



Demonstrate
TRUST & RESPECT

Build Meaningful
RELATIONSHIPS
Act with
INTEGRITY
Be **AMBASSADORS**



2018 ANNUAL REPORT

BETTER TOGETHER

Partner for
SECURITY

Show
COMMITMENT

Do the
RIGHT THING

Serve with
PASSION



**Redwood
Credit Union**

FOR ALL THAT YOU LOVE.

Federally Insured by NCUA



Message from the BOARD CHAIR

On behalf of your volunteer Board of Directors, thank you for banking with Redwood Credit Union. Because of your support and participation, we're able to provide great service and value to our communities, year after year.

I'm happy to share that 2018 was another excellent year for your Credit Union. Our financial performance and growth were strong. Included in this report you'll find our financial results, along with examples of how we enhanced services to our Members and supported our communities in 2018.

We were honored to be recognized for our community efforts, including the "Spirit of Charles DeMeo" award from Chop's Teen Club, the 2018 Heart of Marin Award for Corporate Community Service, and the North Bay Business Journal's Community Philanthropy Award. We're also honored to have received multiple other awards, including being voted "Best Credit Union" and "Best Financial Institution" by the readers of local publications in Sonoma, Marin, and Napa counties.

For his exemplary leadership during the 2017 Northern California wildfires, Brett Martinez received the Anchor Award from the National Credit Union Foundation. And I'm proud to announce that this year, Brett has been named Chair of the board of CUNA—the national trade association for all credit unions in the United States. As Chair, he'll promote credit union awareness, and advocate for legislation and regulations that help preserve affordable banking, free financial education, and other benefits enjoyed by Members of the more than 5,400 credit unions across the United States. We're very proud of his leadership.

We appreciate your trust and loyalty, and are honored to serve you.

Jim Olmsted
Chair, Board of Directors

*Front cover photos (top to bottom):
Emily, owner, The Tail Haven, Business
Member since 2018; team RCU working
Harvest for the Hungry plant sale; RCU
employees Teresa and Marissa; Member
chatting with Billy McMillan, branch manager
at Mendocino Avenue branch.*

Honored to be Recognized

Here are just a few of the awards and recognitions we received in 2018:

- Top 5 healthiest credit unions in the U.S. — Glatt Consulting's HealthScore
- Best Credit Union – multiple local publications
- Community Philanthropy Award – North Bay Business Journal
- Best Place to Work – North Bay Business Journal
- North Bay's Healthiest Companies – North Bay Business Journal

VOLUNTEER BOARD OF DIRECTORS



JIM OLMSTED
Board Chair
Volunteer since 1993



LISA WITTKÉ SCHAFFNER
Board Vice Chair
Volunteer since 2012



DEBRA WATTS
Board Secretary
Volunteer since 1976



ROBERT WIECK
Board Treasurer
Volunteer since 1976



GREG MCGUIRK
Board Member
Volunteer since 1980



ROBERT EYLER
Board Member
Volunteer since 2009



ROD DOLE
Board Member
Volunteer since 1978



ROBERT STEELE
Board Member
Volunteer since 1999



DAVE IMOTO
Board Member
Volunteer since 1989



JUDY HERRERIAS-JAMES
Associate Board Member
Volunteer since 2013

VOLUNTEER SUPERVISORY COMMITTEE



M. CHRISTINA RIVERA
Chair
Volunteer since 2014



STEVE SHARPE
Vice Chair
Volunteer since 1992



MARTIN GROVE
Secretary
Volunteer since 2003



DAVID GOUIN
Committee Member
Volunteer since 2008

In Memory of **Brian Elliott**

RCU Supervisory Committee Member 2010-2019

Brian was an RCU Member since 1976, and served as a dedicated volunteer Official on RCU's Supervisory Committee from 2010 until he passed away in March of 2019. His personal career spanned over 40 years in firefighting, including serving as Cloverdale Fire Chief. He will be remembered for his passion toward serving others and the community, and we're grateful for his service to our Members.





Message from the PRESIDENT & CEO

Each year, we provide our annual report to show you how your Credit Union performed. I'm pleased to report we had another excellent year in 2018. It was a year of recovery following the 2017 wildfires, and we continued to assist where needed. Unexpectedly, we became a resource for other credit unions whose Members were impacted by natural disasters. We provided guidance during the Lake County fires, the Carr Fire in Redding, and the Camp Fire in Butte County, helping credit unions serve their Members. At several events, we shared our story to assist others with disaster preparedness and response tactics.

