



*1<sup>st</sup> Nor Cal*

1<sup>ST</sup> NORTHERN CALIFORNIA CREDIT UNION

2015

*Annual Report*



## Message from Your Chairperson

2015 turned out to be the most significant year for your Credit Union since its founding in 1949. Beginning December 1st, we converted our federal public service employees charter to a community state charter that includes all individuals who live, work, or worship in Contra Costa, Alameda, and Solano Counties. In order to attract and welcome new members into the expanded field of membership, we also changed our name to 1<sup>st</sup> Northern California Credit Union. You, our shareholders, voted overwhelmingly for the conversion. The “one member, one vote” democratic process highlights one of the basic tenets of credit unions.

During the conversion process, we were asked by many members why we have to grow. A credit union must grow in order to offer upgraded services, maintain competitive loan rates and low fees, expand the branch network, and be sufficiently profitable to give you a reasonable return on your savings and to maintain adequate capital reserves.

2015 saw a continuation of positive trends in the financial services industry. Unemployment fell, especially in California, and housing values continue to appreciate. While 1<sup>st</sup> Nor Cal is still being affected due in part to stagnant interest rates, we are pleased to report net income of \$3.3 million. At year-end 2015, your Credit Union Assets totaled \$658 million, Shares were in excess of \$587 million, Loans were in excess of \$185 million, all all-time highs, and there were 27,394 members. These numbers are even more impressive if you reflect back to when we opened our doors in October 1949, with only \$1,211 in Assets and 34 members.

We ended the year with an increase in reserves, which remain in excess of regulatory minimum standards and of industry averages. 1<sup>st</sup> Nor Cal is a not-for-profit cooperative, “owned” by the members. Each and every member benefits from the profits, which are returned to the Membership in the form of low cost loans, high yields on savings and certificates and many services without fees. In addition, our strong reserves are the financial foundation used to continue building the future success of your 1<sup>st</sup> Nor Cal Credit Union. We remain strong, well-capitalized, and well-positioned to weather future economic storms.

Bauer Financial Reports, a nationwide financial research firm, once again recognized 1<sup>st</sup> Nor Cal’s financial stability. Your Credit Union has received Bauer’s highest rating for every evaluation period since Bauer began analyzing the Credit Union industry in 1990. This five-star rating indicates that your Credit Union is one of the safest in the United States.

## Message from Your Chairperson

Other noteworthy achievements during 2015 include home and mobile banking enhancements, upgrading credit cards to the new EMV chip technology, and increasing technology and security to provide the best possible online member experience and at the same time keeping operating expenses controlled.

2015 was another year when 1<sup>st</sup> Nor Cal held loan rates at an all time low. We also continued to pay competitive dividends on member savings accounts, while continuing to offer a wide variety of services without fees. We have also met with many Members who needed special financial counseling and credit assistance. Our staff also led financial literacy seminars to many of the communities we serve and will continue to do so going forward.

Looking to the future, we will continue to respond to members' financial needs by expanding and improving financial services while using the latest technology. The Board of Directors and management will also continue to manage the growth, while insuring continued safety and soundness of your Credit Union.

The accomplishments at 1<sup>st</sup> Nor Cal are the direct result of the continued support and loyalty of the Membership, Volunteer Officials, Management and Staff. I would like to express my sincere gratitude to all of you who have contributed to the success of your 1<sup>st</sup> Northern California Credit Union.



Stephen J. Ybarra, *Chair*  
*Board of Directors*



### **Board of Directors**

Donald L. Bouchet, *Treasurer*, Julie Enea, *2nd Vice Chair*,  
Stephen J. Ybarra, *Chairman*, Mary Ann Mason, *1st Vice Chair*,  
and Dean Lucas, *Secretary*

## Message from Your Treasurer

Your Credit Union has remained strong and stable during 2015. The federal budget deficit, state income tax increase, increasing healthcare costs, war on terrorism, world economic instability, and high unemployment, all of which affected business and consumer confidence, are a reality. Through it all, your Credit Union has these success highlights to report for the year 2015:

