

Mission Banking Report

2016





Working Together. Building Community.

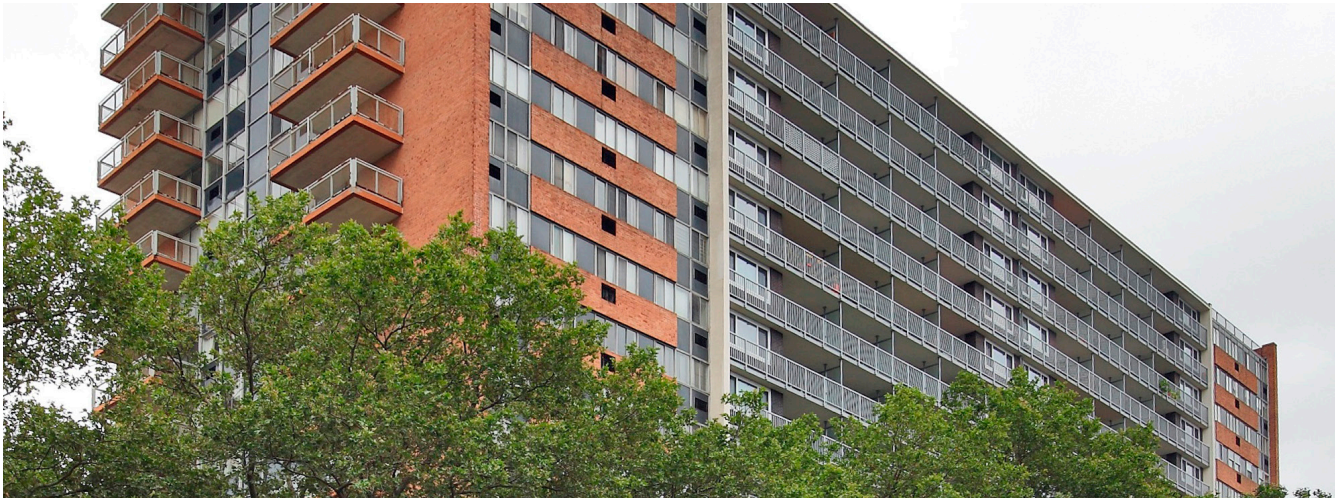
National Cooperative Bank was chartered by Congress in 1978 and privatized in 1981 as a cooperatively owned financial institution. The bank was created to address the financial needs of a traditionally underserved market; cooperative owned organizations that operate for the benefit of their members, not outside investors.

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
- Community Development Financial Institutions

Our cooperative and community development mission has guided us for over 35 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.



Mission Banking Activities

In 2016, NCB made loans and investments of \$256 million to benefit low and moderate income families and communities.

Co-op & community development loans:	\$223,521,995
Low/moderate income mortgage loans:	\$30,576,000
Investments & grants:	\$1,707,575
Grand Total	\$255,805,570

2016 Co-op & Community Development Sectors:

Affordable Housing:	\$142,392,560
Commercial Real Estate:	\$2,400,000
Food:	\$5,920,511
Nonprofit:	\$1,250,000
Renewable Energy:	\$52,514,005
Small Business:	\$15,669,919
Health Care:	\$3,375,000
Grand Total:	\$223,521,995





