



1st Nor Cal[®]

1ST NORTHERN CALIFORNIA CREDIT UNION



2018 *Annual Report*



Message from Your Chairperson

Once again, 2018 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.

2018 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 \$3.2 million. At year-end 2018, your Credit Union Assets totaled \$697 million, Shares were in excess of \$615 million, Loans were \$245 million, all all-time highs, and there were 29,656 Members, a net increase of 1,032 from 2017. We welcomed 2,613 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 2018. A new full-service branch opened in Pittsburg, replacing smaller branches in Pittsburg and Antioch. The larger branch was designed to work with more members during the day. Additionally, members can take advantage of expanded ways to transfer funds to and from other

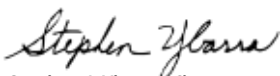
Message from Your Chairperson

financial institutions. 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 2018, 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 are working hard to keep our @ccessOnline Home Banking and our @ccessMobile Banking updated with the latest features and capabilities - it is now more robust and convenient than ever. The Board of Directors and management will also continue to manage the growth, while ensuring 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 2018. Instability in the presidential administration, the federal budget deficit, federal tax reform, increasing healthcare costs, immigration, 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 2018:

- Assets decreased 0.8% to \$696.8 million.
- Shares decreased 1.5% to \$615.9 million.
- Loans increased 11.4% to \$243.5 million, an all-time high. Your Credit Union approved 5,239 loans, an increase of 21%, for a total of \$96.0 million, a 32% increase. Since your Credit Union was organized, 274,311 loans have been approved for a total of \$1.699 billion.
- Dividends paid to Members exceeded \$2.4 million. This represents a dividend payout of \$0.14 on each \$1.00 earned, compared to an industry average of \$0.12 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 \$3.2 million, a Return On Assets of 0.5%.
- 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 11% is equal to the industry average and 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

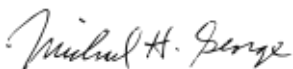
Message from Your Supervisory Committee

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 ensure 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 performed their examinations of Your Credit Union's operations and report 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

Michael H. George, *Chair*, Joanne Bohren, Terry Mann,
Cecilia Baird, and Rick Koehler

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 2018, we were involved in the following events:

March – Partnered with College Park High School in the Every 15 Minutes Program

March – Donated a tricycle at the City of Martinez Mini Motorland Interactive Village for Children

March – Participated in the Diablo Valley College Job Fair

April – Sponsored Teach Children to Save Day at all 1st Nor Cal branches

April – Participated in the Solano Community College Nor Cal Career Fair

April – Co-Sponsored the Benicia Classic Car Show in which the proceeds went to the Benicia High School Marching Band

April – Donated a gift card at the Contra Costa County Sheriff's Communication Center Managers'-Supervisors' Association Annual Appreciation Luncheon

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

June – Donated funds to homeless students and their families in the Martinez Unified School District

June – Co-Sponsored the City of Martinez King of the County BBQ Event

June-August – Official Sponsor of Vallejo Admirals Baseball

June-August – Official Sponsor of Pittsburg Diamonds Baseball

July – Led financial literacy training sessions for the West Contra Costa School District

July – Co-Sponsored City of Antioch car show and fireworks night

July-August – Collected backpacks on behalf of Volunteers for America for homeless, at-risk, and foster children

August – Attended the Annual National Night Out Family Community Event sponsored by the City of Martinez

August – Participated in the Martinez Vintage Market

September – Led financial literacy training at City of Vallejo Youth Summit

September – Co-Sponsored Martinez Education Foundation Run for Education

September – Participated in the Heart of Oakley Event

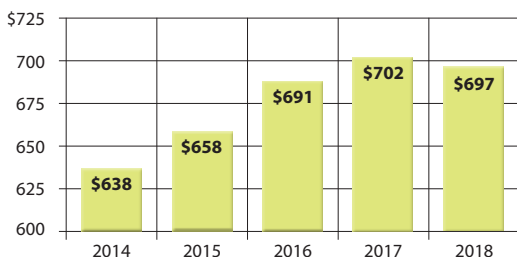
October – Co-Sponsored the cities of Brentwood and Martinez Trunk or Treat Events

November – Co-Sponsored and attended the Contra Costa County EMS Survivors Reunion Banquet