To strengthen our own disaster recovery abilities and to make room for continued growth and demand for our services, we purchased a building and property in Napa to expand our back office operations. We also completed a remodel of our North Dutton branch in Santa Rosa and moved our San Francisco branch to a nearby location with more space for us to provide business services, mortgage lending, investments, and insurance. This year, we're excited to be adding new branch locations in American Canyon and Lower Lake.

We continue to update our mobile and online apps to make it faster and easier to do your banking, wherever you are, and we recently added a Spanish-language option to our mobile app. RCUpay, our person-to-person payment system, won the prestigious Judges' Choice award from NACHA, the national payments association for both banks and credit unions.

For the 13th year in a row, RCU was named a Best Place to Work in the North Bay. We're one of only eight North Bay companies to receive this distinction every year since it started. It's an important award for us because we know that giving our employees a positive, productive, and fun work environment is key to our success and ability to serve you well.

Thank you for supporting your Credit Union and trusting us with your financial needs. We're honored to serve you every day and look forward to continuing to help you succeed and live a life you enjoy.

Brett Martinez
President & CEO

RCU SERVICES GROUP BOARD



ROBERT STEELE
Chair
Volunteer since 1999



DEBRA WATTS
Vice Chair
Volunteer since 1976



GINA CARTER
Secretary
Volunteer since 2015



JUDY HERRERIAS-JAMES
Board Member
Volunteer since 2013



GREG MCGUIRK
Board Member
Volunteer since 1980



BRETT MARTINEZ
Board Member
Serving Members since 2002

Redwood Credit Union's wholly owned subsidiary provides a full-service auto lot and purchasing experience through RCU Auto Services and insurance through RCU Insurance Services.

2018 HIGHLIGHTS - YOUR CREDIT UNION STATS



329,000
Members served

8TH LARGEST
credit union in California



42ND LARGEST
credit union in the U.S.



143,300
pounds of sensitive documents shredded at our free community Shred-a-Thons



6,106
HOURS
volunteered in our communities



1,234
new and used cars purchased through RCU Auto Services

Over
\$5.3 MILLION
in support to local nonprofits and community groups



2,833
home loans totaling \$670 million to help Members achieve the dream of home ownership



46,989
times Members sent money to friends and family using RCUpay—our person-to-person mobile payment service



9,711
local businesses benefitted from RCU's banking services

589,252
calls served by our local Member Service Center



2.8 MILLION
monthly logins to our convenient online & mobile services





Message from the SUPERVISORY COMMITTEE CHAIR

Thank you for trusting Redwood Credit Union with your hard-earned money. Your volunteer Supervisory Committee takes that trust seriously. Our primary goal is making sure you can always rely on RCU's financial strength and security to protect your funds. One of the ways we do that is by confirming the accuracy and integrity of RCU's financial statements, and the safety of our Members' assets.

As Chair of the Supervisory Committee, I'm pleased to report that RCU continues to be safe, sound, and in excellent financial condition.

The results of our annual opinion audit, conducted by an independent certified public accounting firm, concluded that Redwood Credit Union continues to be financially strong and stable. Our industry regulator, the National Credit Union Administration, also confirmed these findings in their 2018 audit. And Bauer Financial once again gave RCU its highest 5-star rating for financial strength.

Having a safe place to conduct your financial business is vitally important. And we remain committed to keeping your Credit Union strong and financially healthy. On behalf of your Supervisory Committee, it's an honor to serve you.

M. Christina Rivera
Chair, Supervisory Committee

“RCU Auto Services goes above and beyond to really try to help you with your goals.”

—Ammee, Member since 1998



MEMBERS ARE SAYING...

“RCU’s low interest rate loans have given me more financial freedom.”

–Brian, Member since 2018



“RCU is part of the community and they care about the people who live here.”

–Cosgrove Family
Members since 2006



CARING FOR OUR COMMUNITY

All about people helping people, RCU offers authentic partnerships, working to help solve our communities' most pressing needs—food and housing, health and financial wellness, education and workforce training, and the environment. In 2018, we supported many local nonprofits and community groups, volunteering more than 6,100 hours and giving more than \$5.3 million in donations, sponsorships, and fundraising. RCU staff and Officials fundraised or donated over \$208,000.