165

Jobs Created



12

Solar Energy Projects
providing 105.7 MW of Power



\$1.7

Million in
Investments & Grants



13.4

Million square feet financed



\$30.6

Million for 254 unit owners



45

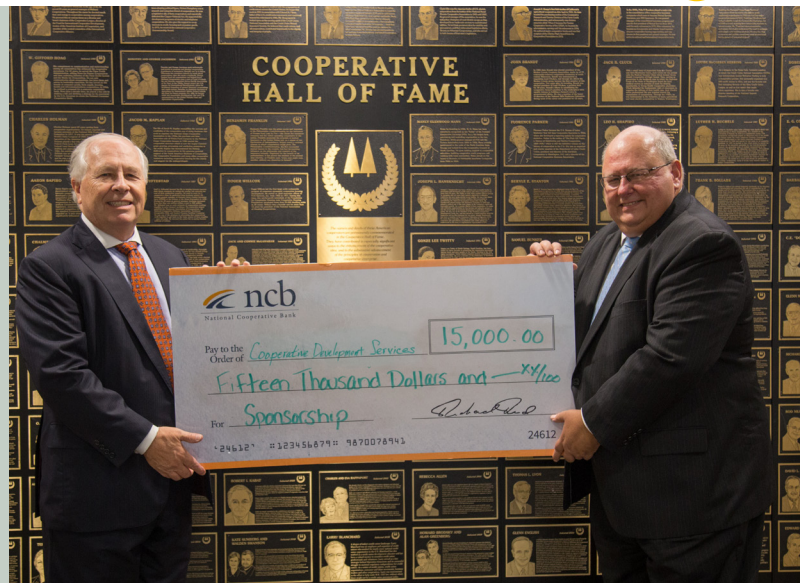
Affordable Housing
communities totaling 5,548 units

“Because of NCB’s financial grant, Philadelphia Area Cooperative Alliance (PACA) staff provided the South Philly Food Co-op with incredible expertise at a critical moment in our Co-op’s development -- our store launch. They helped us establish the hiring process and criteria for our store’s first General Manager. As board members, with no experience running a food co-op, we would have been in the dark without this support.”

- Matt Stern, South Philly Food Co-op Board Member

“NCB provided valuable strategic support to help Project Equity advance the field of worker co-op conversions. And, in partnership with NCBA-CLUSA, NCB helped us uncover and understand the succession planning needs—and opportunities for worker co-op conversions—among purchasing co-ops. We are grateful for their support and engagement.”

- Alison Lingane, Project Equity





Building a Store Together

When Lexington Real Foods Community Cooperative first expanded in 2005, the Buffalo, N.Y.-based grocery store saw its business increase dramatically as it made local, organic food accessible to an eager downtown community.

Annual customer transactions rose from 10,000 in 2004 to 500,000 by 2016. Sales grew from \$2 million to \$14 million a year. That first expansion, made possible by NCB financing, “allowed us to reach so many more people,” says Tim Bartlett, general manager of Lexington Real Foods. In fact, ownership grew from 1,500 to 14,000 members.

In 2016, when Lexington decided a second store was needed, it turned once more to NCB. This time, the bank provided \$3.6 million to Lexington to refinance existing debt as well as lease and renovate a second location. Located in North Buffalo, the new store will offer double the retail space, additional parking, indoor seating, and more local and prepared food options. It’s expected to open in July 2017.

“We wouldn’t be where we are today without NCB,” says Tim Bartlett, the co-op’s general manager. “When we did our 2005 expansion, NCB offered us twice as much financing as local lenders did. So, NCB was our first choice when we looked to

finance our second store. The process has been great, and we love working with NCB.”

Lexington’s owner-members raised more than \$2 million in a capital campaign for their second store.

“That level of support not only shows Lexington members’ commitment to buying from the store but also to the future of the store and the community,” says NCB Vice President Dami Odetola. “This project reflects just the sort of mission-based community building that NCB was formed to support.”

The new store is part of a “Shared Vision for Expansion,” which the co-op finalized in 2011. As part of that plan, Lexington intends to double its impact by 2050 by creating more access to healthy local foods. It looks forward to boosting knowledge about consumer issues and co-ops. The co-op has also committed to involving more local farmers, owners, food, jobs and community. It supports more sustainable food, practices and infrastructure.

“We believe the cooperative model can accomplish powerful change and grow the economy here in Buffalo and in every community that wants one,” Bartlett says, “because it’s a better way of doing business.”

**“We wouldn’t be
where we are today
without NCB.”**

*-Tim Bartlett, Lexington Food Co-op’s
general manager*





Moving Up in the Bronx

USALLIANCE Federal Credit Union members in the Bronx, N.Y., will no longer step down into a small basement office to make deposits, apply for loans or conduct other financial business.

The financial cooperative is on its way to constructing a new, full-service branch at street level, made possible by a \$2 million collaborative loan between National Cooperative Bank (NCB) and the National Federation of Community Development Credit Unions through their Secondary Capital II loan program.

