



1st Nor Cal[®]

1ST NORTHERN CALIFORNIA CREDIT UNION



2017

Annual Report

Message from Your Chairperson

Once again, 2017 proved to be a successful year for 1st Northern California Credit Union's members. We continued to grow on all fronts that allowed us to exceed our goals for membership, deposits, and loans. We achieved these milestones by working as a team for our Members. We continue to listen to what our Members need and require from Your Credit Union.

2017 saw a continuation of positive trends in the financial services industry. Unemployment fell, especially in California and specifically in the Bay Area, and housing values continued to appreciate. We are pleased to report net income of \$2.3 million. At year-end 2017, your Credit Union Assets totaled \$702 million, Shares were in excess of \$625 million, Loans were \$218 million, all all-time highs, and there were 28,624 Members, a net increase of 937 from 2016. We welcomed 2,439 new Members, an all-time high not including the small credit unions we acquired over the years. These numbers are even more impressive if you reflect back to when we opened our doors in October 1949, with only \$1,211 in Assets and 34 Members.

We ended the year with an increase in reserves, which remain in excess of regulatory minimum standards and of industry averages. 1st Nor Cal is a not-for-profit cooperative, "owned" by the Members. Each and every Member benefits from the profits, which are returned to the Membership in the form of low cost loans, high yields on savings and certificates and many services without fees. In addition, our strong reserves are the financial foundation used to continue building the future success of your 1st Nor Cal Credit Union. We remain strong, well-capitalized, and well-positioned to weather future economic storms.

Bauer Financial Reports, a nationwide financial research firm, once again recognized 1st Nor Cal's financial stability. Your Credit Union has received Bauer's highest rating for every evaluation period since Bauer began analyzing the Credit Union industry in 1990. This five-star rating indicates that your Credit Union is one of the safest in the United States.

In order to live up to our community charter, we participated in many community events that enrich the lives of the citizens of the East Bay Area. Included in this Annual Report is a list of those events. We pledge to continue to support the communities that make up this beautiful area in which we live.

We introduced several exciting products and services in 2017. Members are now able to access their credit card information on their smartphones and use Apple Pay, Google Pay, and Android Pay

Message from Your Chairperson

to purchase merchandise. We continue to pledge to provide the best possible online Member experience and at the same time keeping operating expenses controlled.

As interest rates in the economy started rising in 2017, 1st Nor Cal maintained loan rates at a competitive level. We also continued to pay higher than average dividends on Member savings accounts, while continuing to offer a wide variety of services without fees. We have also met with many Members who needed special financial counseling and credit assistance. Our staff also led financial literacy seminars to many of the communities we serve and will continue to do so going forward.

Looking to the future, we will continue to respond to Members' financial needs by expanding and improving the Member experience and financial services while using the latest technology. We will be doing some branch relocations in 2018 in order to be more convenient for our Members. The Board of Directors and management will also continue to manage the growth, while insuring continued safety and soundness of your Credit Union.

The accomplishments at 1st Nor Cal are the direct result of the continued support and loyalty of the Membership, Volunteer Officials, Management and Staff. I would like to express my sincere gratitude to all of you who have contributed to the success of your 1st Northern California Credit Union.



Stephen J. Ybarra, *Chair*
Board of Directors



Board of Directors

Dean Lucas, *Secretary*, Julie Enea, *2nd Vice Chair*,
Stephen J. Ybarra, *Chairman*, Mary Ann Mason, *1st Vice Chair*,
and Donald L. Bouchet, *Treasurer*

Message from Your Treasurer

Your Credit Union has remained strong and stable during 2017. Instability in the presidential administration, the federal budget deficit, federal tax reform, increasing healthcare costs, war on terrorism, and world economic volatility, all of which affected business and consumer confidence, are a reality. Through it all, your Credit Union has these success highlights to report for the year 2017:

- Assets increased 1.6% to \$702.5 million, an all-time high.
- Shares increased 1.3% to \$625.3 million, an all-time high.
- Loans increased 8.8% to \$218.6 million, an all-time high. Your Credit Union approved 5,107 loans, an increase of 18%, for a total of \$73.0 million, a 9% increase. Since your Credit Union was organized, 269,072 loans have been approved for a total of \$1.603 billion.
- Dividends paid to Members exceeded \$1.8 million. This represents a dividend payout of \$0.12 on each \$1.00 earned, compared to an industry average of \$0.08 per \$1.00 earned.
- Our Net Operating Expenses to Average Asset Ratio of 1.6% was substantially less than the Credit Union industry average of 3.4%.
- Net income was \$2.3 million, a return on assets of 0.3%.
- Our delinquency ratio was less than 0.1%, significantly less than the national industry average of 0.7%.
- Our total Net Worth (Regular Reserves, Contingency Reserves and Undivided Earnings) to Total Asset Ratio of 10.4% is slightly less than the industry average and 3.4% higher than the minimum required. Our risk-based net worth ratio of 32% is more than three times the statutory requirement. This high Net Worth Ratio enhances further the Credit Union's substantially strong financial base and better positions us to absorb any future economic fluctuations.
- Again received the "5-Star Rating" from Bauer Financial Group, which is the highest rating possible in the financial industry.