RCU employee Kat helping at Harvest for the Hungry

Food, Housing, and Health

A few of our many partners include Redwood Empire Food Bank, San Francisco-Marín Food Bank, Habitat for Humanity, Harvest for the Hungry, Committee On The Shelterless (COTS), Hope City's Sheds of Hope, Giving Marin, Larkin Street Youth Shelter, and Ceres Community Project.

“We love partnering with Redwood Credit Union. RCU shares our values about the power of community coming together to care for one another, and about the power that we as individuals have to build healthy and productive lives.”

*—Cathryn Couch, Chief Executive Officer
Ceres Community Project*

Education, Youth, and the Arts

Learning about the world around us and gaining the ability to change it into something better is vitally important.

Some of the organizations we supported include the Elsie Allen High School Foundation, the Children's Museum of Sonoma County, Chop's Teen Club, Boys & Girls Clubs, Social Advocates for Youth, Point Arena Children's Action Network, and SchoolsRule Marin. We also partnered with the Transcendence Theatre and the Luther Burbank Center for the Arts.



RCU employees Jennifer and Katelynn at Children's Museum of Sonoma County's Snow Days

SHARING WITH OUR COMMUNITY

Conservation

We partner with several organizations committed to earth-friendly and sustainable practices, including Sonoma County Go Local, U.S. Green Building Council, Sonoma County Alliance, the Center for Climate Protection, Downtown Streets Team, and Conservation Corps North Bay.

“We’re grateful to partner with RCU. Not only do they financially support our programs, they also work with our corps members at shred events, providing financial literacy, and supporting our community during natural disasters.”

—Conservation Corps North Bay



Electronic waste collected at Shred-a-Thon



RCU SVP Tom Hubert pitches in at Shred-a-Thon

Shred-a-Thons

Shredding documents helps people keep their privacy secure and keeps massive amounts of paper out of the landfill.

3,300 attendees in four counties attended our Shred-a-Thons, safely disposing of 143,300 pounds of sensitive documents, and securely recycling nearly 22,000 pounds of e-waste. Our visitors kindly donated over 450 pounds of food and more than \$8,000 for local nonprofits.

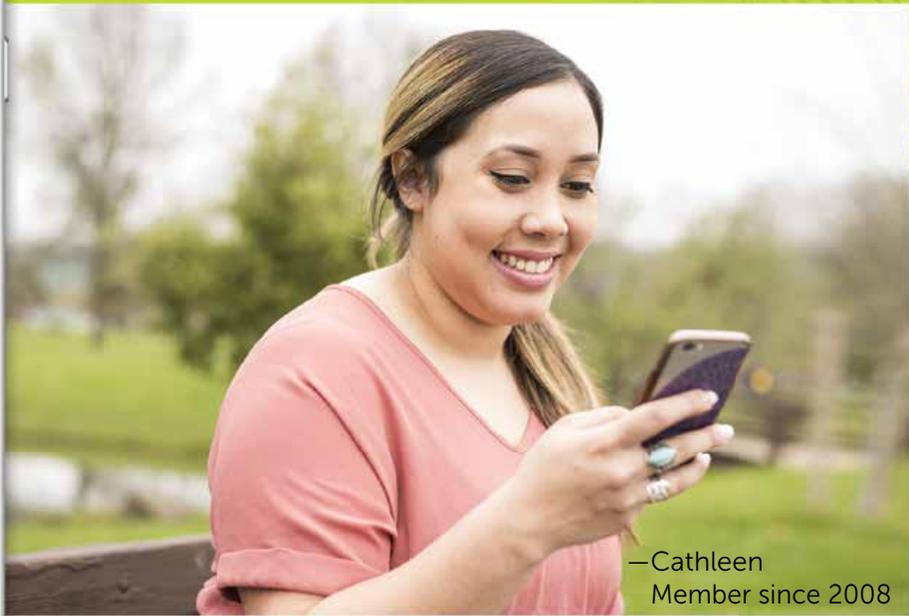
Disaster Relief

As more people are threatened by natural events, credit unions are teaming up to help.

