



1st Nor Cal

1ST NORTHERN CALIFORNIA CREDIT UNION



2016

Annual Report

Message from Your Chairperson

2016 was our first full year of being a community-chartered credit union. In late 2015, 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 1st Northern California Credit Union.

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.

2016 saw a continuation of positive trends in the financial services industry. Unemployment fell, especially in California, and housing values continue to appreciate. While 1st Nor Cal is still being affected due in part to stagnant interest rates, we are pleased to report net income of \$1.8 million. At year-end 2016, your Credit Union Assets totaled \$691 million, Shares were in excess of \$617 million, Loans surpassed \$200 million, all all-time highs, and there were 27,394 Members. We welcomed 1,630 new Members, an all-time high not including the small credit unions we acquired over the years. 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. 1st 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 1st 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 1st 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

We did not make any significant changes to our products and services in 2016, but 2017 promises to be a big year when Members will be able to access their credit card information on their smartphones and use Apple Pay or Android Pay to purchase merchandise. We continue to pledge to provide the best possible online Member experience and at the same time keeping operating expenses controlled.

2016 was another year when 1st 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 1st 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 1st 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 2016. A new presidential administration, the federal budget deficit, state income tax increase, increasing healthcare costs, war on terrorism, and world economic instability, 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 2016:

- Assets increased 5.0% to \$691.4 million, an all-time high.
- Shares increased 5.1% to \$617.2 million, an all-time high.
- Loans increased 8.1% to \$201 million, an all-time high. Your Credit Union approved 4,339 loans, a 2.5% decrease, for a total of \$55.0 million, a 20% increase. Since your Credit Union was organized, 263,965 loans have been approved for a total of \$1.530 billion.
- Dividends paid to Members exceeded \$1.8 million. This represents a dividend payout of almost \$0.13 on each \$1.00 earned, compared to an industry average of \$0.09 per \$1.00 earned.
- Our Net Operating Expenses to Average Asset Ratio of 1.5% was substantially less than the Credit Union industry average of 3.3%.
- Net income was \$1.8 million, a return on assets of 0.3%.
- Our delinquency ratio was only 0.1%, significantly less than the national industry average of 0.7%.
- Our total Net Worth (Regular Reserves, Contingency Reserves and Undivided Earnings) to Total Asset Ratio of 10.3% is slightly less than the industry average and 3.3% 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 1st Northern California Credit Union for your continued support.



Donald L. Bouchet, *Treasurer*
Board of Directors

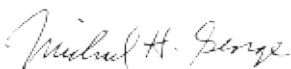
Message from Your Supervisory Committee

The Supervisory Committee is appointed by your Board of Directors to fulfill the requirements of the National Credit Union Administration (NCUA) and California State Department of Business Oversight (DBO) 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 1st 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 and DBO also conducted their annual reviews 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.

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



Michael H. George, *Chair*
Supervisory Committee

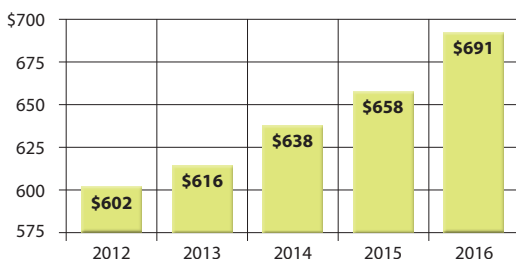


Supervisory Committee

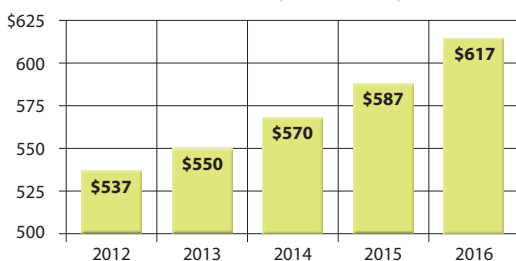
Stephen Dawkins, Terry Mann, Rick Koehler,
Michael H. George, *Chair*, and Cecilia Baird

Your Financials

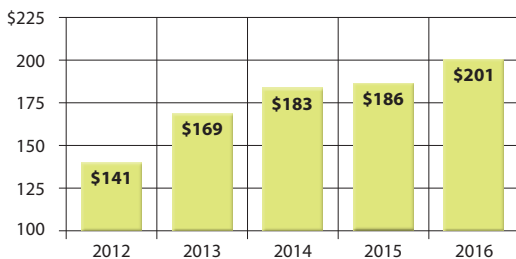
ASSETS (in millions)



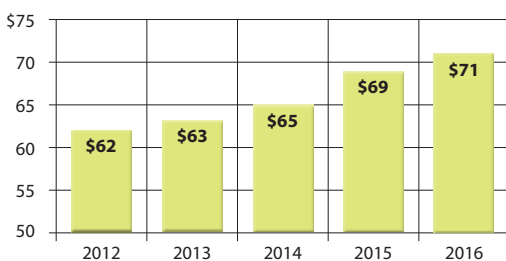
SHARES (in millions)



LOANS (in millions)



CAPITAL (in millions)



1st Northern California Credit Union 2015 & 2016 Financial Statements

BALANCE SHEET

	12/31/2016	12/31/2015
Assets:		
Cash & Investments	\$481,089,025	\$463,850,738
Loans to Members	199,640,339	184,509,885
Accrued Interest Receivable	2,021,724	2,145,569
Land & Building (net)	1,343,727	1,407,866
Furniture & Equipment (net)	723,256	451,635
Other Assets	6,543,399	6,111,174
Total Assets	\$691,361,470	\$658,476,867
Liabilities:		
Member Shares	\$617,188,911	\$587,293,128
Dividends Payable	244,387	211,038
Other Liabilities	3,027,426	2,415,221
Total Liabilities	620,460,724	589,919,387
Equity:		
Regular Reserves	7,815,921	7,815,921
Contingency Reserves	62,169,345	59,826,079
Undivided Earnings	561,056	561,056
Equity Acquired in Merger	354,424	354,424
Total Capital	70,900,746	68,557,480
Total Liabilities & Equity	\$691,361,470	\$658,476,867

INCOME & EXPENSES

	12/31/2016	12/31/2015
Income:		
Interest on Loans	\$7,485,844	\$7,418,035
Investment Income	4,959,482	3,913,478
Other Income	1,925,955	1,880,498
Total Income	\$14,371,281	\$13,212,011
Expenses:		
Salary & Benefits	4,953,747	4,654,871
Office Occupancy	524,109	570,087
Office Operations	4,422,498	3,861,810
Cash Rebates	109,828	19,492
Provision for Loan Losses	189,027	(700,000)
Total Operating Expenses	10,199,209	8,406,260
Net Income Before Distributions	\$4,172,072	\$4,805,751
Distribution of Net Income:		
Dividends to Members	\$1,828,807	\$1,553,458
Reserves & Undivided Earnings	2,343,265	3,252,293
Total Distribution	\$4,172,072	\$4,805,751

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
- 1st 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
- Direct Deposit & Payroll Deduction
- eDeposit
- Online Billpay
- 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.



1st Nor Cal

1ST NORTHERN CALIFORNIA CREDIT UNION

(888) 387-8632

www.1stnorcalcu.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 - Wednesday: 9:00am - 4:00pm

Thursday: 9:00am - 6:00pm

Friday: 9:00am - 5:00pm

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