



## ECONOMIC UPDATE

The first quarter of 2016 started with a plunging stock market with the Dow Jones stock index dropping below 16,000, the lowest level since August 2015. Many Wall Street analysts were predicting an on-going decline throughout 2016 as the market dropped. However, everything changed, and the stock market took-off and finished the quarter over the 17,700 mark, effectively erasing all of the losses incurred in the first two months of the quarter. This erratic behavior has become the new "norm" for Wall Street, and the analysts have not made a solid argument for what variables are causing these up and down movements.

The economies of China and of the European Union and their impact on the global economy have not changed significantly over the past year. It is difficult to make a case that either of those economies is acting as the driving force for the drastic changes in our stock market.



The price of oil has recovered somewhat over the last couple of months. The current price of \$36 per barrel is still significantly below the \$60 per barrel price at this time last year. Accordingly, gas prices continue to remain much lower than one year ago, although California's gas price average of \$2.79 per gallon is significantly higher than the national average of \$2.05. Unfortunately, the positive effects on our economy from the low gas prices have not been as dramatic as had been anticipated.

Retail sales were up over 2% in the December 2015 through February 2016 period as compared to the same period of a year ago. This change does not sound significant but is a positive trend, nonetheless. Increased consumer spending translates into increased manufacturing which spurs more hiring of employees by the manufacturers and service industries which puts upward pressure on wage growth. It is a growth cycle where we want to see a steady upward trend and overall it has been.

California's economy is still improving as slowly as the rest of the nation. The Bay Area is considered to be at full employment, which is an unemployment rate of 5% or less, while the Central Valley continues to endure higher unemployment. Recent rains helped to alleviate the on-going drought, but the water content of the Sierra snowpack was less than projected. California still needs to tackle its antiquated water allocation and delivery systems while farmers and homeowners suffer for the lack of action.

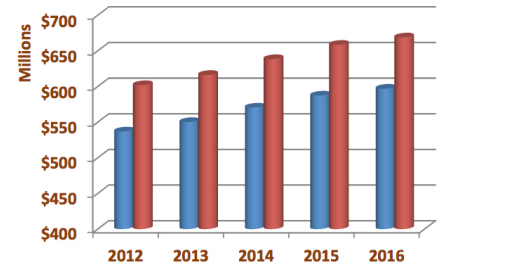
As you know, your Credit Union underwent a charter and name change transition in late 2015, and the overall reaction from members continues to be positive. The membership growth rate of your Credit Union has increased since the charter change. Rest assured that management is emphasizing the continued focus on providing the superior service that members expect and deserve. Your Credit Union encourages all of its members to take advantage of the services and products available at your Credit Union for the very simple reason that to do so will improve the members' financial security. As a result of the recent charter change, your friends and neighbors are eligible to join your Credit Union. Please remember to tell them that it just doesn't make financial sense to keep their accounts at the banks. 1st Nor Cal offers truly lower fees, lower loan rates, and higher interest on deposits as well as superior service.

### Key Figures (as of March 31, 2016)

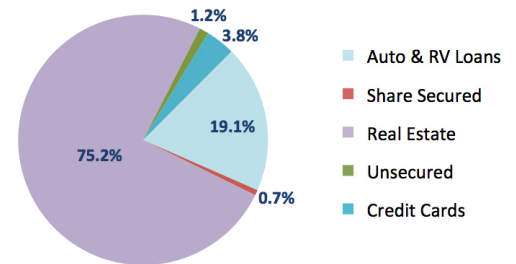
Assets	\$668,824,240
Deposits	\$596,928,363
Loans	\$184,431,087
Capital Ratio	10.35%
Branch Locations	6
Surcharge-Free ATMs	30,000
1st Nor Cal ATMs	10
Members	27,335
Employees	64

### Financial Highlights

(as of March 31 for 2016)



### Loan Portfolio (as of March 31, 2016)



### Statement of Condition

as of: March 31, 2016

Loans (net)	\$183,143,396
Investments & Cash	462,040,308
Fixed Assets (net)	1,956,051
Other Assets	21,684,485
<b>Total Assets</b>	<b>\$668,824,240</b>
Member Shares	\$596,928,363
Liabilities	2,689,237
Member Capital	69,206,640
<b>Total Liabilities &amp; Equity</b>	<b>\$668,824,240</b>

### Income Statement

Year To Date as of: March 31, 2016

Loan Interest Income	\$1,863,767
Investment Interest Income	1,185,266
Non-Interest Income	472,842
<b>Total Income</b>	<b>\$3,521,875</b>
Operating Expense	\$2,431,618
Dividends Paid To Members	417,098
Provision for Loan Losses	24,000
<b>Total Expense</b>	<b>\$2,872,716</b>
Non-Operating Income (Expense)	-
<b>Net Income</b>	<b>\$649,159</b>

### Loans and Investments as a Percent of Total Assets

(as of March 31, 2016)

