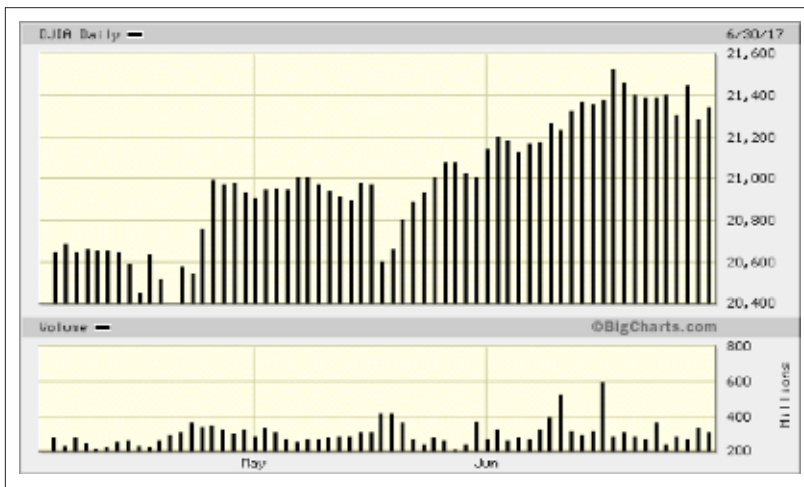




ECONOMIC UPDATE

The economy continues to improve by most of the indicators, though the improvement remains slow. One lagging indicator still seems to be wage growth which has improved compared to a few years ago but still remains a concern amongst economists.

The growth in the stock market remains strong as is evident in the following chart of the Dow Jones Industrial Average. There seems to be many opinions on why the stock market has grown so much over the last couple of years, but there is certainly no consensus on the reasons for it.



Most economic indicators continue to reflect an improved U.S. economy, and we should probably enjoy it while it lasts. Like taxes, the only certainty in life is that the economy will go up and down.

Nationally, the major economic related debates revolve around the future of health care and whether or not there will be any progress this year on tax reform. Both subjects have become so politically infused that it is difficult to even speculate on the outcome of legislation in regard to either.

California seems to be doing well and especially so after the cessation of the drought. The Central Valley still has a way to go before recovering from the "Great Recession" and the subsequent drought. Employment is gradually picking-up on the farms but farmers have a new concern regarding the diminishing size of their labor pool as new immigration policies take effect.

U.S. retail sales have been up and down over the last few months but the changes have been quite small. For example, March's decline was only 0.2% while April rose 0.4% and May declined by 0.3%. These changes seem to just signify that retail sales are in the doldrums now that the consumers who planned to purchase new autos have already done so. It will be difficult for any of the other retail sectors to grow enough to offset the decline in the big-ticket auto sales.

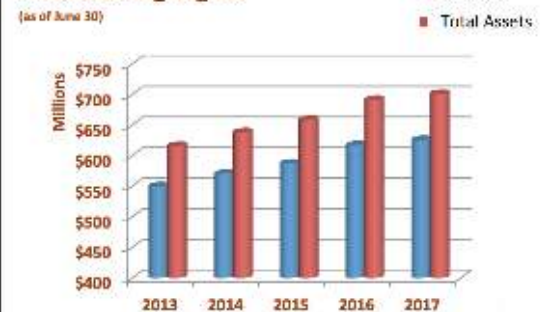
As can be seen from the following chart, the price of oil (green line) has been on a fairly dramatic downward trend ever since February. However, this trend has not really

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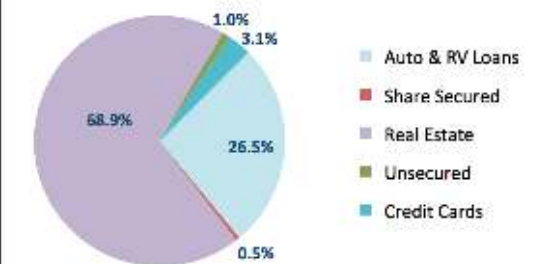
Key Figures (as of June 30, 2017)

