

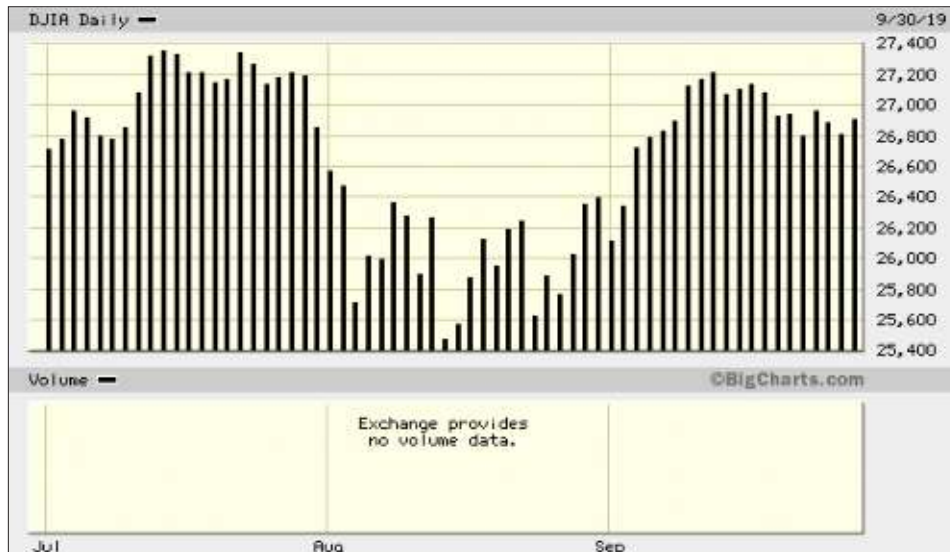


ECONOMIC UPDATE

The Federal Open Market Committee (FOMC) lowered the Federal Funds rate again during their September 18th and 19th meeting. Wall Street expects the FOMC will reduce the Federal Funds rate by another 25 basis points later this month and possibly even another rate cut in the last meeting of the year in December. There is no FOMC meeting in November.

Even though the signs of a slowing national economy (e.g., declining manufacturing business investment, and exports) continue, the speculation behind the FOMC's rate cuts is the uncertainty of the overall impact the seriously delinquent resolution of the U.S./China trade negotiations will eventually have on the U.S. economy.

The chart, below, of the Dow Jones Industrial Average (DOW) over the third quarter of this year reflects the stock market's swings from optimism to pessimism and then back to optimism over the period.



The first few days of October saw another plunge in the DOW which has been followed by a small recovery.

The White House recently announced there is an agreement between the United States and China in the ongoing trade war, but China has yet to agree with that assessment. The markets had an initial positive reaction, but it appears the only real winners will be each government scoring political points with their constituents.

The United Kingdom's "Brexit" deadline is October 31st but both Prime Minister Boris Johnson of the United Kingdom (U.K.) and Jean-Claude Juncker, President of the European Commission, announced an agreement WAS reached which prescribes an orderly exit of the U.K. from the European Union (E.U.). However, the agreement will still need to be approved by both the U.K. and the E.U. parliaments, but there is a high degree of uncertainty the U.K. will approve the agreement. Should the British not approve the agreement and the E.U. does not extend the October 31st deadline, then there will be tariffs, customs borders, and other unpleasant trade-related problems that will automatically roll out. Additionally, there could be a significantly serious potential for a resumption of the strife between Northern

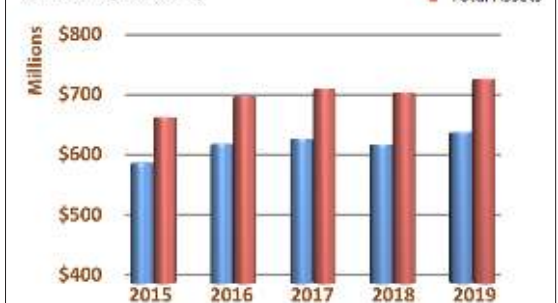
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Key Figures (as of September 30, 2019)

Assets	\$717,794,588
Deposits	\$635,225,175
Loans	\$247,358,776
Capital Ratio	10.88%
Branch Locations	5
Surcharge-Free ATMs	30,000
1 st Nor Cal ATMs	10
Members	30,233
Employees	77

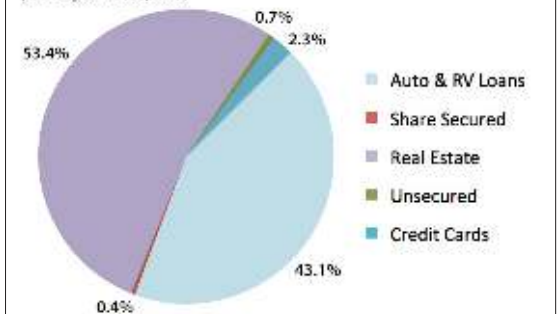
Financial Highlights

(as of end of September 2019)



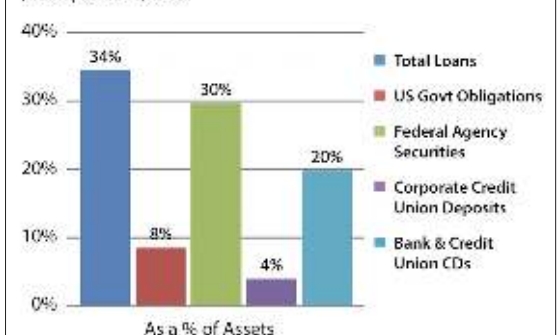
Loan Portfolio

(as of September 30, 2019)



Loans and Investments as a Percent of Total Assets

(as of September 30, 2019)





Ireland and the Republic of Ireland as a customs border goes into place which could ignite old animosities that have calm over the last two decades.

Locally, California's economy is still healthy, but after almost 10 years of economic growth the governor is warning the public a slowdown is on its way. The signals from Sacramento are most apparent in declining state revenues as income, sales, and corporate taxes are now just meeting expectations after a lengthy period of exceeding expectations.

Home sales have been in decline throughout California as the high prices have been taking their toll. Even this year's decline in interest rates has not boosted sale prices but has definitely led to a surge in homeowners refinancing their mortgages at the lower rates.

There has been a recent surge in gasoline prices (blue line in the chart below) beginning in mid-September despite the price of oil (orange line) rapidly falling. The reasons behind the escalating gas prices are largely due to several equipment-related problems at a couple of California refineries and recent attacks on Saudi Arabian refineries. Surprisingly, California still imports 20% of its oil from Saudi Arabia despite the U. S. Government in 2018 allowing the nation's oil companies to resume exporting domestic surplus oil.



Your Credit Union reminds all members that many services and products are now available via either the Credit Union website (www.1stnoralcu.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 September 30, 2019)

Loans (net)	\$246,043,999
Investments & Cash	445,825,816
Fixed Assets (net)	2,626,644
Other Assets	23,298,129
Total Assets	\$717,794,588
Member Shares	\$635,225,175
Liabilities	4,454,333
Member Capital	78,115,080
Total Liabilities & Equity	\$717,794,588

Income Statement

(Year to Date as of September 30, 2019)

Loan Interest Income	\$6,116,618
Investment Interest Income	6,134,899
Non-Interest Income	1,576,866
Total Income	\$13,828,383
Operating Expense	\$9,150,309
Dividends Paid to Members	2,870,496
Provision for Loan Losses	42,800
Total Expense	\$12,063,605
Non-Operating Income (Expense)	-
Net Income	\$1,764,778