We offered Camp Fire disaster relief through Sierra Central Credit Union. Through the North Bay Fire Relief Fund, we supported nonprofits providing services in mental health for fire survivors. We also participated in welcoming students back to school in Lakeport, Upper Lake and Lucerne, offering gift cards to students who lost homes in the Mendocino Complex Fire.



RCU employees Aaron and Fidel volunteering at Sheds of Hope



—Cathleen
Member since 2008

ENHANCED TECHNOLOGY

Whether in person, by phone, or online, when our Members offer feedback, we listen. And we use those observations to continually add or improve services. Here are some of the ways we made banking easier in 2018:

- **Spanish App** – Our mobile app now offers a Spanish language option. Members can easily toggle to their preferred language.
- **Security** – Members' RCU cards now feature two-way text fraud alerts. If there's a questionable transaction, a text is sent and the Member can immediately confirm (or deny) the legitimacy of a purchase by text.
- **Online Services** – We're improving the online experience, so Members can cash in their reward points with greater ease and enjoy a more interactive experience when reviewing their investment accounts. Additional improvements to our mobile app include: loan payment reminders, secure messaging, profile updates, stop payments, external transfers, ability to add billers to bill pay, and more.





San Francisco branch

BROAD REACH: ADDED CONVENIENCE

We remodeled several branches to deliver financial services in a modern way. Updated branches include:

- **San Francisco** – We moved to a new location, which offers added consulting spaces for business and mortgage lending, investments,* and insurance services, plus ATMs in a secure vestibule with 24/7 availability.
- **North Dutton** – For added convenience, our North Dutton branch was remodeled to offer better flow and accessibility. We also added a dedicated area for consulting with our wealth management and insurance specialists.
- **Sonoma** – New and improved ATMs, designed for ease of use.

There are new locations, too, already (or soon to be) serving Members. Those include:

- **Napa** – We purchased a building and property near the Napa County airport, where we're building a secondary back office. This will accommodate growth, attract talent from a broader geographic area, and enhance our ability to maintain and provide services in case of a disaster.
- **Lower Lake** – We broke ground at 16105 Main Street in Lower Lake (at the corner of Hwy 53 and Hwy 29) to serve residents, businesses, and visitors in Lake County. We open for business this fall.
- **American Canyon** – We're adding a new branch this summer in the Napa Junction Shopping Center.

*Non-deposit investment products and services are offered through CUSO Financial Services, L.P. ("CFS"), a registered broker-dealer (Member FINRA/SIPC) and SEC Registered Investment Advisor. Products offered through CFS: are not NCUA/NCUSIF or otherwise federally insured, are not guarantees or obligations of the credit union, and may involve investment risk including possible loss of principal. Investment Representatives are registered through CFS. The credit union has contracted with CFS to make non-deposit investment products and services available to credit union members.



RCU employee Wrynn



RCU employees John and Hana

SPOTLIGHT: FINANCIAL WELLNESS

Financial education and wellness are at the top of our list of priorities. We hosted more than 3,600 people at 69 free financial education events last year, including:

- **Bite of Reality.** We offered 25 Bite of Reality presentations to schools and nonprofits and more than 2,800 young people participated. These are fun, interactive simulations where youth take an adult role for a day, making purchasing decisions based on their assigned income.
- **Security seminar.** Held during the Sonoma County Shred-a-Thon day in Santa Rosa, attendees got insider tips on how to prevent fraud and identity theft.
- **Home-buying seminar.** A timely topic, "Navigating the Real Estate Market," this was an informative discussion on how to stay current in a rapidly changing landscape.
- **Auto-buying seminar.** Called "Tips for Buying Your Next Dream Car!" this session was held at RCU's Auto Services lot, and was followed by a lively Q&A session.
- **Online Financial Growth Center.** Over 6,000 people enrolled for free to learn about auto loans, building emergency savings, home ownership, credit scores, estate planning, identity protection, insurance, investments, retirement planning, and much more!

MEMBERS ARE SAYING...



