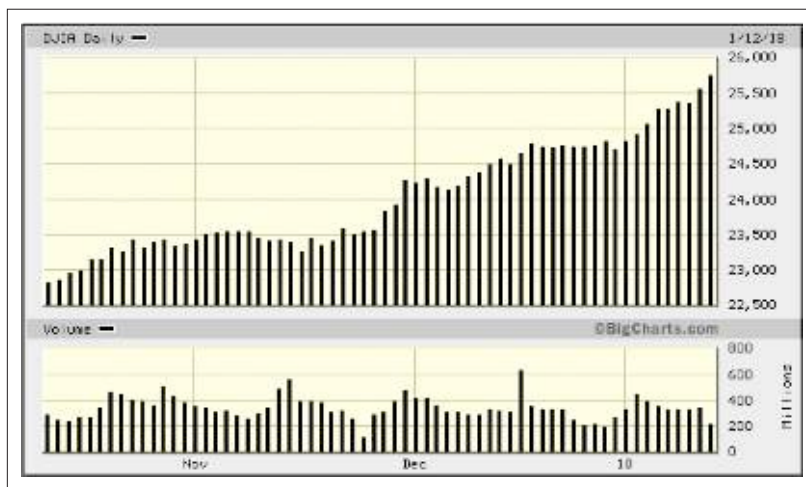




### ECONOMIC UPDATE

The stock market has been continuing its upward trend and breaking records as is evident in the chart of the Dow Jones Industrial Average, below. Wall Street appears to be reacting to the tax reform legislation that Congress approved prior to Christmas Day as investors expect corporations to reap large benefits from the tax changes. The effect on individual taxpayers won't be truly known for several years. The tax consultants seem to agree that, for the short-term, most high-income taxpayers will receive a significant benefit, middle-income taxpayers will receive a modest benefit, and lower-income taxpayers will receive either no benefit or a small increase in taxes.



On the national level, most economic data trends are still positive, but the one exception continues to be wage gains. Economists have not been able to form a consensus on why wages have not increased given all of the upward trends in economic activity. There are various theories but corporations not passing along their increased profitability to workers and technology taking the place of workers appear to be the two most common theories.

The authors of the tax reform legislation have indicated that one of the benefits of lowering corporate tax rates and giving a tax break to multi-national corporations is to encourage them to invest their tax savings in new capital improvements and increased wages. So far, there have been some corporations indicating that they will be paying bonuses (most are reporting \$1,000 bonuses) to their employees. However, economists are claiming that one-time bonuses are nice, but what the economy really needs are wage increases that have a much greater long-term impact.

On the state level, the California politicians are attempting to determine how and by how much the new federal tax changes will affect tax revenues for the state. Some state legislators are making the argument that the state will now have room to tax the high-income individuals and corporations a greater amount due to the decrease in their taxes on the federal level.

Locally, the housing shortage that has led to rising housing prices and increased rents continues to dominate the economic news. The increasing level of housing costs in

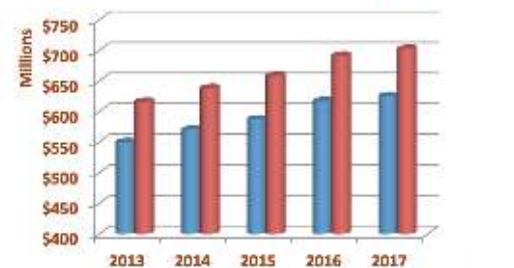
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#### Key Figures (as of December 31, 2017)

Assets	\$702,451,101
Deposits	\$625,319,412
Loans	\$218,796,259
Capital Ratio	10.42%
Branch Locations	6
Surcharge-Free ATMs	30,000
1st Nor Cal ATMs	10
Members	28,624
Employees	67

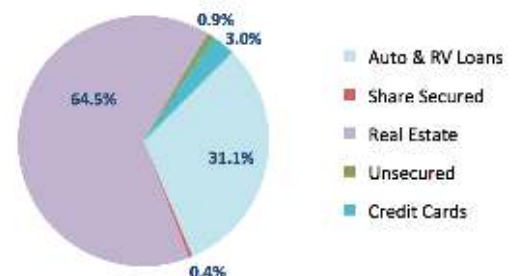
#### Financial Highlights

(as of December 31)



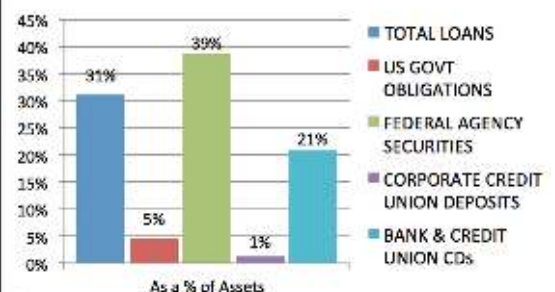
#### Loan Portfolio

(as of December 31, 2017)



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

(as of December 31, 2017)





consumers' budgets leaves less room for any discretionary spending that could dampen the economic growth of the state. Additionally, the rising cost of housing is creating greater numbers of homeless which raises monetary pressures on social services in each community.

Member and loan growth remain strong at your Credit Union and 2017 ended as a very positive year for the Credit Union. Assets have surpassed \$702 million, net income was \$2.3 million, and the dividend payout of 12.13% to the members remained strong. 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: December 31, 2017	
Loans (net)	217,581,227
Investments & Cash	461,092,601
Fixed Assets (net)	1,862,876
Other Assets	21,914,397
<b>Total Assets</b>	<b>\$702,451,101</b>
Member Shares	\$625,319,412
Liabilities	3,955,535
Member Capital	73,176,154
<b>Total Liabilities &amp; Equity</b>	<b>\$702,451,101</b>

Income Statement	
Year To Date as of: December 31, 2017	
Loan Interest Income	\$7,613,739
Investment Interest Income	5,871,861
Non-Interest Income	1,869,817
<b>Total Income</b>	<b>\$15,355,417</b>
Operating Expense	\$11,211,592
Dividends Paid To Members	1,862,925
Provision for Loan Losses	17,300
<b>Total Expense</b>	<b>\$13,091,817</b>
Non-Operating Income (Expense)	11,808
<b>Net Income</b>	<b>\$2,275,408</b>