving low-income organizations and co-op development initiatives which included \$50,000 for the Annual Co-op Innovation Award, and \$145,000 in scholarships and grants to students of color and organizations to support racial justice.

NCB was also able to ensure that food, worker and housing co-ops were eligible for the COVID Relief legislative packages that were passed by Congress.

Without NCB's efforts and a few key co-op organizations, co-ops would not have been able to access these essential programs that saved jobs and kept small businesses open during the pandemic.

In 2020 NCB launched a Diversity Equity and Inclusion Fellowship program that includes 12 employees from across the organization. In 2020, the DEI Fellows

organized a town hall meeting and learning labs for NCB employees, attended several training sessions and adopted a DEI Fellowship Program Charter.



We were recently named one of best companies to work for in the USA. One of our strategic goals is to hire, train and retain the best employees. This has helped us be successful and differentiate ourselves from our competition. I would like to thank every employee at NCB by working long hours to meet and exceed all the challenges we faced last year.



Communities often come together when there is a challenge or big event. In my neighborhood if we have a big snowstorm, all my neighbors come out of their homes to help each other. Last year was one of those years. The pandemic was truly the 100 year storm and cooperatives who are used to helping each other, came together to find ways to overcome challenges. It was inspirational. ■



— COMMITTED TO SUPPORT OUR CUSTOMERS



“During the past year we all witnessed countless acts of inspiration by the heroic efforts of so many people to help others through the terrible pandemic. The co-op community was no exception.”

**Casey Fannon**  
President and Chief Lending Officer

Along with our mission statement to support and be an advocate for America's cooperatives and their members, NCB has seven core values that set the direction and culture of how NCB and our employees do business.

One of our core values is inspiration. This value had never been on display as much as it was in 2020.

During the past year we all witnessed countless acts of inspiration by the heroic efforts of so many people to help others through the terrible pandemic.

The co-op community was no exception. Cooperatives and their members span across so many of society's essential services and industries. Healthcare, housing, small business, food, energy, and financial services are some of the core cooperative industries.

NCB was committed to support our customers in these co-op sectors and others during the pandemic.

I am happy to report that NCB helped finance the expansion and development of new healthcare clinics in 2020. NCB worked with non-profit and for-profit providers to expand health services to areas of need, most often in low-income and underserved communities.

NCB also closed several grocery transactions to bring healthy food to food deserts.



This past year, we were successful in closing the first co-op SBA loan to Fredericksburg Food Co-op in Fredericksburg, VA. This was a substantial win for greater access to capital

using government loan programs for cooperatives.

In addition, we helped many ACE retailers expand operations and open new stores to serve their community. We also worked with our co-op and condo housing customers to ensure they had access to capital during a very uncertain time.



The low interest rates induced by the economic slowdown led to historically low interest rates, generating a flurry of commercial and consumer mortgage activity. NCB had record production as a result. That said, homeowners who lost jobs or who were severely impacted by the pandemic were given mortgage payment deferrals to ease the impact of the crisis. I am happy to report that most of these customers have overcome the crisis, but the fact that some are still struggling is a reminder that the country still has a way to go before everyone is on stable ground.

So many of our customers were on the front lines from day one. Making changes to their business operations to safely protect employees, customers, and keep the economy functioning.

NCB was right beside them to offer help, often in the form of SBA's Payroll Protection loan program. NCB used our SBA experience to approve over \$110 million of PPP loans to its customers and co-op organizations. This forgivable loan program was critical to many businesses, especially in the early days of the pandemic.

In 2021 we continue to provide PPP loans for the housing co-op sector and additional loans for those businesses most in need.

We at NCB were and continue to be inspired by all our customers on the front line, helping their local communities with critical products and services during such an uncertain time.



I also want to thank all the hardworking NCB employees for their tremendous efforts in 2020. Their world was quickly turned upside down. Working and communicating in new ways, juggling personal and professional worlds, learning new skills, and in so many cases working longer hours than they ever had to meet the increased customer demand.