- Assets increased 3.1% to \$658.5 million, an all-time high.
- Shares increased 3.0% to \$587.3 million, an all-time high.
- Loans increased 1.5% to \$185.9 million, an all-time high. Your Credit Union approved 4,451 loans, a 2% increase, for a total of \$55.0 million, a 6% decrease. Since your Credit Union was organized, 259,626 loans have been approved for a total of \$1.475 billion.
- Dividends paid to members exceeded \$1.5 million. This represents a dividend payout of \$0.12 on each \$1.00 earned, compared to an industry average of \$0.11 per \$1.00 earned.
- Our Net Operating Expenses to Average Asset Ratio of 1.4% was substantially less than the Credit Union industry average of 3.1%
- Net income was \$3.3 million, a return on assets of 0.5%.
- Our delinquency ratio was only 0.1%, significantly less than the national industry average of 1%.
- Our total Net Worth (Regular Reserves, Contingency Reserves and Undivided Earnings) to Total Asset Ratio of 10.4% is slightly less than the industry average and 3.4% higher than the minimum required. Our risk-based net worth ratio of 32% is more than three times the statutory requirement. This high Net Worth Ratio enhances further the Credit Union's substantially strong financial base and better positions us to absorb any future economic fluctuations.
- Again received the "5-Star Rating" from Bauer Financial Group, which is the highest rating possible in the financial industry.

I am pleased to report that your Credit Union has maintained the highest degree of fiscal and financial soundness. I would like to express my thanks to the members of 1<sup>st</sup> Northern California Credit Union for your continued support.



Donald L. Bouchet, *Treasurer*  
*Board of Directors*

## Message from Your Supervisory Committee

The Supervisory Committee is appointed by your Board of Directors to fulfill the requirements of the National Credit Union Administration (NCUA) to objectively audit the financial records, review the operations and monitor the performance of your Credit Union.

To insure the utmost accuracy in meeting these requirements, we engaged the highly regarded CPA firm of CliftonLarsonAllen LLP whose specialty is Credit Union audits. They performed a comprehensive certified opinion audit of 1<sup>st</sup> Northern California Credit Union's accounting records and reviewed the internal controls surrounding our operations. Additionally, your Credit Union performs year-round compliance assessments to ensure all applicable federal and state regulations are being properly followed.

The NCUA also conducted its annual review of your Credit Union's operations. Both reports indicate that your Credit Union is operating on a sound financial basis with a high degree of efficiency and is in full compliance with Credit Union rules and regulations. Accounting reports are prepared promptly and accurately, internal controls are adequate, and the plans, policies and procedures established by the Board of Directors are being followed.

Now that we are operating as a state charter, we will be regulated by the State of California's Department of Business Oversight in addition to the NCUA. Member deposits are still insured up to \$250,000 per member by the NCUA.

It is the opinion of this Supervisory Committee, and that of our auditors and federal examiners, that your Credit Union is a financially sound and well-managed financial institution.



Michael H. George, *Chair*  
*Supervisory Committee*

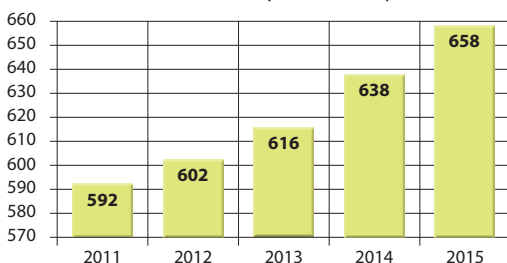


### **Supervisory Committee**

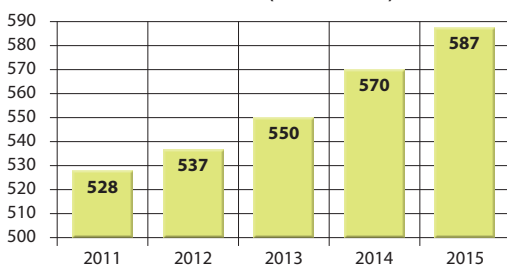
Cecilia Baird, Michael H. George, *Chair*, Rick Koehler,  
Stephen Dawkins, and Terry Mann

# Your Financials

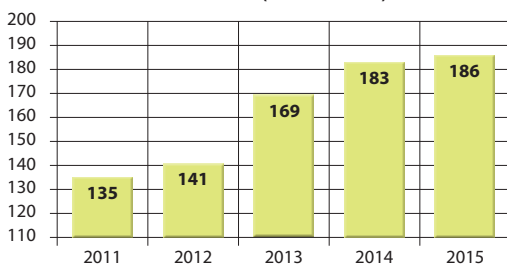
## ASSETS (in millions)



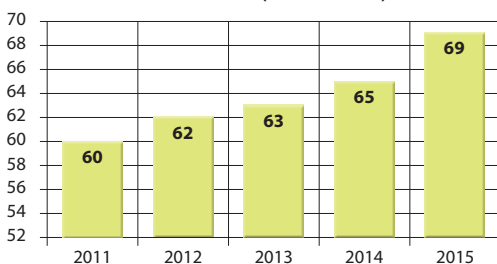
## SHARES (in millions)



