

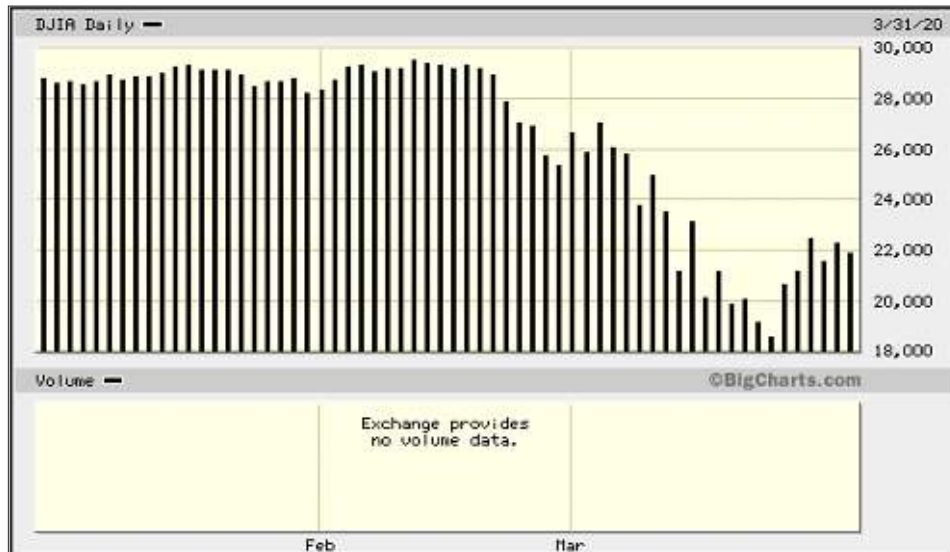


## ECONOMIC UPDATE

The Federal Open Market Committee (FOMC) lowered the Fed Funds rate by a total of 1.50% within two emergency rate cuts during March in response to the economic effects of the COVID-19 pandemic. These actions brought short-term rates nearly to zero. Additionally, the FOMC decided to purchase an additional \$700 billion of U.S. Treasury and federal agency bonds in order to provide more liquidity to the banking system.

With most “non-essential” business shut down in many areas of the United States as well as the world and masses of workers out of work, economists are predicting a significant recession to occur, and the only question is how long it will last. The answer to that question will be determined by how long the pandemic’s duration is and when the resulting “shelter-in-place” orders are relaxed or lifted. Whenever, the end of the pandemic occurs, the predictions are that there will be a long, slow recovery due to understandable uncertainty on whether conditions are truly safe.

The chart, below, of the Dow Jones Industrial Average (DOW) over the first quarter of 2020 reflects the shocks to the value of the stock market as well as the periodic upturns as investors buy back stocks when at least partially upbeat news has occurred in relation to the pandemic:



Unemployment in the United States has seen historic spikes and the business conditions within the country have not endured such an upheaval since World War II. The debt alone that the United States is incurring to combat the pandemic and its effects on the economy will take decades to eliminate. Home sales and auto sales have plummeted as real estate brokers and auto dealers are deemed as non-essential businesses and are closed to new business. Shortages of many items in grocery stores have become expected though manufacturers and supply chains have recently been able to alleviate some of the shortages.

However, given the significant challenges of beating back the pandemic and then rebuilding the economy there is no doubt that the United States is a very strong country

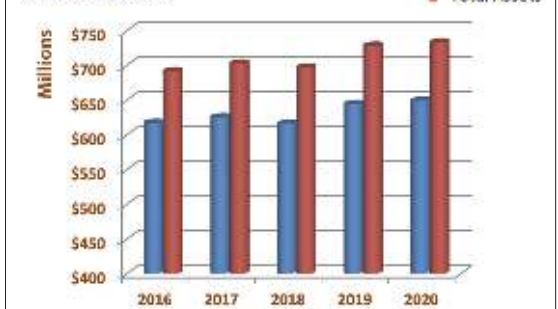
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### Key Figures (as of March 31, 2020)

