

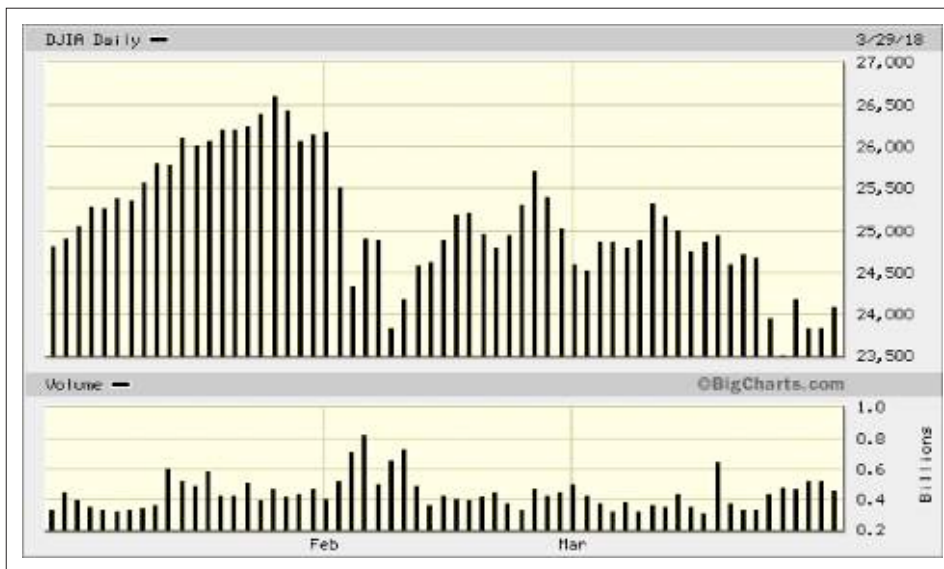


ECONOMIC UPDATE

Market rates trended downward a little during the month of March but have rebounded during the first few days of April. Over the past twelve months, the increases in rates have largely been noticeable in the short-end to the mid-range of the yield curve. The long-term rates have increased but not as much as the short-term rates. This flattening of the yield curve is generally a leading indicator of a recession. The Federal Open Market Committee (FOMC) is not scheduled to meet and determine whether or not to continue to increase rates until the beginning of May. The current fluctuation in rates appears to be largely driven by speculation in the market as to what the FOMC's response will be to current economic conditions.

Internationally, the potential for a trade war with China and the added potential for conflict with Russia over the Syrian civil war has global markets increasingly jittery. Market analysts and investors seem to flip between optimism and pessimism several times on a daily basis.

The stock market has reacted with significant drops in the major indices beginning in February. The following chart reflects the variances of the Dow Jones Industrial Average over the first three months of the year. There is no consensus amongst market analysts on which direction the market might take in the near-term. Retail sales (largely auto sales) declining over the last three months is not unusual during the first quarter of most years. However, many of the analysts are in agreement that investors seem to be ignoring the overall health of the national and global economies.



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Key Figures (as of March 31, 2018)

Assets	\$711,685,206
Deposits	\$633,745,516
Loans	\$220,251,949
Capital Ratio	10.45%
Branch Locations	6
Surcharge-Free ATMs	30,000
1st Nor Cal ATMs	10
Members	28,735
Employees	61

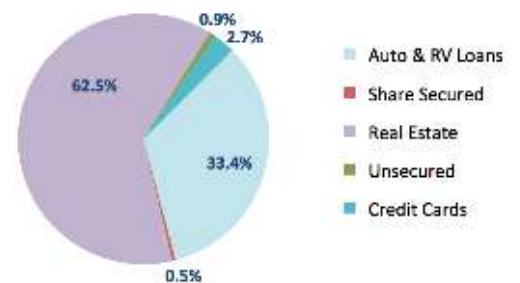
Financial Highlights

(as of and of March for 2018)



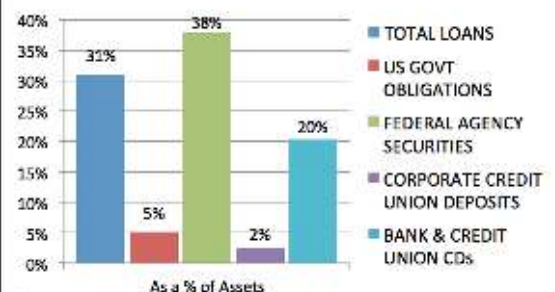
Loan Portfolio

(as of March 31, 2018)



Loans and Investments as a Percent of Total Assets

(as of March 31, 2018)





Other factors that may affect the longer-term health of the national economy are the recent rise in oil and gasoline prices. The price of oil (red line in the following chart) significantly fell in February but has trended upward ever since and has spiked in April as concerns have risen in regard to the turmoil in the Middle East. The price of oil is now at a level that was last seen in 2014. Accordingly, gasoline prices (blue line) have drifted upward.



As gasoline prices rise, analysts report that another factor behind the increasing gasoline prices is that the public is currently driving almost as much as they do during the summer months, so demand is high for gasoline. In prior years, the demand for gasoline would be much lower during the winter months; hence gasoline prices would also be lower. None of the analysts have cited a definitive reason for the unusual level of miles driven by the public, but they do speculate that perhaps consumers are more confident about the economy and the security of their employment. The upward movement in gasoline prices may very well dampen that optimism.

The University of California at Santa Barbara has announced that the housing values in California have now recovered 99% of the value that was held prior to the "Great Recession." Clearly, some communities have performed much better than others, but it is significant that most homeowners have recovered the equity that they held in their homes. This probably is a large factor behind the public's current level of economic confidence as noted previously.

Locally, the data provided by the California Employment Development Department (EDD) indicates the unemployment rate for Contra Costa County is down to 3.4%, Alameda County at 3.2%, and, Solano County at 4.4%. These rates compare well to the statewide average of 4.5%.

Beacon Economics reports that the construction sector has been leading recent job gains and is followed by health care, administrative support, and manufacturing. Education services and government have been shedding jobs. The East Bay Area had the second highest regional job growth throughout the state, only behind San Jose.

Member and loan growth remain strong at your Credit Union and 2018 has started very positively for the Credit Union. Assets have surpassed \$711 million, net income was \$1.2 million, and the dividend payout of 11.3% 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 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: March 31, 2018

Loans (net)	\$219,031,568
Investments & Cash	470,063,349
Fixed Assets (net)	1,953,750
Other Assets	20,636,539

Total Assets **\$711,685,206**

Member Shares	\$633,745,516
Liabilities	3,571,082

Member Capital 74,368,608

Total Liabilities & Equity **\$711,685,206**

Income Statement

Year To Date as of: March 31, 2018

Loan Interest Income	\$1,882,080
Investment Interest Income	1,591,151
Non-Interest Income	925,269

Total Income **\$4,398,499**

Operating Expense	\$2,678,746
Dividends Paid To Members	498,299
Provision for Loan Losses	29,000

Total Expense **\$3,206,045**

Non-Operating Income (Expense) -

Net Income **\$1,192,454**