“ We love RCU! We love the customer service and we love that they are local. ”

–Homem Family
Members since 2012

“ I feel like RCU is really behind me and supporting me. ”

–Alana, Owner, Etta + Billie
Business Member since 2018

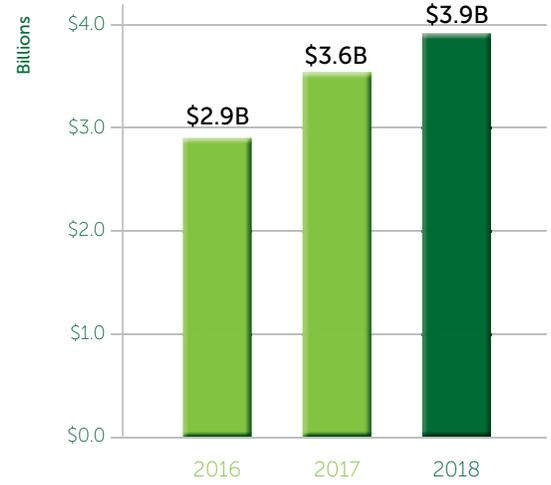


2018 FINANCIALS

ASSETS



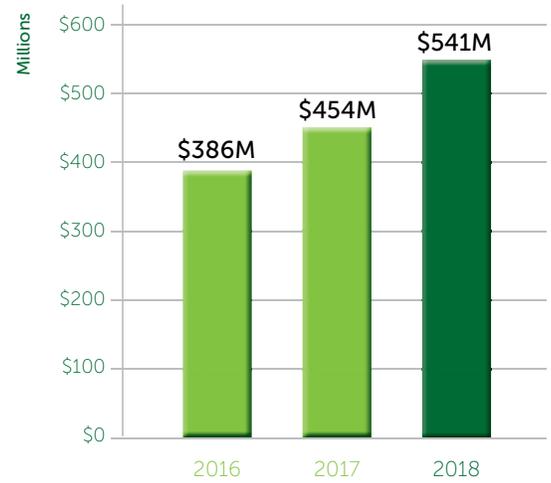
SHARES (DEPOSITS)



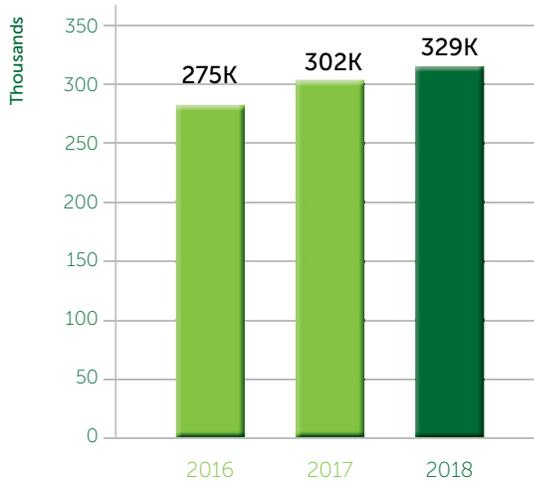
LOANS



EQUITY



MEMBERSHIP



2018 FINANCIAL STATEMENT

Consolidated Statement of Financial Condition (unaudited)

Assets

December 31, 2018

Loans to Members, Net of Allowance for Loan Losses	\$ 3,476,183,171
Cash and Investments	837,118,268
Property and Equipment	56,061,876
Accrued Interest Receivable	10,529,146
National Credit Union Share Insurance Fund Deposit	35,485,192
Other Assets	38,479,996
Total Assets	<u>\$ 4,453,857,649</u>

Liabilities

Members' Shares	\$ 3,880,452,268
Accrued Expenses and Other Liabilities	32,318,956
Total Liabilities	<u>3,912,771,224</u>

Members' Equity

Realized Earnings	541,055,964
Unrealized Gain on Available-for-Sale Investments	30,461
Total Members' Equity	<u>541,086,425</u>
Total Liabilities and Members' Equity	<u>\$ 4,453,857,649</u>

Consolidated Statement of Operations (unaudited)

For the Year Ended
December 31, 2018

Interest Income

Interest on Loans to Members	\$ 139,390,524
Interest on Investment and Cash Equivalents	18,849,052
Total Interest Income	<u>158,239,576</u>

Cost of Funds

Dividends on Members' Shares	13,998,328
Interest on Borrowed Funds	838,308
Total Cost of Funds	<u>14,836,636</u>

Net Interest Income	143,402,940
Provision for Loan Losses	<u>9,483,417</u>
Net Interest Income after Provision for Loan Losses	133,919,523
Non-Interest Income	62,057,781
Non-Interest Expense	<u>108,689,598</u>
Net Income	<u>\$ 87,287,706</u>

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