

2018 ANNUAL REPORT
Native People
Investing in
Native Communities



Our Commitment to Native America

“Through collaboration, we provide access to financial services for Alaska Native and Native American communities creating economic independence, development and sustainability.”

Native American Bank (NAB) continued to provide access to capital for Native Tribes, Tribal Corporations, Alaska Native Corporations and Native American Individuals in 2018. We continue to see the growth in this need through our loan pipeline, which is now nearly \$150 million throughout Indian Country. We are especially focused on projects that will provide access to healthy foods, housing, land acquisition and non-gaming hospitality projects. We are committed to our vision and mission and will engage in new opportunities to provide additional financial resources that maintain and grow jobs, and help sustain economic opportunities in the communities we serve.

Native American Bank is owned by 35 investors, of which 31 are Tribal Nations, Tribal Enterprises and Alaska Native Corporations.

THE VISION

THE trusted Native owned nationwide bank meeting the financial needs of you, your family, your business, your nation.

In 2001, 20 Tribal Nations and Alaska Native Corporations set out with a dream to create a national bank to serve all Native people, communities, governments and enterprises across the country and established Native American Bank, N.A.

Native American Bank recognizes that among the many issues facing Native Americans, the absence of access to financial capital and services has been a significant impediment towards the realization of self-sufficiency and financial freedom across Indian Country.

THE MISSION

Through collaboration, provide access to financial services for Alaska Native and Native American communities creating economic independence, development and sustainability.

At Native American Bank, our primary mission is to assist Native American and Alaska Native individuals, enterprises and governments to reach their goals by providing affordable, flexible banking and financial services.

To accomplish this we concentrate on pooling Indian economic resources to increase Indian economic independence by fostering a climate of self-determination in investment, job creation and sustainable economic growth.

Native American Bank, N.A.

Chartered as a national community development focused bank, Native American Bank is also a certified Community Development Financial Institution (CDFI). Native American Bank is committed to being a self-sustaining CDFI and is the only national American Indian owned community development bank in the country. Native American Bank supports the communities that it serves and received an “outstanding” on the most recent Community reinvestment Act (CRA) exam.

The Native American Bancorporation Co.

The Native American Bancorporation Co. serves as the holding company for Native American Bank, N.A. and is a Community Development Enterprise (CDE) whose purpose is to promote economic development in areas that are underserved by traditional financial institutions.

From the President

I have often said that situations and structures are dynamic, meaning change is inevitable but also necessary. In the banking environment that could not be more true, and we have been involved in very substantive changes to further the course and trajectory of the bank's purpose and Mission. Our accomplishments throughout the year helped lay the foundation for improved systems and operations going forward while at the same time exceeding our financial goals.

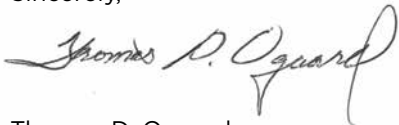
Central to our mission is the support we have received from our Shareholders; those Tribes, Tribal Corporations and Alaska Native Corporations who have invested in our company. The capital they have provided has been a key component for the growth, success and stability of the bank. The Boards and management are dedicated to ensuring there is value to our owners for the faith they have demonstrated for this institution. In 2018, the tangible book value of shares increased by 25%, representing the largest year over year increase in the history of the bank.

Across the nation, from coast to coast, we are making a decided difference in Indian Country. Native American Bank is considered to be a leader in financing for Tribes, Tribal corporations and members. As I stated in my message one year ago, our goal is to work side by side with our clients to give them the best possible opportunity to be successful. Our staff is expert in finding and using relevant programs and resources available for financing projects in Indian Country. It is what sets us apart from most other banking entities and something for which we have received numerous recognitions and awards.

As we look to the future, 2019 will be another year of change, improvements, and laying the groundwork for a more robust and capable enterprise. By July we will have moved our headquarters into a building we purchased, not only to right-size our office space for growth, but also to open a retail branch facility to bring our services to the Native population in and around Denver as well as the community as a whole.

Positive change is occurring as a result of our dedicated staff, management and Board. On behalf of them, we are committed to the ideals of Native American Bank's Mission among Native American and Alaska Native communities and look forward to serving our Shareholders and customers.

Sincerely,



Thomas D. Ogaard
Chairman, President and CEO
The Native American Bancorporation
President and CEO
Native American Bank, NA





Letter from the Chairman

I have had the pleasure to serve on the Board of Directors for Native American Bank since 2003, and the distinct honor of serving as Vice Chairman under the leadership and guidance of Lew Anderson, the longstanding Chairman of the Board of Native American Bank. In 2018 Mr. Anderson, after more than 50 years in banking, retired from the Board, and I was elected Chairman to carry on the great work he had done. Mr. Anderson will be missed.