The Secondary Capital II is an amortizing subordinated loan that can be counted toward a credit union's net worth and can be leveraged by growing community development credit unions to

expand safe and affordable lending in low-income communities.

Formed in 1966, USALLIANCE serves 90,000 members across the country, including 5,800 in the Bronx.

The Federation is a nonprofit association representing more than 200 low-income and community-development credit unions nationwide with a mission of helping members achieve financial independence through credit unions.

"The Federation is excited to have invested its first \$2 million secondary capital loan together with NCB in \$1.2 billion USALLIANCE FCU," says Federation Chief Financial Officer/Chief

Investment Officer Eben Sheaffer. “The Bronx has too few safe, affordable lenders and too many check cashers and pawnshops. In the Bronx, one bank serves every 20,000 residents, compared to its neighbor to the south, Manhattan, where there is a bank for every 3,000 residents.”

The new branch will allow USALLIANCE to build long-term presence in the Bronx. It’s expected to draw in an estimated 500 new members each year and provide much-needed employment in the area, including more lending personnel and temporary construction jobs. Among the products and services made possible by the NCB-Federation financing is Q-Cash, which gives USALLIANCE members totally automated access to small loans. The financing also will help USALLIANCE fund first-time homebuyer mortgages.

“This is a good example of how membership organizations cooperate to leverage funding to strengthen their communities,” says Ann Fedorchak, NCB’s director of Cooperative and Community Development. “Working together, we provided a loan that allows USALLIANCE to offer more to its members. That creates greater impact in helping low- to moderate-income communities remain independent and sustainable.”



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-Ann Fedorchak, NCB’s director of Cooperative and Community Development.



ACE Is the Place in Fulshear, Texas

Homeowners and DIYers in Fulshear, Texas, now have a local retail hardware store offering service, convenience and quality products, thanks to entrepreneurs Michael and Allison Hopfe.

With a \$450,000 loan from NCB, the couple opened Fulshear ACE Hardware in November 2016. It's the Hopfes' first and only ACE hardware store.

The Hopfes are leasing the store's building, which sits on Main Street, a downtown area with retail businesses and restaurants. Fulshear, pop. 8,000, is a rapidly growing town located 30 miles west of Houston. Living in Fulshear since 2010, the couple have

watched Houston's suburbs inch steadily toward their community. They saw opportunity, since the town had no retail hardware store.

"I always wanted to own my own business, but I had never owned a retail business or hardware store," says Michael.

He did, however, have an MBA, a background in marketing and product management, and extensive experience with business plans. Allison had been an assistant manager at a Hallmark store. Both are Texas natives.

Attracted to strong brands, the Hopfes looked into ACE Hardware. “We liked what the brand stood for and its place in the industry,” he says. “The strong personal service is what sets ACE apart. It was a good fit for what we wanted to do.”

They contacted ACE Hardware, which has worked with NCB to finance and open many of the brand’s stores. Together, the two organizations helped the Hopfes get the financing and training they needed. NCB worked with the Small Business Administration on behalf of the Hopfes.

“In the same way we provide personalized customer service, we got that same level of service from NCB,” Michael says. “That makes all the difference in the world. Having someone we could reach out to through the financing process made it so much easier for us.”

Today, the Hopfes’ independently owned and operated Fulshear ACE employs 18 people, spans 10,000 square feet and stocks 17,000 items, from hardware, lawn and garden products to paint and home décor. The store has generated more customer transactions and 50-70 percent higher revenues than originally expected.

“It was a pleasure working with the Hopfes because they are very focused, goal-oriented individuals,” says Joann Haines, NCB vice president. “Mike’s marketing background was valuable in setting the stage months in advance with the community to let them know about their future ACE store. The SBA loan program, with NCB in the Preferred Lender role, was a perfect pairing to not only be able to offer the financing needed by these first-time store owners but to put them in a position to bring the much-needed hardware store to the Fulshear community.”





Photo courtesy of Mike Gay Taunton Gazette

We Own It

To the 148 members of Colonial Estate Homeowners Association, nothing symbolizes their new ownership status more than the “We Own It” banner hanging outside the main building of their mobile home community.

