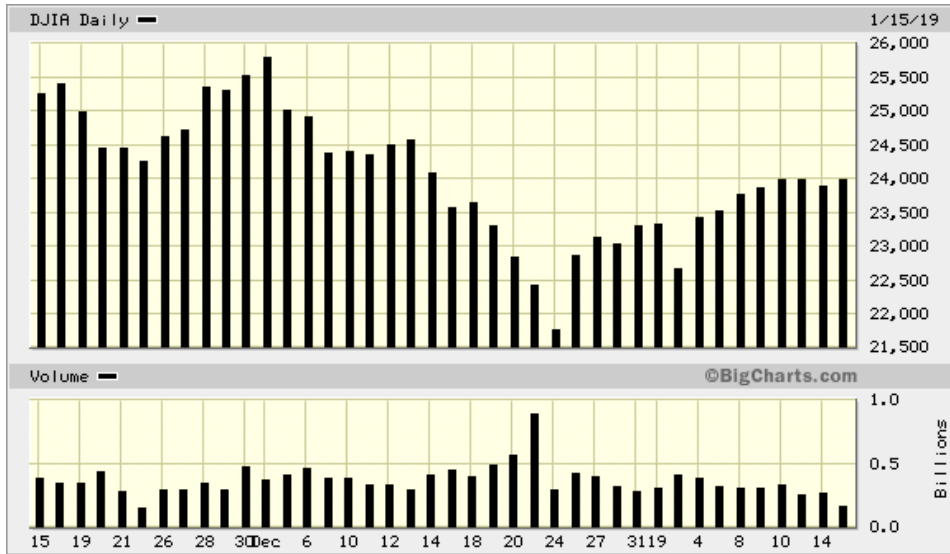




## ECONOMIC UPDATE

The Federal Open Market Committee (FOMC) raised rates again in December, but the committee lowered their projection for rates in 2019 from three rate increases down to two rate increases. Most economic measures remain healthy, though there have been recent downward trends in housing starts and manufacturing. Many analysts are beginning to believe that the FOMC will leave rates unchanged for the time being in order to see how the economy performs. The FOMC's next meeting scheduled for January 29-30 may provide the market with an indication of the direction of rates for the remainder of the year.

The stock market reacted strongly to the uncertainty with our national politics and the less optimistic outlook for the global economy. The Dow Jones Industrial Average (DOW) plunged towards the end of December as investors became more skittish about the direction of the economy in general.



There has been a partial recovery of stock values in the beginning of January as investors were a little more optimistic about the direction of interest rates, which may be an indication any downturn in the economy during this year will be mild. However, there are a few market analysts warning that further shocks to the market can be expected in 2019, but those shocks will be temporary.

By and large, California's economic experience continues to reflect the same trends as the national economy. The slowdown of the economy in China and the trade war with China have been felt by California's farmers as China's retaliatory tariffs on California's agricultural exports lead to lower sales of crops.

The increasing cost of housing in California continues to be a drag on the overall health of the state economy. Lower-income employees are finding themselves increasingly unable to afford the cost of housing in the communities in which they are employed and are having to live further and further away from work.

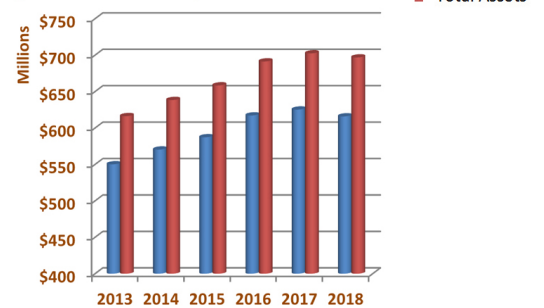
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## Key Figures (as of December 31, 2018)

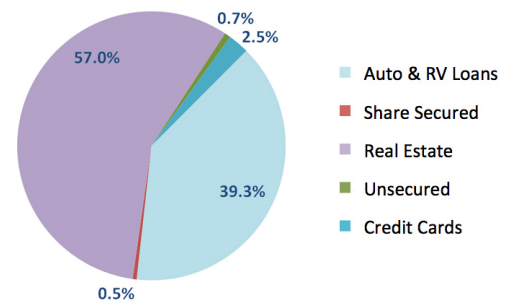
Assets	\$696,834,722
Deposits	\$615,931,806
Loans	\$244,563,849
Capital Ratio	10.96%
Branch Locations	5
Surcharge-Free ATMs	30,000
1st Nor Cal ATMs	10
Members	29,656
Employees	73