In closing, I would like to thank you, our shareholders, customers, and partners for working with NCB throughout 2020. We were inspired by you and we look forward to our continued work in helping communities nationwide. ■





**“In total, and despite the significant amount of provisions made to the allowance for credit losses on loans, NCB's net income for 2020 was \$33.5 million, an increase of 72% over 2019.”**

**Rick Reed**  
Chief Financial Officer

This past year was an extraordinary year on many levels. For NCB, it was a year of challenges and successes. The year started off with strong financial results through February, only to see those results reverse in March along with the broader financial and capital markets in response to the onset of the pandemic. But the markets largely recovered in the second quarter, assisted in part by lower interest rates, and as our customers' demand for capital returned, NCB was positioned to respond resulting in a very successful year for the bank.

During 2020, NCB's consolidated assets grew 11% to \$3.1 billion. Driving that growth were originations of new credit facilities totaling \$1.6 billion, including our PPP loans. After selling \$930 million in retail and commercial loans, NCB's total loan portfolio grew \$103 million for the year, an increase of 5% over 2019, with most of the growth being generated in the commercial, community association and cooperative housing lines of business.

NCB's deposits totaled \$2.6 billion at the end of 2020, an increase of 12%. During 2020 we saw deposit growth in nearly all customer groups, most notably from credit union and community association customers. As a result, NCB's liquidity continued to be strong with over \$830 million in cash and investments available to fund the borrowing needs of current and future customers.

In 2020, despite the economic challenges brought about by the pandemic, we saw significant improvement in NCB's credit quality. For example, non-performing assets (loans which are not paying in accordance with original terms) declined from 2.9% of total capital at the beginning of 2020 to 2.1% of total capital by the end of the year.

The growth in business volume in 2020 translated into improved net interest margins and increased net interest income. NCB's net interest margin increased 12 basis points and net

interest income increased 13%. Fee income increased 25% due primarily to significant increases in gains on sales of consumer and commercial real estate loans. Combined, NCB's net revenue (net interest income and fee income) increased 17%.

In total, and despite the significant amount of provisions made to the allowance for credit losses on loans, NCB's net income for 2020 was \$33.5 million, an increase of 72% over 2019.

Net income is not the only measure of success at NCB, but profitability is important for NCB in two ways.

First, internally generated earnings are NCB's primary source of new capital. Capital enables us to grow and protects us in the event of unforeseen losses. Throughout 2020, NCB maintained capital levels well in excess of the levels deemed by banking regulators as "well capitalized."

Profitability is also important for NCB in that it enables us to distribute patronage refunds to our member-shareholders. Based on NCB's taxable income, we are expecting to distribute approximately \$41 million in June 2021 to our members who had patronage-based business with us in 2020.

2020 was a successful year for NCB despite the challenges of the pandemic. Growth in business volume and continued strong credit quality led to higher earnings and capital and increased patronage refund, all of which set the stage for future growth and continued success. ■

## CORE VALUES

CUSTOMER FOCUS

ACCOUNTABILITY

COLLABORATION

EMPOWERMENT

DIVERSITY

INSPIRATION

INTEGRITY



## — FINANCIALS

### Assets

	2020	2019
Cash and cash equivalents	\$ 577,624	\$ 400,964
Restricted cash	5,541	2,409
Investment securities		
Debt securities available-for-sale, at fair value	233,352	184,313
Debt securities held-to-maturity, at amortized cost	14,213	18,925
Equity securities, at fair value	3	4
Loans held-for-sale	109,200	130,050
Loans held-for-investment	2,062,243	1,958,932
Less: Allowance for credit losses on loans	(24,354)	(16,961)
Total loans held-for-investment, net	2,037,889	1,941,971
Federal Home Loan Bank and Federal Reserve Bank stocks, at cost	10,512	10,512
Other assets	65,865	51,243
<b>Total assets</b>	<b>\$ 3,054,199</b>	<b>\$ 2,740,391</b>

### Liabilities and Members' Equity

#### Liabilities

Deposits	\$ 2,563,549	\$ 2,281,823
Borrowings	115,900	115,874
Patronage dividends payable in cash	12,523	9,513
Other liabilities	40,126	39,051
Total liabilities	2,732,098	2,446,261
Commitments and contingencies		

#### Members' Equity

Common stock  
Class B and C, \$100 par value. 3,110,000 shares authorized; 2,573,019 and 2,394,182 shares issued and outstanding, respectively.  
Class E, \$1,000 par value. 25 shares authorized; 14 and 13 issued and outstanding, respectively.