The 2018 Annual Report reflects a much improved bank and our stronger capacity to meet the ever-changing economic conditions within Indian Country. As the only “National Community Bank” serving Indian Country, we have had our challenges in meeting the banking expectations of the diverse customers we serve throughout the United States. With a strong bank management team, an involved and active Board of Directors, and the confidence of our Shareholders, the bank has successfully capitalized Native American business enterprises and communities from Alaska to

Florida, and from Connecticut to California. We continue our work to meet the standards identified in our Vision and Mission statements for banking assistance to Indian Country.

The Native American Bank Board of Directors has a strong fiduciary responsibility to ensure that the Bank is operated in a sound and safe manner; that we adhere to compliance standards established by the federal regulators; and that we practice sound risk management and credit strategies when leveraging Shareholder and depositor funding sources to capitalize Indian Country. The financial results and growth that Native American Bank enjoyed in 2018 reflect the efforts of the Board of Directors and Management team in adhering to safety, soundness, compliance and risk awareness.

Looking forward, we are excited about the opportunities available to Native American Bank. In July of 2019 we will open our first “retail” branch banking operation in Denver, Colorado, to serve both the significant Native American population living in and around Denver and the Denver community as a whole. Our chartering branch in Browning, Montana has seen many upgrades to its infrastructure and will continue to be our flagship branch on the Blackfeet reservation, serving both the Browning community and the surrounding Indian communities. We hope in the years to come that we can establish more retail branching operations in the Indian communities we serve, while continuing to reach out to everyone looking for modern banking services at a community-oriented institution.

The Board of Directors, as the stewards of the Bank, are energized to meet and exceed our Vision and Mission for meeting the banking needs of Indian Country. Our bank cannot grow and prosper without the support and encouragement of our Shareholders, customers and loyal bank staff. For this we are very thankful.

Sincerely

Kent E. Paul
Chairman of the Board
Native American Bank, N.A.

Outstanding CRA Performance

In 2018, Native American Bank once again achieved an Outstanding Rating in CRA (Community Reinvestment Act) performance from the Office of the Comptroller of Currency.

Established in 1977, the Community Reinvestment Act requires all financial institutions to help meet the credit needs of the communities in which they do business, with a focus on low-and moderate-income environments.

Through our various lending activities, community development, outreach and service, Native American Bank firmly supports, and remains active, in areas that enhance economic stability, the creation of jobs and the overall sustainability of Native American communities.

NAB Provides a Solution to a Tribal Healthcare Division



The Confederated Tribes of the Goshute Reservation, with reservation lands located in both eastern Nevada and western Utah, operate a health division of the tribe in Salt Lake City, UT, where it offers a wide range of health care services to both tribal and non-tribal members.

The clinic, Sacred Circle Healthcare, was started and financed by a group of doctors who formerly worked for Indian Health Services. Over time, the tribe has increased its ownership and management of the clinic and now proudly owns and operates 100% of the entity which is now a division of the tribe.

The tribe worked with Native American Bank to refinance existing debt and to purchase equipment for

a pain management department, a new service offering at the clinic. The bank also provided an operating line of credit to expand business activities. NAB was able to work with the tribal division with the assistance of a loan guaranty offered through the Office of Indian Energy and Economic Development, under the Division of Interior's Indian Affairs agency.

Today, the tribal division offers a full suite of services to the community including family medicine and primary care, pain management, dental care, behavioral health, physical therapy, and an on-site pharmacy. The clinic currently employs 12 healthcare providers and accepts Medicaid, Medicare and Flexible Payment options for non-insured.

A Tribe's Passion for Fitness is Assisted by NAB



Big Lagoon Rancheria was established by Executive Order in 1918 and the original Rancheria consisted of 9 acres in Northern California. Since then, the Rancheria has purchased additional parcels of land located near or within 30 miles of the Rancheria with the intent of expanding its economic platform.

Today, the Rancheria owns and operates an historic hotel in downtown Arcata, CA, but most recently, has doubled its efforts to offer premier family fitness centers in the area by both constructing a new fitness center, which will be known as the Club at Mill Creek, and purchased and renovated a commercial facility, now known as the Club on Central.

NAB, along with the support of loan guarantees provided by the Office of Indian Energy and Economic Development, has originated financing for both projects sufficient to assist in the Rancheria's commitment to living balanced, healthier lives, and building community.