Located in Taunton, Mass., Colonial Estates is home to people 55 years and older. In September 2016, the land beneath their manufactured homes became theirs, with \$11 million in financing from National Cooperative Bank (NCB), ROC USA® Capital and insurance leader MetLife.

Colonial Estates marked NCB’s third transaction with ROC USA® Capital and MetLife to finance resident-owned manufactured home communities (ROCs). ROC USA® is a national nonprofit that helps manufactured-home residents own their community.

Now operating as a cooperative, Colonial Estates brings greater security to its resident-owners, most of whom are retirees.

“It’s not just about owning the property but controlling our future,” says resident and board president Michael Scarlett. “The association is in the business to make sure we can pay our bills, not to make money as an investor would.”

For years, the 57.5-acre property was owned and managed by outsiders. Maintenance wasn’t always stellar, and residents worried about rising costs. Yet, when an opportunity arose in 2013 for the community to purchase the property, they hesitated.

“People worried that it was too expensive to buy the land or that the monthly mortgage would be too high,” Scarlett recalls. “They voted against purchasing the property.”

A second chance appeared, however, when the property came up for sale again in 2015. This time, Colonial Estates residents had a different attitude. Just six months earlier, Oak Hill Taunton, a similar manufactured home park across the street, had become resident-owned with help from ROC USA®. Word of the successful property acquisition filtered over to Colonial Estates.

Working with ROC USA®, Colonial Estates' residents formed their cooperative and then collectively bought the land from the owner. The new homeowners are now poised to improve their neighborhood while controlling monthly housing costs in a local market with rapidly escalating lot rents.

"NCB's expertise in cooperative housing and our mission of supporting communities helped the members of Colonial Estates become homeowners," says Ann Fedorchak, NCB's director of Cooperative and Community Development. "They've taken control, and it's changed their lives."

"ROC USA® Capital was extremely proud to provide fixed-rate, long-term financing in partnership with NCB and MetLife to enable the low- and moderate-income seniors at Colonial Estates to age in place and take long-term control of their neighborhood," says Michael Sloss, ROC USA® managing director. "We look forward to seeing the community improvements that are planned and how Colonial Estates will thrive over the next several years."

"It's not just about owning the property but controlling our future."

-Resident and board president Michael Scarlett



Photo courtesy of Mike Gay Taunton Gazette



A Bigger, Better Hub for Bike Lovers

Minneapolis, located in the Twin Cities, is ranked one of the best biking cities in the country. While dozens of bike shops serve the market, The Hub Bike Co-op, “The Twin Cities’ only cooperatively owned bike shop,” seeks to enrich community.

A worker-owned and -operated cooperative formed in 2002, The Hub counts 32 full-time employees active in the community. It supports dozens of groups, from schools to recreational and environmental initiatives. In fact, The Hub dedicates 5% of profits to support various causes, including the cycling community, the

city of Minneapolis and the environment.

“We believe biking is a fundamental part of environmental sustainability,” says Benjamin Tsai, development coordinator for The Hub. The Hub is a magnet for biking lovers at its three locations, drawing them in with its motto, “All types of bikes for all types of people.”