Assets	\$701,253,802
Deposits	\$625,886,216
Loans	\$213,999,479
Capital Ratio	10.24%
Branch Locations	6
Surcharge-Free ATMs	30,000
1st Nor Cal ATMs	10
Members	27,978
Employees	69

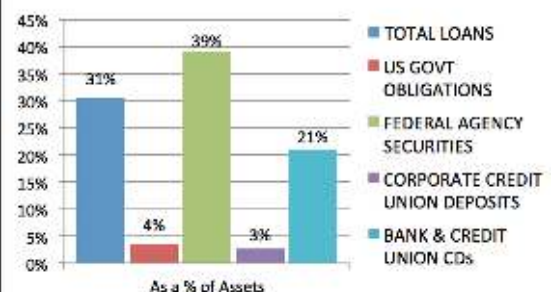
Financial Highlights



Loan Portfolio (as of June 30, 2017)



Loans and Investments as a Percent of Total Assets (as of June 30, 2017)

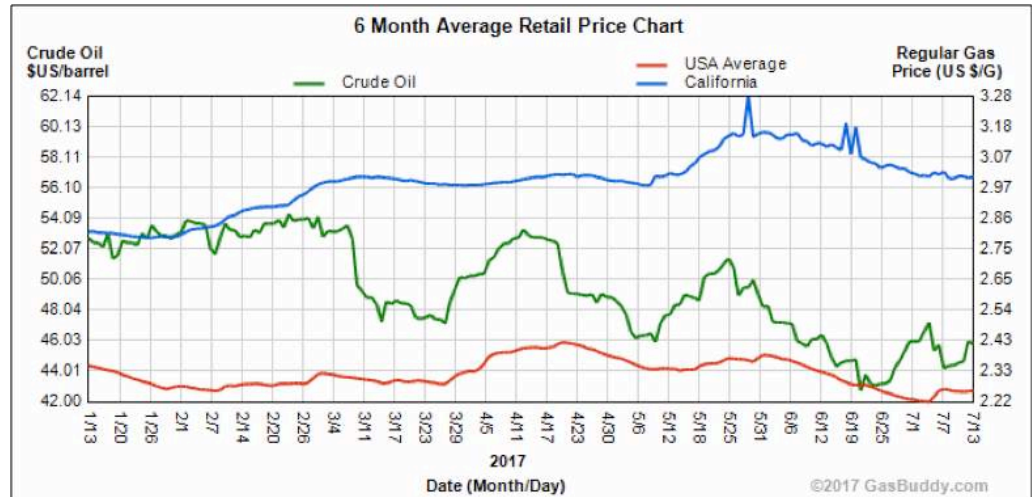




translated into an equivalent decrease in the price of gas as noted in the trend line of the U.S. average price of gas (red line). Unfortunately, the price of gas in California (blue line) has actually risen during the same time period.

Member and loan growth remain strong at your Credit Union as 2017 continues to be a positive year. Assets have surpassed \$701 million, and the dividend payout to the members of 12.6% exceeds the 12.3% one year ago. The Credit Union's Board of Directors and management are proud that the Credit Union's loyal members have continued to contribute to the success of the Credit Union.

Your Credit Union encourages all members to take advantage of our available services and products. The members' financial security is the primary focus of the Credit Union, but we still hear stories from our members about the high fees they pay at a bank. Please remember to tell your friends and co-workers 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.



Statement of Condition

as of: June 30, 2017

Loans (net)	\$212,738,138
Investments & Cash	467,741,621
Fixed Assets (net)	1,779,361
Other Assets	18,994,682
Total Assets	\$701,253,802
Member Shares	\$625,886,216
Liabilities	3,560,082
Member Capital	71,807,504
Total Liabilities & Equity	\$701,253,802

Income Statement

Year To Date as of: June 30, 2017

Loan Interest Income	\$3,737,013
Investment Interest Income	2,805,723
Non-Interest Income	956,433
Total Income	\$7,499,170
Operating Expense	\$5,669,363
Dividends Paid To Members	944,848
Provision for Loan Losses	(21,800)
Total Expense	\$6,592,411
Non-Operating Income (Expense)	-
Net Income	\$906,759