Assets	\$732,918,944
Deposits	\$649,097,626
Loans	\$247,918,222
Capital Ratio	10.78%
Branch Locations	6
Surcharge-Free ATMs	30,000
1 <sup>st</sup> Nor Cal ATMs	10
Members	30,517
Employees	79

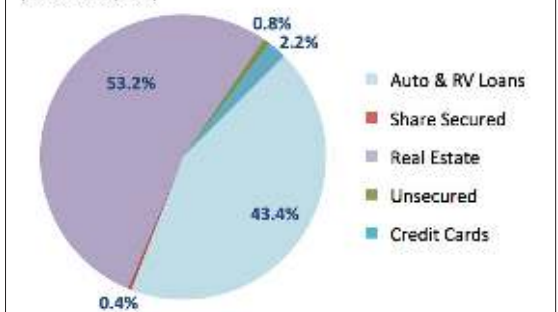
### Financial Highlights

(as of end of March 2020)



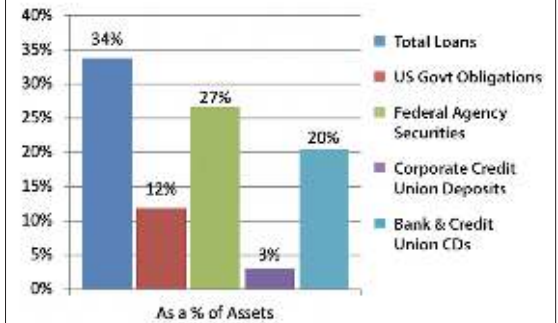
### Loan Portfolio

(as of March 31, 2020)



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

(as of March 31, 2020)



and, if the people unite behind the cause of rebuilding and are willing to make some sacrifices, then this country can lead the global recovery just as it did after World War II.

Locally, California's economy has been as negatively impacted as the country's economy. A significant portion of the state's economy is driven by shipping and tourism which have been drastically reduced during the pandemic. On a positive note, recent news indicates that the state government's actions at the beginning of the pandemic may very well mitigate the more severe numbers of infections of the virus as has occurred in other areas such as New York.

On March 8th, Saudi Arabia initiated an oil price war with Russia, triggering a major fall in the price of oil. The price war was due to differences of opinion between the two countries on what levels of oil production should be set. This oil price war occurred at the same time as the world was beginning to realize that the COVID-19 pandemic was sweeping through nations and the resulting restrictions on manufacturing and travel rapidly drove demand for oil downward. The chart, below, of oil prices (orange line) reflects the significant drop in the price of oil while the price of gasoline in California (blue line) has trended downward as a result.



The drop of the price of gasoline would be significant news for consumers except that so many people are either not driving or have severely limited their driving to only essential errands. Additionally, the severe drop in the price of oil brings the price down below the cost of production for this country's oil producers and thousands of oil workers laid off as a result. The "silver lining" may be that the very low price of oil will go a long way in helping to keep down the cost of economic recovery.

Your Credit Union reminds all members that during these difficult times, many services and products are now available via either the Credit Union website ([www.1stnocalcu.org](http://www.1stnocalcu.org)) or via the Credit Union mobile app. Your Credit Union remains committed to its members and assisting those members in need. It is what we do.

## Statement of Condition

(as of March 31, 2020)

Loans (net)	\$246,620,973
Investments & Cash	457,439,059
Fixed Assets (net)	3,352,094
Other Assets	25,506,818
<b>Total Assets</b>	<b>\$732,918,944</b>
Member Shares	\$649,097,626
Liabilities	4,813,419
Member Capital	79,007,899
<b>Total Liabilities &amp; Equity</b>	<b>\$732,918,944</b>

## Income Statement

(Year to Date as of March 31, 2020)

Loan Interest Income	\$1,995,091
Investment Interest Income	2,215,179
Non-Interest Income	303,610
<b>Total Income</b>	<b>\$4,513,880</b>
Operating Expense	\$3,075,188
Dividends Paid to Members	1,029,134
Provision for Loan Losses	36,300
<b>Total Expense</b>	<b>\$4,140,622</b>
Non-Operating Income (Expense)	-
<b>Net Income</b>	<b>\$373,258</b>