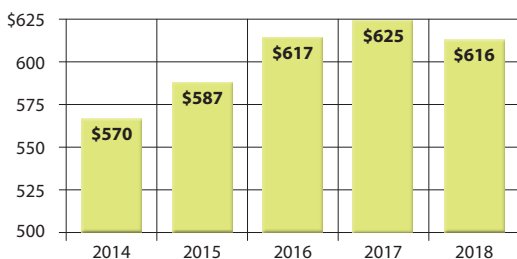
December – Collected donations on behalf of the Richmond Fire and Police Departments for the "Buy a Kid a Bike" drive

Your Financials

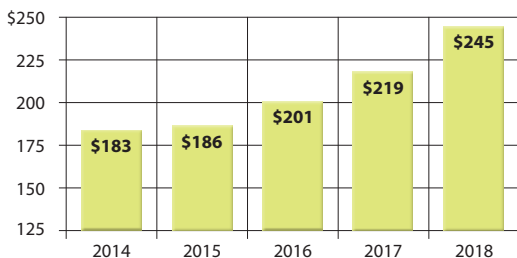
ASSETS (in millions)



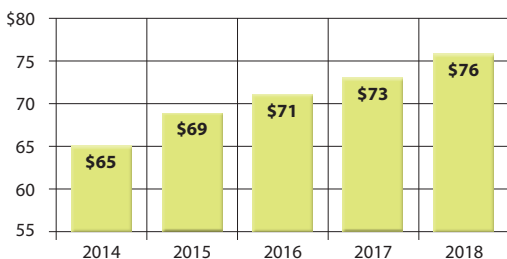
SHARES (in millions)



LOANS (in millions)



CAPITAL (in millions)



1st Northern California Credit Union

2017 & 2018

Financial Statements

BALANCE SHEET

| | 12/31/2018 | 12/31/2017 |
|---------------------------------------|----------------------|----------------------|
| Assets: | | |
| Cash & Investments | \$440,844,511 | \$473,105,733 |
| Loans to Members | 243,211,523 | 217,581,227 |
| Accrued Interest Receivable | 2,335,933 | 2,230,013 |
| Land & Building (net) | 2,199,704 | 1,297,315 |
| Furniture & Equipment (net) | 437,456 | 565,561 |
| Other Assets | 7,805,595 | 7,671,252 |
| Total Assets | \$696,834,722 | \$702,451,101 |
| Liabilities: | | |
| Member Shares | \$615,931,806 | \$625,319,412 |
| Dividends Payable | 372,235 | 232,751 |
| Other Liabilities | 4,180,379 | 3,722,784 |
| Total Liabilities | 620,484,420 | 629,274,947 |
| Equity: | | |
| Regular Reserves | 7,815,921 | 7,815,921 |
| Contingency Reserves | 67,618,901 | 64,444,753 |
| Undivided Earnings | 561,056 | 561,056 |
| Equity Acquired in Merger | 354,424 | 354,424 |
| Total Capital | 76,350,302 | 73,176,154 |
| Total Liabilities & Equity | \$696,834,722 | \$702,451,101 |

INCOME & EXPENSES

| | 12/31/2018 | 12/31/2017 |
|--|---------------------|---------------------|
| Income: | | |
| Interest on Loans | \$7,680,375 | \$7,613,738 |
| Investment Income | 6,875,618 | 5,871,861 |
| Other Income | 2,345,630 | 1,881,626 |
| Total Income | \$16,901,623 | \$15,367,225 |
| Expenses: | | |
| Salary & Benefits | 5,799,835 | 5,415,357 |
| Office Occupancy | 619,411 | 547,211 |
| Office Operations | 4,685,310 | 5,249,024 |
| Provision for Loan Losses | 166,000 | 17,300 |
| Total Operating Expenses | 11,270,556 | 11,228,892 |
| Net Income Before Distributions | \$5,631,067 | \$4,138,333 |
| Distribution of Net Income: | | |
| Dividends to Members | \$2,456,920 | \$1,862,925 |
| Reserves & Undivided Earnings | 3,174,147 | 2,275,408 |
| Total Distribution | \$5,631,067 | \$4,138,333 |

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

Federally insured by
NCUA

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

@ccessMobile Banking App

Available in the App Store and Google Play



BRANCH LOCATIONS

Main Branch: 1111 Pine Street, Martinez

Muir Station Branch: 538 Center Ave, Martinez

Pittsburg Branch: 4261 Century Blvd, Pittsburg

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

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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