I am pleased to report that Your Credit Union has maintained the highest degree of fiscal and financial soundness. I would like to express my thanks to the Members of 1st Northern California Credit Union for your continued support.



Donald L. Bouchet, *Treasurer*
Board of Directors

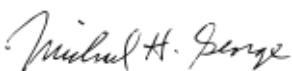
Message from Your Supervisory Committee

The Supervisory Committee is appointed by your Board of Directors to fulfill the requirements of the National Credit Union Administration (NCUA) and California State Department of Business Oversight (DBO) to objectively audit the financial records, review the operations and monitor the performance of your Credit Union.

To insure the utmost accuracy in meeting these requirements, we engaged the highly regarded CPA firm of CliftonLarsonAllen LLP whose specialty is Credit Union audits. They performed a comprehensive certified opinion audit of 1st Northern California Credit Union's accounting records and reviewed the internal controls surrounding our operations. Additionally, your Credit Union performs year-round compliance assessments to ensure all applicable federal and state regulations are being properly followed.

The NCUA and DBO also conducted their annual reviews of your Credit Union's operations. Both reports indicate that your Credit Union is operating on a sound financial basis with a high degree of efficiency and is in full compliance with Credit Union rules and regulations. Accounting reports are prepared promptly and accurately, internal controls are adequate, and the plans, policies and procedures established by the Board of Directors are being followed.

It is the opinion of this Supervisory Committee, and that of our auditors and federal and state examiners, that your Credit Union is a financially sound and well-managed financial institution.



Michael H. George, *Chair*
Supervisory Committee

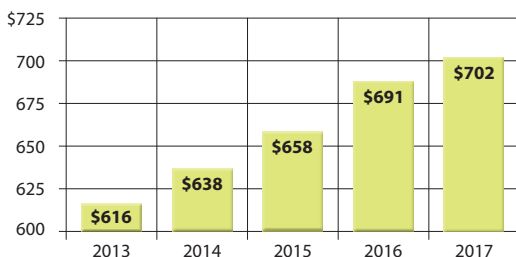


Supervisory Committee

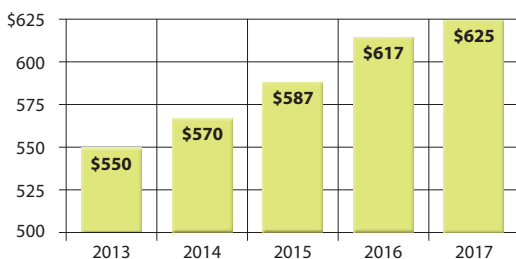
Stephen Dawkins, Terry Mann, Rick Koehler,
Michael H. George, *Chair*, and Cecilia Baird

Your Financials

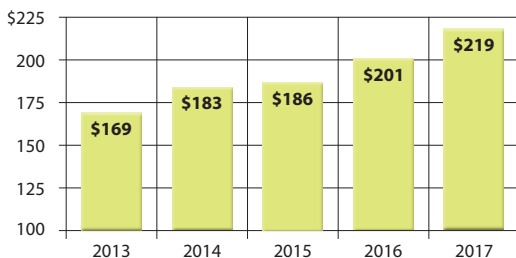
ASSETS (in millions)



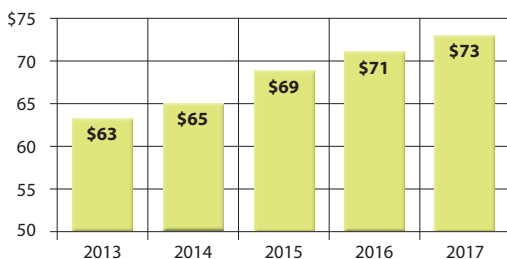
SHARES (in millions)



LOANS (in millions)



CAPITAL (in millions)



1st Northern California Credit Union

2016 & 2017 Financial Statements

BALANCE SHEET

	12/31/2017	12/31/2016
Assets:		
Cash & Investments	\$473,105,733	\$481,089,025
Loans to Members	217,581,227	199,640,339
Accrued Interest Receivable	2,230,013	2,021,724
Land & Building (net)	1,282,390	1,343,727
Furniture & Equipment (net)	580,486	723,256
Other Assets	7,671,252	6,543,399
Total Assets	\$702,451,101	\$691,361,470
Liabilities:		
Member Shares	\$625,319,412	\$617,188,911
Dividends Payable	232,751	244,387
Other Liabilities	3,722,784	3,027,426
Total Liabilities	629,274,947	620,460,724
Equity:		
Regular Reserves	7,815,921	7,815,921
Contingency Reserves	64,444,753	62,169,345
Undivided Earnings	561,056	561,056
Equity Acquired in Merger	354,424	354,424
Total Capital	73,176,154	70,900,746
Total Liabilities & Equity	\$702,451,101	\$691,361,470