## Financial Highlights

(as of end of December 2018)

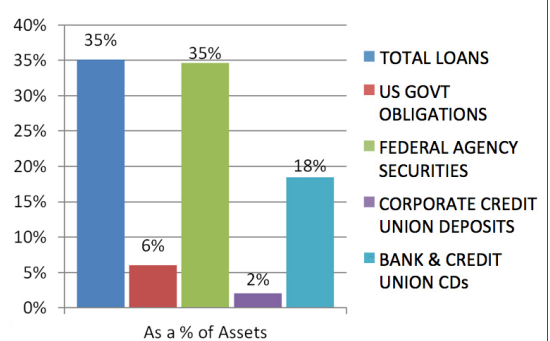


## Loan Portfolio (as of December 31, 2018)



## Loans and Investments as a Percent of Total Assets

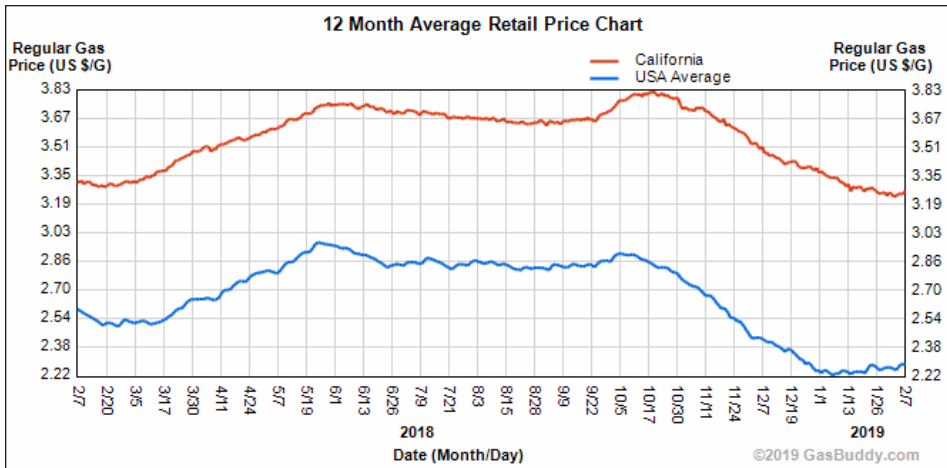
(as of December 31, 2018)





The recent drop in the price of oil (orange line in the chart) never really did translate into an equivalent drop in the price of gasoline in California (blue line). The price of oil dropped 43% from October to January, but the price of gasoline at the pump only dropped 16%. The increased price of oil in the first few days of the year probably means that gasoline prices will not decrease any further.

Locally, the economy in the Credit Union's membership area (Alameda, Contra Costa, and Solano counties) continues to do well but this area faces the same housing affordability issues as throughout most of the state. Unemployment remains low and wages are gradually increasing. Recent data from the federal government shows continued declines in bankruptcy filings which is a good indicator of increased prosperity.



Your Credit Union encourages all members to sign onto [www.1stnorcalcu.org](http://www.1stnorcalcu.org) and take a look at all of the available services and products that your Credit Union offers. Members have access to their accounts via home-banking or mobile phone or the traditional way of visiting one of the offices and meeting our friendly staff. 1st Nor Cal offers lower loan rates, higher interest on deposits, and much lower fees as well as superior service.

### Statement of Condition

as of: December 31, 2018

Loans (net)	\$243,211,523
Investments & Cash	428,227,271
Fixed Assets (net)	2,637,160
Other Assets	22,758,768
<b>Total Assets</b>	<b>\$696,834,722</b>
Member Shares	\$615,931,806
Liabilities	4,552,614
Member Capital	76,350,302
<b>Total Liabilities &amp; Equity</b>	<b>\$696,834,722</b>

### Income Statement

Year To Date as of: December 31, 2018

Loan Interest Income	\$7,680,375
Investment Interest Income	6,875,618
Non-Interest Income	2,345,631
<b>Total Income</b>	<b>\$16,901,624</b>
Operating Expense	\$11,104,556
Dividends Paid To Members	2,456,920
Provision for Loan Losses	166,000
<b>Total Expense</b>	<b>\$13,727,476</b>
Non-Operating Income (Expense)	-
<b>Net Income</b>	<b>\$3,174,148</b>