## LOANS (in millions)



## CAPITAL (in millions)



# 1<sup>st</sup> Northern California Credit Union 2014 & 2015 Financial Statements

## BALANCE SHEET

	12/31/2015	12/31/2014
<b>Assets:</b>		
Cash & Investments	463,850,738	447,378,997
Loans to Members	184,509,885	180,905,990
Accrued Interest Receivable	2,145,569	2,218,139
Land & Building (net)	1,407,866	1,469,590
Furniture & Equipment (net)	451,635	588,082
Other Assets	6,111,174	5,859,866
<b>Total Assets</b>	<b>\$658,476,867</b>	<b>\$638,420,664</b>
<b>Liabilities:</b>		
Member Shares	587,293,128	570,423,753
Dividends Payable	211,038	203,725
Other Liabilities	2,415,221	2,487,999
<b>Total Liabilities</b>	<b>\$589,919,387</b>	<b>\$573,115,477</b>
<b>Equity:</b>		
Regular Reserves	7,815,921	7,815,921
Contingency Reserves	59,826,079	56,573,786
Undivided Earnings	561,056	561,056
Equity Acquired in Merger	354,424	354,424
<b>Total Capital</b>	<b>\$68,557,480</b>	<b>\$65,305,187</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$658,476,867</b>	<b>\$638,420,664</b>

## INCOME & EXPENSES

	12/31/2015	12/31/2014
<b>Income:</b>		
Interest on Loans	7,418,035	7,044,212
Investment Income	3,913,478	3,076,780
Other Income	1,880,498	1,822,855
<b>Total Income</b>	<b>\$13,212,011</b>	<b>\$11,943,847</b>
<b>Expenses:</b>		
Salary & Benefits	4,654,871	4,606,364
Office Occupancy	570,087	566,187
Office Operations	3,861,810	3,740,885
Cash Rebates	19,492	0
Provision for Loan Losses	(700,000)	0
<b>Total Operating Expenses</b>	<b>\$8,406,260</b>	<b>\$8,913,436</b>
<b>Net Income Before Distributions</b>	<b>\$4,805,751</b>	<b>\$3,030,411</b>
<b>Distribution of Net Income:</b>		
Dividends to Members	1,553,458	1,516,128
Reserves & Undivided Earnings	3,252,293	1,514,283
<b>Total Distribution</b>	<b>\$4,805,751</b>	<b>\$3,030,411</b>

# Products & Services

## Accounts

- Checking Accounts
- Savings Accounts
- Money Market Accounts
- Individual Retirement Accounts (IRAs)
- Certificates
- Club Accounts

## Loans

- New or Used Auto Loans
- Auto Loan Refinance
- Title Loans
- Motorcycle, RV & Boat Loans
- Visa® Credit Cards
- First Mortgage
- Second Mortgage
- Home Equity Loans
- 1<sup>st</sup> Line Unsecured Line-of-Credit®

## FREE Convenient Services

- Online Banking (@ccessOnline)
- Mobile Banking (@ccessMobile)
- Telephone Banking (AccessLine)
- Mastercard™ ATM or Debit Card
- Nearly 30,000 Fee-Free ATMs Nationwide
- Online Billpay
- Direct Deposit & Payroll Deduction
- eStatements



Your savings federally insured to at least \$250,000 and backed by the full faith and credit of the United States Government. National Credit Union Administrations, a U.S. Government Agency.



We do business in accordance with the Federal Fair Housing Law and the Equal Credit Opportunity Act.





# 1<sup>st</sup> Nor Cal

1<sup>ST</sup> NORTHERN CALIFORNIA CREDIT UNION

**(888) 387-8632**

**[www.1stnoralcu.org](http://www.1stnoralcu.org)**

## **BRANCH LOCATIONS**

**Main Branch:** 1111 Pine Street, Martinez

**Muir Station Branch:** 538 Center Ave, Martinez

**Antioch Branch:** 1870 A Street, Antioch

**Benicia Branch:** 560 First St, Suite B-106, Benicia

**Pittsburg Branch:** 160 East 10th St, Pittsburg

**Richmond Branch:** 2500 Nevin Ave, Richmond

## **BRANCH HOURS**

**Monday - Thursday:** 9:00am - 4:00pm

**Friday:** 9:00am - 5:00pm

## **FIND US ONLINE**

[twitter.com/1stnoralcu](https://twitter.com/1stnoralcu)

[facebook.com/1stnoralcu](https://facebook.com/1stnoralcu)

Watch our videos on YouTube!



**Recommended Five-Star  
Institution by Bauer Financial**  
*"Because peace of mind matters"*

[www.bauerfinancial.com](http://www.bauerfinancial.com)