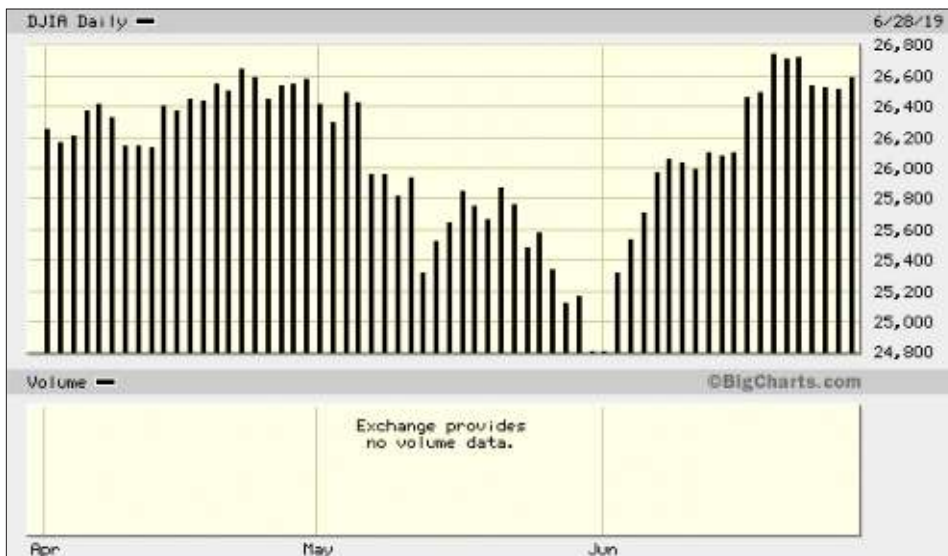




ECONOMIC UPDATE

The Federal Open Market Committee (FOMC) meets at the end of this month (07/30 & 07/31) and will announce whether they will lower the discount rate or will wait and see how the economy does between then and their mid-September meeting. Most analysts are now expecting that the FOMC will lower rates at some point this year even though the economic data has not presented compelling enough reason to do so at this time. The FOMC is supposed to be independent of the White House and unswayed by the markets desires, but the current pressure is enormous from both the White House and the equity market (i.e. stock market) for rates to be lowered so it is anybody's guess if the FOMC will be swayed by these non-economic pressures.

The chart, below, of the Dow Jones Industrial Average (DOW) over the second quarter of the year reflects the stock market's swings from optimism to despair and then back to optimism over the period. These swings are becoming more of a frequent occurrence largely due to the volatility of the political rhetoric that now occurs. The rise in June was due to the equity market's relief that a trade war with Mexico did not develop. In early July, the DOW began to decline reflecting the equity market's disappointment that the latest jobs report indicated that employment was better than expected. Currently, the equity market is cheering bad economic news in hopes of further interest rate declines so that companies will fatten their bottom-lines by paying less for their borrowings.



Unresolved political issues (e.g. trade agreements under re-negotiation) have been the greatest threat to stability in the financial markets. Companies are either uncertain on how much they will earn on exports or uncertain on how much they will have to pay for imports. Most companies cannot afford the risk of expanding if they cannot have some certainty on the viability of selling their products or services.

Currently, the United States and China have agreed to another trade truce and to a resumption of negotiations but the start of the new negotiations have not been planned, yet, and there has not been any resolution to the differences of opinion that led to the breakup of the last round of negotiations. Mexico has acquiesced to the demands of the United States and

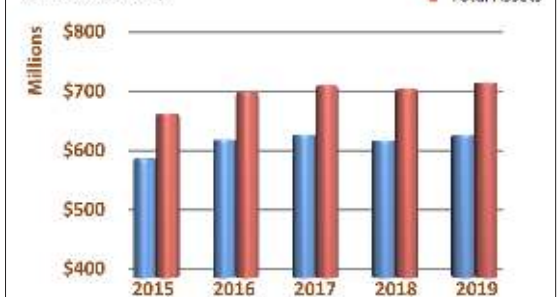
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Key Figures (as of June 30, 2019)

Assets	\$707,073,250
Deposits	\$624,138,894
Loans	\$253,210,755
Capital Ratio	10.98%
Branch Locations	5
Surcharge-Free ATMs	30,000
1 st Nor Cal ATMs	10
Members	30,054
Employees	72