### Retained earnings

Allocated	29,222	14,270
Unallocated	30,480	38,430
Accumulated other comprehensive income	5,083	1,999
Total members' equity	322,101	294,130
<b>Total liabilities and members' equity</b>	<b>\$ 3,054,199</b>	<b>\$ 2,740,391</b>

### Interest income:

Loans	\$ 99,700	\$ 97,797
Investment securities	3,958	4,983
Other	1,705	8,561
Total interest income	105,363	111,341

### Interest expense:

Deposits	15,282	29,461
Borrowings	4,087	5,909
Total interest expense	19,369	35,370

Net interest income	85,994	75,971
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Provision for credit losses on loans	6,913	1,441
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Net interest income after provision for credit losses on loans	79,081	74,530
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### Non-interest income:

Gain on mortgage banking activities and loan sales	40,389	30,537
Loan servicing fees	2,461	2,750
Real estate loan fees	2,837	2,946
Commercial loan fees	2,560	397
Deposit fee income	3,443	2,683
Other (loss) income	(40)	2,008
Total non-interest income	51,650	41,321

### Non-interest expense:

Compensation and employee benefits	61,230	60,309
Contractual services	5,091	4,771
Provision for losses on unfunded commitments	376	44
Occupancy and equipment	7,185	7,409
Information systems	7,519	7,438
Loan costs	1,547	1,560
Foreclosure and REO costs	66	359
FDIC premium	556	501
Corporate development	1,942	2,140
Travel and entertainment	333	1,403
Training and tuition	285	672
Deposit costs	4,338	3,902
Other	1,821	2,929
Total non-interest expense	92,289	93,437

Income before income taxes	38,442	22,414
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Income tax provision	4,773	2,985
Net income	\$ 33,669	\$ 19,429

### Distribution of net income:

Patronage dividend accrual	\$ 41,745	\$ 23,783
Retained (loss) earnings	(8,076)	(4,354)
Net income	<b>\$ 33,669</b>	<b>\$ 19,429</b>



— NCB'S BOARD OF DIRECTORS



Maurice Smith, Chair  
President  
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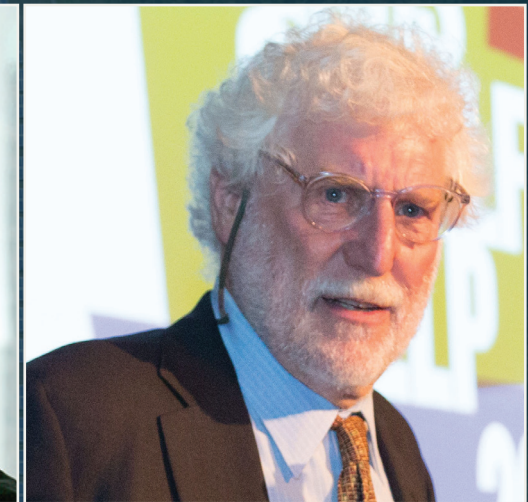
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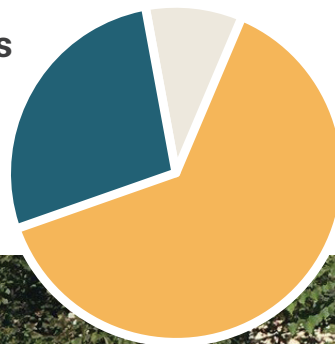
# NCB's Commitment to Diversity, Equity and Inclusion

## 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.

### Employee Demographics

331 Total  
62% Female  
29% Minority



### National Cooperative Bank Corporate Information

#### 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

#### Inquiries

For general information on NCB, please call  
(800) 955-9622  
[www.ncb.coop](http://www.ncb.coop)