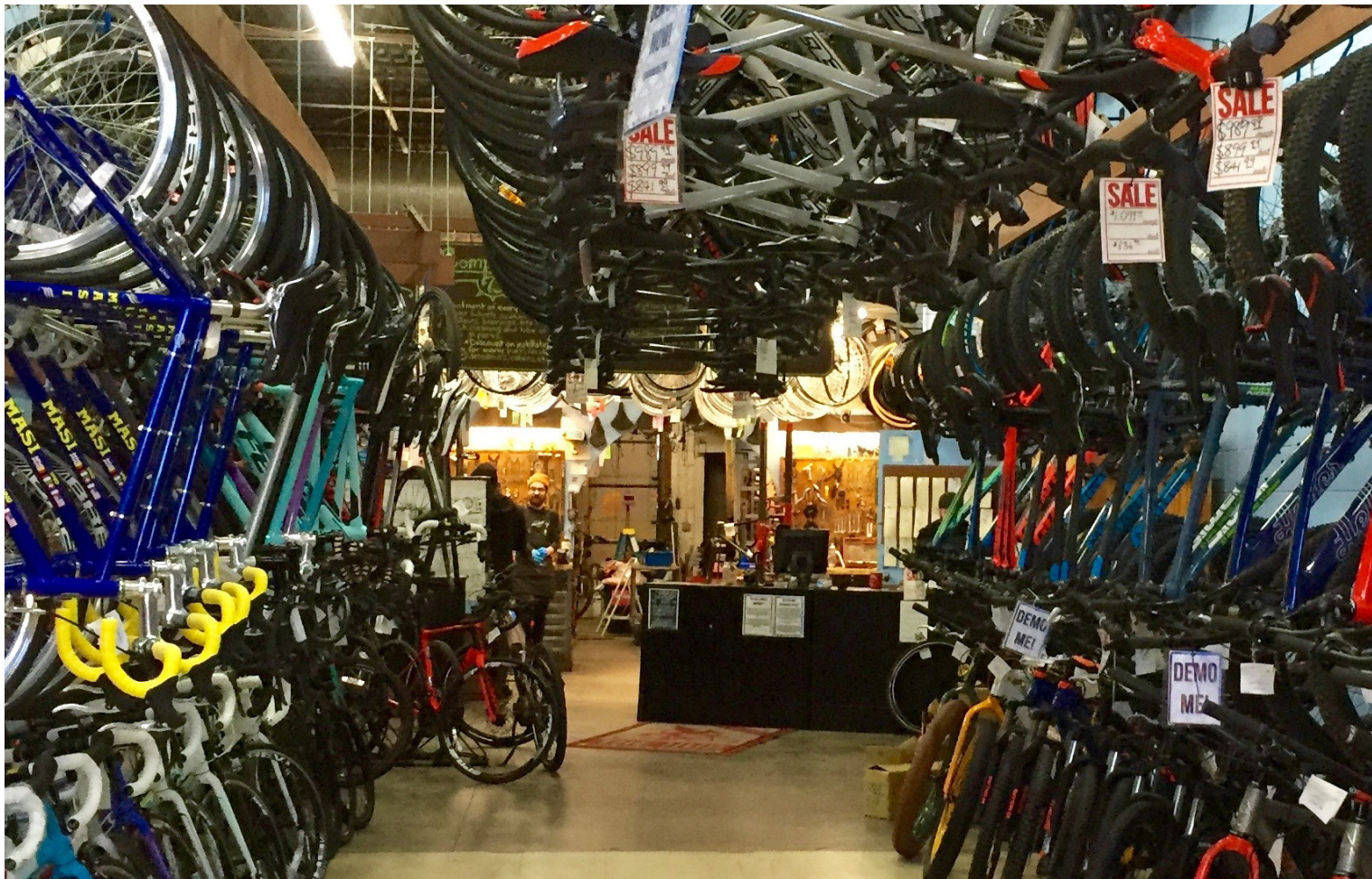
Even with three locations, however, The Hub needed more space. In 2016, the co-op acquired an adjacent building, combining it

with its Minnehaha Avenue store through a financing package provided by NCB and Shared Capital Cooperative. The project also includes renovations, which will be complete by summer of 2017.

The improved location brings significant opportunities for the co-op. It will provide a greater selection of bicycles, parts and gear, and additional space for bicycle repair and maintenance. There will be more room for classes on commuting and basic bike maintenance, and for community-oriented events and social justice seminars.

“The expansion will allow for greater customer service, staff comfort and improved aesthetics,” Tsai says. “It will be a nicer looking store and, with the new skylights and LED lights, will be more environmentally efficient. We’re looking forward to serving more people. Most of all, the deal lets us own the property, which is important for the long run.”

“Our history in lending to cooperatives and our commitment to partnering with small businesses made NCB a great fit for this project,” says Brian Misenheimer, NCB senior vice president.



A group of people, mostly women, are holding hands in a circle in a grassy field. They are wearing colorful dresses and pants. The background is a soft-focus green field with some white flowers. The text is overlaid on the image in a dark blue, serif font.

National Cooperative Bank is dedicated to strengthening communities nationwide through the delivery of banking and financial services to the nation's cooperatives, their members and other socially responsible organizations.

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