The Club on Central, which is fully operational, provides a wide-variety of options enabling the entire family to pursue a healthy lifestyle, including a "Club 4 Kidz", an area dedicated to 7 - 12 year olds with age appropriate

classes, making it fun for kids to learn while gaining confidence with exercise equipment specifically designed for them.

The Club at Mill Creek, which is expected to open in the 2nd quarter of 2019, will include popular features including indoor cycling, yoga and reformer pilates classes, a six-lane indoor pool and 15 person hot tub, and an extensive selection of cardio and strength training equipment.

The second floor cardio theater overlooks the Northern California coastline, and this facility includes luxury accommodations including private steam rooms and dry saunas, childcare and a smoothie bar. NAB is honored to play a crucial role in promoting the health of the community.



For the fourth year in a row, Native American Bank, N.A., has been designated by the Office of Indian Energy and Economic Development Division of Capital Investment as a U.S. Department of Interior Performance Lender. This designation, the highest the department approves, demonstrates Native American Bank's experience and expertise in utilizing the Indian Loan Guaranty program, managed by this agency. Native American Bank is one of very few lenders who have been awarded this designation, and our history with the program is proven by the multiple years of Performance Lender designation.

Native American Bank Plays Key Role in Filling Minnesota Grocery Gap

NAB was the lead lender in a noteworthy project to finance the construction and permanent financing for a grocery store located on the Red Lake Nation, home of the Red Lake Band of Chippewa Indians.

NAB worked with the borrower, Red Lake Retail Center, Inc., a tribal business entity established by the tribe in 1984 to sell gasoline and grocery items, along with eight other partners, to combine a USDA loan guaranty with equity contributed through New Markets Tax Credits, to finance a project located on tribal trust land.

The loan proceeds from this cutting edge structure will allow Red Lake Retail Center to replace and expand its existing Red Lake Trading Post. Not only will the loan allow for a significantly larger space to operate the grocery store from 10,600 sq ft to approximately 26,000 sq ft, the services offered will be broadened as well.

The new store will feature a dollar store, automotive department, and eat-in and takeout deli, along with a bakery and a coffee shop. The expansion of the store will directly compete with other stores that offer similar services off the reservation that require current residents to make a 60+ mile round trip.

Our partners in this remarkable credit facility include the borrower, Red Lake Retail Center, Inc., Ogaakaaning Enterprises, the parent company of the borrower, Clearinghouse CDFI, our co-lender, the USDA Rural Development program, Travois, Inc., the Community Development Entity NMTC Allocatee, PNC Financial Services, the NMTC investor, Brian Gorecki Real Estate Consultants LLC, the NMTC Consultant, and the Midwest Minnesota Community Development Corporation, consultant and grant sponsor.

The construction of the grocery store began late spring 2018 and is expected to be complete in June 2019.



New Denver Location

Looking forward into 2019, Native American Bank will significantly expand its profile and its customer base with the opening of its first banking branch in Denver, Colo. The new facility depicted above, on a high-traffic street just south of downtown Denver, will complement the original Native American Bank retail location in Browning, Montana, and also serve as the new national headquarters for the bank.

NAB expects the new Denver branch to capitalize on a large Native American community in Denver and across Colorado, while also appealing to retail customers seeking a full array of modern services from a community-oriented bank. We are anticipating a large and eventful gathering of Shareholders, Native American tribal leaders, customers, and community and government leaders at a grand opening in July of 2019.

Native American Bank Financials

STATEMENTS OF FINANCIAL CONDITION (\$ IN THOUSANDS)

Assets	2018	2017	2016	2015
Cash and Due from Banks	\$ 3,635	\$ 6,934	\$ 12,250	\$ 4,780
Securities and Federal Funds Sold	5,728	7,342	6,264	6,858
Net Loans	92,140	71,967	80,220	64,300
Bank Premises and Equipment, Net	5,145	4,989	207	222
Deferred tax asset	2,222	240	161	—
Other Assets	4,443	4,010	960	985
Total Assets	\$ 113,313	\$ 95,482	\$ 100,062	\$ 77,145
Liabilities and Shareholders' Equity				
Total Deposits	\$ 89,026	\$ 84,752	\$ 90,121	\$ 68,788
Federal Funds Purchased & Overnight Borrowings	10,600	—	—	—
Other Liabilities	1,218	875	720	448
Total Liabilities	100,844	85,627	90,841	69,236
Shareholders' Equity	12,469	9,855	9,221	7,909
Total Liabilities and Shareholders' Equity	\$ 113,313	\$ 95,482	\$ 100,062	\$ 77,145

