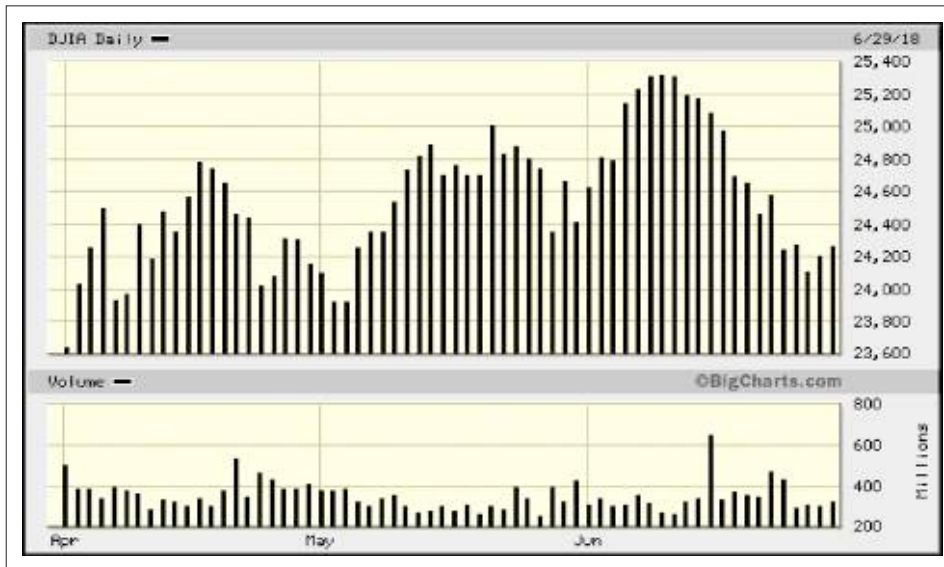




## ECONOMIC UPDATE

At their meeting in June, the Federal Open Market Committee (FOMC) did raise rates again and also raised expectations that there will be at least two more rate hikes over the course of this year.

The stock market has been up and down over the last three months as evidenced by the chart, below, tracking the Dow Jones Industrial Average (DOW). There was an abrupt decline in June with a slight recovery near the end of the month as the first round of the United States versus China tariff war took effect. Both the U.S. and China are talking much bigger numbers of imports and exports to be affected with the second round of tariffs. Wall Street is increasingly worried that China will decide to play their "trump card" and begin to decrease or even stop their purchases of U.S. Treasury securities. China's purchases of U.S. debt has been a major reason that interest rates have stayed so low for so long, and if China decreases the volume of their purchases, interest rates will be pushed higher than what would be expected from economic growth as the U.S. finds itself having to pay higher rates in order to attract other buyers.



On the state level, there are several recent financial forecasts available on the internet. The forecasts are written by economists or produced by agencies that analyze the economy. Most of them agree that California's economic growth will continue on the short-term but include words to the effect of, "Unless there is a trade war." Exports to China and imports from both China and Mexico have a substantial impact on the California economy. There are many California jobs associated with the trade activity between the United States and both China and Mexico. The next few months should tell us how serious this battle will be.

During this last quarter, California rose above the United Kingdom to become the fifth largest economy in the world as it was determined that California's gross domestic product had climbed to \$2.75 trillion by the end of 2017.

*Continued on next page >>*

### Key Figures (as of June 30, 2018)

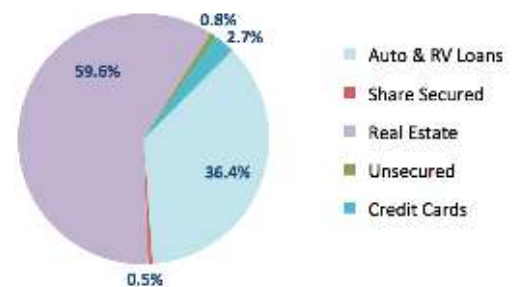
Assets	\$710,328,032
Deposits	\$631,418,214
Loans	\$228,755,164
Capital Ratio	10.57%
Branch Locations	5
Surcharge-Free ATMs	30,000
1st Nor Cal ATMs	10
Members	28,960
Employees	70

### Financial Highlights

(as of and of June for 2018)

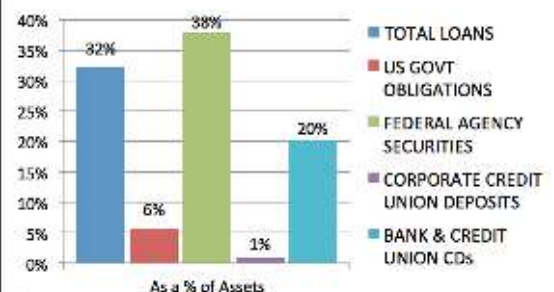


### Loan Portfolio (as of June 30, 2018)



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

(as of June 30, 2018)





Nobody who has lived in California for very long will be surprised seeing the following chart and how the Golden State's gas prices (orange line) are much higher than the national average (blue line). However, note how our gas prices have risen almost in lock-step with the price of oil (green line) since the beginning of this year. The rise of gas prices will certainly be a factor should consumer spending begin to decline as consumers have to make a choice between their transportation and eating out or going to a movie.



The economic news has not changed for the local economy as economic growth continues throughout the Credit Union's field of membership area. The high and rising housing prices continue to be a concern to almost every city in the East Bay. The unemployment rate for each of the three counties (Contra Costa, Alameda, and Solano) continues to fall below the state average. It is not expected that the tariff war will have a direct impact on the region, which is not heavily dependent on import or export activity, but there may very well be an indirect impact if consumer prices rise enough to dampen consumer spending.

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 continue to 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 lower loan rates, higher interest on deposits, and much lower fees as well as superior service.

## Statement of Condition

as of: June 30, 2018

Loans (net)	\$227,511,237
Investments & Cash	460,235,633
Fixed Assets (net)	2,166,086
Other Assets	20,415,076

**Total Assets** **\$710,328,032**

Member Shares	\$631,418,214
Liabilities	3,824,885

Member Capital 75,084,933

**Total Liabilities & Equity** **\$710,328,032**

## Income Statement

Year To Date as of: June 30, 2018

Loan Interest Income	\$3,756,782
Investment Interest Income	3,294,914
Non-Interest Income	1,393,027

**Total Income** **\$8,444,723**

Operating Expense	\$5,378,371
Dividends Paid To Members	1,075,073
Provision for Loan Losses	82,500

**Total Expense** **\$6,535,944**

Non-Operating Income (Expense) 1,075,073

**Net Income** **\$1,908,779**