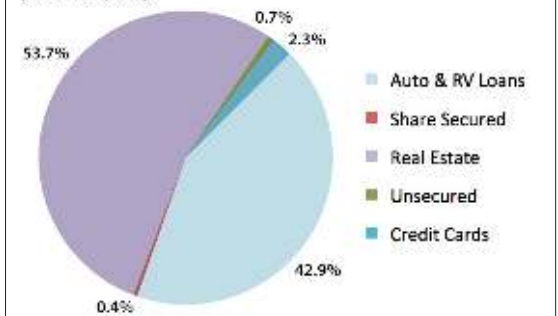
Financial Highlights

(as of end of June 2019)



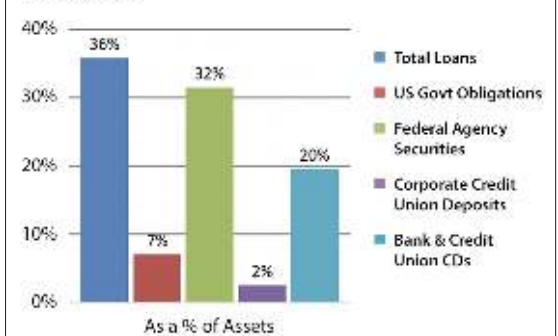
Loan Portfolio

(as of June 30, 2019)



Loans and Investments as a Percent of Total Assets

(as of June 30, 2019)





has put thousands of more troops on its borders in an attempt to block the flow of Central and South American migrants and refugees into the United States. The United States has rewarded Mexico by temporarily holding off on threats to shut down trade between the two nations. Trade differences between the United States and the European Union are still unresolved. The United Kingdom's "Brexit" will make trade agreements between the United States and the U.K. absolutely critical for the U.K. but the recent diplomatic flap about private comments that a U.K. ambassador made about the United States president could very well have a bearing on those trade negotiations.

Locally, the health of California's economy might be best appreciated by citing a sentence from the introduction of the most recent UCLA Anderson Forecast: "The State is, quite simply, running out of people to be employed." Who would have thought that we would ever read those words from a highly-regarded source for economic analysis? Unfortunately, this development could also end-up as one factor that begins to slow down the economic growth of California as companies find it difficult to expand simply because they cannot find the additional workers to do the work.

Home prices continue to rise throughout California with the exception of some counties in the Bay Area. According to the recent California Association of Realtors report, home prices "...were down [over a year ago] in five of nine counties in the Bay Area with Alameda declining the most at 6.4 percent." However, Contra Costa was one of the four counties that improved with 1.9 percent home price growth. San Mateo, San Francisco, and Napa were the other counties with price growth. For those counties with home price declines, one factor may be that prices reached a point that, despite high demand, so few potential buyers could afford the prices that the sellers had to adjust their asking prices downward.

We have all been enjoying the decline in the price of gasoline (blue line in the chart below) that began in mid-May but this decline will probably be short-lived as the price of oil (orange line) began rapidly rising, again, in mid-June. Between the greater demand for gasoline during the summer months and the escalating price of oil, logic dictates that gasoline prices will begin rising again.



Your Credit Union reminds all members that many services and products are now available via either the Credit Union website (www.1stnocalcu.org) or via the Credit Union mobile apps. However, the traditional way of visiting one of the offices and meeting our friendly staff is still a great way to enjoy the Credit Union's commitment to its members. 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, 2019)

Loans (net)	\$251,865,877
Investments & Cash	429,302,933
Fixed Assets (net)	2,552,394
Other Assets	23,352,046
Total Assets	\$707,073,250
Member Shares	\$624,138,894
Liabilities	5,291,426
Member Capital	77,642,930
Total Liabilities & Equity	\$707,073,250

Income Statement

(Year to Date as of June 30, 2019)

Loan Interest Income	\$4,067,734
Investment Interest Income	3,990,637
Non-Interest Income	1,069,487
Total Income	\$9,127,858
Operating Expense	\$6,022,115
Dividends Paid to Members	1,781,014
Provision for Loan Losses	32,100
Total Expense	\$7,835,229
Non-Operating Income (Expense)	-
Net Income	\$1,292,629