STATEMENTS OF OPERATIONS (\$ IN THOUSANDS)

	2018	2017	2016	2015
Interest Income	\$ 5,281	\$ 4,652	\$ 4,299	\$ 3,257
Interest Expense	917	551	473	283
Net Interest Income	4,364	4,101	3,826	2,974
Provision for Loan Losses	—	—	—	—
Net Interest Income after Provision for Loan Losses	4,364	4,101	3,826	2,974
Non-Interest Income	1,157	1,079	674	907
Salaries and Employee Benefits	2,899	2,800	2,383	2,221
Premises and Equipment Expenses	695	397	353	361
Other Non-Interest Expenses	1,479	1,362	1,297	1,262
Total Other Expenses	5,073	4,559	4,033	3,844
Net Income/(Loss) Before Income Taxes	448	621	467	37
Income Tax Expense/(Benefit)	(1,977)	(72)	(161)	—
Net Income/(Loss)	\$ 2,425	\$ 693	\$ 628	\$ 37

Financial Trends	2018	2017	2016	2015	2014
Unguaranteed portion of classified loans	2,112	2,372	2,914	1,516	1,639
Classified loans	5,972	7,942	14,326	5,106	4,822
Net interest margin	4.60%	4.58%	4.44%	4.34%	4.42%
Cost of funds	0.99%	0.91%	0.74%	0.46%	0.50%
Leverage ratio (point in time 12/31)	10.01%	10.01%	9.00%	10.11%	10.51%
Leverage ratio from call report	9.34%	10.49%	9.53%	10.12%	10.46%

Financial Summary

Beginning in 2017 and continuing into 2018, Native American Bank and the industry as a whole experienced a dynamic time of change. Interest rates began to move upward after a stagnant period in which interest rates were low for the last few years.

The new administration in Washington, D.C. created uncertainties for the banking environment. While lobbying efforts by our banking organizations paid off with positive regulatory improvements, banks still have an increased regulatory compliance burden, including higher capital requirements.

Our Bank's regulator, the Office of the Comptroller of the Currency, required us to maintain higher capital levels, specifically a Tier 1 Leverage Ratio to Average Adjusted Assets of at least 9.0% through May of 2016. With the removal of the Capital Directive, our target is still to maintain a minimum ratio of 9.0%. Native American Bank met the requirement and has maintained it since that time. The Tier 1 Leverage Ratio to Average Adjusted Assets was 9.34% for the fourth quarter of 2018.

The tangible book value of our common stock increased \$17.98 per share to \$90.19 as of December 31, 2018 when compared to the same period in 2017. Of the \$17.98 per share increase, \$14.13 relates to the tax benefit further explained below.

Due to our positive earnings trend, we began recognizing a deferred tax asset in 2016. The deferred tax asset relates to the carry forward of prior year's losses that can be used to offset income tax expense going forward. The change in tax law that was passed in late 2017, which lowered the corporate tax rate from 34% to 21%, required us to revalue our deferred tax asset. This reevaluation reduced the amount of the deferred tax asset by \$144 thousand. During 2018, our deferred tax asset increased \$2.0 million due to the recognition of the same amount as a credit to income taxes.

Reducing the size of our balance sheet and the historically low interest rate environment had a negative impact on net interest income (interest earned on loans and investments less interest paid on deposits and borrowings) in years prior to 2015. In 2013, we stabilized the bank and began implementing a growth plan which came to fruition in 2015 and continues today. In 2018,

we had our largest increase in net loans year-over-year of \$20.2 million, which positively impacted net interest income. In 2013, net interest income was \$2.4 million, increasing to \$4.3 million in 2018. Net interest income increased \$263 thousand in 2018 compared to 2017 due to the growth in earning assets, primarily loans, offset by higher deposit and borrowing interest costs. We have maintained a net interest margin (net interest income divided by average earning assets) above 4% for the last six years.

A large portion of our loan portfolio is government guaranteed which reduces our risk exposure. Our unguaranteed portion of classified loans decreased from \$2.5 million in 2013 to \$2.1 million in 2018. When compared to 2017, the unguaranteed portion of classified loans decreased \$260 thousand in 2018. The percentage of these loans to our total loans decreased from 4.93% as of December 31, 2013 to 2.27% for the same period in 2018.

Non-interest income increased \$78 thousand in 2018 compared to 2017. The primary driver for the increase was \$348 thousand of rental income from the building we purchased in December 2017. This increase was offset by a \$194 thousand reduction in the gain on sale of assets, primarily loans, and less customer related income.