INCOME & EXPENSES

	12/31/2017	12/31/2016
Income:		
Interest on Loans	\$7,613,738	\$7,485,844
Investment Income	5,871,861	4,959,482
Other Income	1,881,626	1,925,955
Total Income	\$15,367,225	\$14,371,281
Expenses:		
Salary & Benefits	5,415,357	4,953,747
Office Occupancy	547,211	524,109
Office Operations	5,249,024	4,532,326
Provision for Loan Losses	17,300	189,027
Total Operating Expenses	11,228,892	10,199,209
Net Income Before Distributions	\$4,138,333	\$4,172,072
Distribution of Net Income:		
Dividends to Members	\$1,862,925	\$1,828,807
Reserves & Undivided Earnings	2,275,408	2,343,265
Total Distribution	\$4,138,333	\$4,172,072

1st in Your Community

Each year, 1st Nor Cal participates in many local events. We support our public service, non-profit, charity and educational communities through sponsorships and staff volunteerism. We enjoy these events to connect with people making up your community.

In 2017, we were involved in the following events:

- **January** – Collected blankets on behalf of the Martinez Police Department for children in local hospitals
- **April** – Donated a tricycle on behalf of the City of Martinez at the Mini-Motorland
- **April** – Attended the Benicia Classic Car Show in which the proceeds went to the Benicia High School Marching Band
- **April** – Presented financial literacy presentations to the Soroptimists Get Real Academy
- **May** – Participated in the Credit Union Bite of Reality at Mt. Diablo High School
- **May** – Presented at financial education classes at Vicente Martinez High School
- **May-June** – Collected donations for the Contra Costa County Animal Shelter
- **June** – Donated food on behalf of the San Pablo Police Department for their Law Enforcement Torch Run to the Special Olympics of Northern California
- **July** – Collected backpacks on behalf of the City of Martinez for homeless, at-risk, and foster children
- **August** – Attended the Annual National Night Out Family Community Event sponsored by the Pittsburg Police Department
- **September** – Donated pens and recyclable bags to the Contra Costa County Employment & Human Services Department
- **September** – Attended the City of Pittsburg Health and Benefits Fair for its employees
- **November** – Co-sponsored and attended the Contra Costa County EMS Survivors Reunion Banquet
- **November** – Donated funds to the Volunteers of America “Shelter from the Storm” program
- **December** – Collected donations on behalf of the Richmond Fire and Police Departments for the “Buy a Kid a Bike” drive

Products & Services

Accounts

- Checking Accounts
- Savings Accounts
- Money Market Accounts
- Individual Retirement Accounts (IRAs)
- Certificates
- Club Accounts

Loans

- New or Used Auto Loans
- Auto Loan Refinance
- Title Loans
- Motorcycle, RV & Boat Loans
- Visa® Credit Cards
- First Mortgage
- Second Mortgage
- Home Equity Loans
- 1st Line Unsecured Line-of-Credit®

FREE Convenient Services

- Online Banking (@ccessOnline)
- Mobile Banking (@ccessMobile)
- Telephone Banking (AccessLine)
- Mastercard™ ATM or Debit Card
- Nearly 30,000 Fee-Free ATMs Nationwide
- Direct Deposit & Payroll Deduction
- eDeposit
- Online Billpay
- eStatements



Your savings federally insured to at least \$250,000 and backed by the full faith and credit of the United States Government. National Credit Union Administrations, a U.S. Government Agency.



We do business in accordance with the Federal Fair Housing Law and the Equal Credit Opportunity Act.



1st Nor Cal[®]

1ST NORTHERN CALIFORNIA CREDIT UNION

(888) 387-8632

www.1stnorcalcu.org



BRANCH LOCATIONS

Main Branch: 1111 Pine Street, Martinez

Muir Station Branch: 538 Center Ave, Martinez

Antioch Branch: 1870 A Street, Antioch

Benicia Branch: 560 First St, Suite B-106, Benicia

Pittsburg Branch: 160 East 10th St, Pittsburg

Richmond Branch: 2500 Nevin Ave, Richmond

BRANCH HOURS

Monday - Wednesday: 9:00am - 4:00pm

Thursday: 9:00am - 6:00pm

Friday: 9:00am - 5:00pm

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