Operating expenses increased \$500 thousand, from \$4.6 million in 2017 to \$5.1 million in 2018. The increase resulted from higher personnel and employee benefit costs, increases in occupancy costs related to the new building, costs related to changing our core data processor and supplemental information technology assistance needed to support our growth.

Native American Bancorporation Co.

BOARD OF DIRECTORS



Thomas D. Ogaard
Chair



David Cottrell
United Companies, Inc.



Cristina Danforth
President, Native American Finance Officers



Anthony Mallott
Sealaska Corporation



Lance Morgan
Ho-Chunk, Inc.



Terry J. Show
Blackfeet Tribe



Derrick Watchman
Navajo Nation



Rod Worl
Eyak Corporation

Native American Bank, N.A.

SENIOR OFFICERS



Thomas D. Ogaard
President and CEO



Tracie Davis
Executive Vice
President and Chief
Financial Officer



Joel Smith
Senior Vice
President and Chief
Credit Officer



Jamie Yancy
Senior Vice
President and Chief
Technical Officer



Shannon Ward
Senior Vice
President and Chief
Lending Officer



Jamie Santistevan
Vice President and
Compliance Officer

BOARD OF DIRECTORS

Kent E. Paul
Chair; President, K&L Risk Consulting

David Cottrell
President and CEO, United Companies, Inc. and President of Mikunda, Cottrell & Company

Cristina Danforth
President, Native American Finance Officers

Anthony Mallott
President and CEO, Sealaska Corporation

Lance Morgan
President and CEO, Ho-Chunk, Inc.

Thomas D. Ogaard
President and CEO, Native American Bank

Terry J. Show
Blackfeet Tribe and President, Show Logging Corporation

Rod Worl
Chief Executive Officer, The Eyak Corporation

NATIVE AMERICAN BANK, N.A. STAFF

DENVER COLORADO

Allemreh Daniels
Commercial Loan Processor II

Theresa Duncan
AVP Deposit & Assistant
Operations Manager

Barbra Keto
Senior Operations Specialist

Veronica Lane
Business Development Officer

Tree Mangan
Executive Assistant

Amber May
Operations Specialist

Monica Muresan
Credit Analyst II

John O'Connell
AVP Senior Accountant

Mia Richards
Loan Operations Specialist II

Elliot Rogoff
IT Systems Specialist

Wes Walters
Credit Analyst II

Suzannah Yoesting
Loan Assistant

Jana Zimmermann
AVP Loan Operations Manager

BROWNING MONTANA

Jaime Bechel
AVP Branch Supervisor

Aloysius Fish
Office Janitor

Gene Guardipee
Teller I

Amanda Kennerly
Financial Services
Representative

Thomasine Mittens
Teller 1

Vanessa Whitegrass
Teller I

Raychell Williams
Financial Service
Representative

SHAREHOLDERS

ALASKA

Akhiok-Kaguyak, Inc.
Arctic Slope Regional Corporation
Association of Village Council Presidents
The Eyak Corporation
Old Harbor Native Corporation Settlement Trust
Sealaska Corporation
United Companies, Inc.

ARIZONA

Navajo Nation
Salt River Pima-Maricopa Indian Community

CALIFORNIA

Clearinghouse CDFI
Table Mountain Rancheria

COLORADO

Ute Mountain Ute Tribe

CONNECTICUT

Mashantucket Pequot Nation
Mohegan Tribe

FLORIDA

Seminole Tribe of Florida

IDAHO

Shoshone-Bannock Tribes

IOWA

Sac and Fox Tribe of the Mississippi

LOUISIANA

Tunica Biloxi EDC

MICHIGAN

Grand Traverse Band EDC
Sault Ste. Marie Tribe

MINNESOTA

Mille Lacs Band of Ojibwe Indians

MONTANA

Blackfeet Indian Nation
Chippewa Cree Tribe
Island Mountain Development

NEBRASKA

Ho-Chunk, Inc.

NEW MEXICO

AMERIND Risk Management Corporation

NORTH DAKOTA

Three Affiliated Tribes

SOUTH DAKOTA

Cheyenne River Sioux Tribe

WASHINGTON

Colville Tribal Enterprise Corporation
Marine View Ventures, Inc.

WISCONSIN

Oneida Tribe of Indians of Wisconsin

WYOMING

Eastern Shoshone Tribe

SOCIALLY RESPONSIBLE SHAREHOLDERS

Wells Fargo Community Development Corporation
The Ford Foundation
The F.B. Heron Foundation



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New Location

(opens summer of 2019)

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 **NATIVE**
AMERICAN BANK