



STRONGER THAN EVER

2016 Annual Report



Redwood
Credit Union

FOR ALL THAT YOU LOVE. SM

Federally Insured by NCUA



“We appreciate the local feel. I feel like we’re valued Members. We always feel heard and appreciated. I know exactly what I’m getting – no random fees!”

– Jenn G. with family Members since 1994

On the cover (clockwise from top left): RCU’s Mill Valley branch at 695 E. Blithedale Avenue; Max and Ann, Members since 2005; the Ocegüera family, Members since 2006, with Mendocino Branch Manager Billy McMillan; Joseph, Member since 2016

2016 HIGHLIGHTS – RCU BY THE NUMBERS



More than
4,100 HOURS
volunteered in our
communities



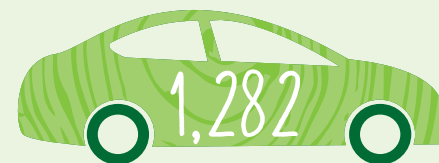
\$2.8 MILLION
in support to local nonprofits
and community groups



Over
16 MILLION LOGINS
to RCU online and mobile banking



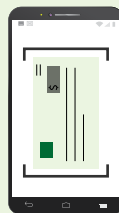
TOP 4 CREDIT CARD
in value and rewards among credit
union cards nationwide, according to
MoneyNation.com



dream cars purchased through
RCU Auto Services



More than
\$734 MILLION
in loans helped Members achieve the
dream of home ownership



741,987
checks deposited via
RCU's mobile app



TOP 5 HEALTHIEST
credit union in the US according to
Glatt Consulting HealthScore

20 AWARDS AND RECOGNITIONS

Honored by more than **20 AWARDS AND RECOGNITIONS**
from our local communities and the credit union industry, including:

- Best Place to Work – 11th consecutive year! North Bay Business Journal
- Best Credit Union – Press Democrat, North Bay Bohemian, NorthBay biz
- Best Financial Institution – Petaluma Argus-Courier, Sonoma Index-Tribune
- Corporate Philanthropy Award – North Bay Business Journal
- Latino Leadership Award: Brett Martinez – North Bay Business Journal
- Community Credit Union of the Year – honorable mention Credit Union National Association





Message from the BOARD CHAIR

On behalf of your volunteer Board of Directors, I want to thank you for choosing Redwood Credit Union (RCU) for your banking needs. When you bank with a credit union, your money is put to work helping other Members, neighborhood businesses, and local nonprofits—which means your money stays in the community and helps our local economy grow and thrive.

I'm happy to report 2016 was an excellent year for your Credit Union. Not only did we achieve amazing financial results (see pages 4-5), but we were honored to be recognized with numerous awards by our local communities and the credit union industry for our commitment to serving the best interests of our Members, employees and communities.

As a financial cooperative, our goal is to provide you the best banking services at the best value. To put it simply, we work for you. We listen to your feedback, and we are continually striving to improve service to make your financial life easier and more convenient.

Thank you for your trust and loyalty. We are honored to serve your financial needs every day, and we look forward to helping our Members succeed for many years to come.

Robert Eyler
Board Chair

VOLUNTEER BOARD OF DIRECTORS



ROBERT EYLER
Chair
Volunteer since 2009



ROBERT STEELE
Vice Chair
Volunteer since 1999



JIM OLMSTED
Secretary
Volunteer since 1993



LISA WITTKE SCHAFFNER
Treasurer
Volunteer since 2012



ROD DOLE
Board Member
Volunteer since 1978



DAVE IMOTO
Board Member
Volunteer since 1989



GREG MCGUIRK
Board Member
Volunteer since 1980



DEBRA WATTS
Board Member
Volunteer since 1976



ROBERT WIECK
Board Member
Volunteer since 1976



JUDY JAMES
Associate Board Member
Volunteer since 2013

VOLUNTEER SUPERVISORY COMMITTEE



DAVID GOUIN
Chair
Volunteer since 2008



M. CHRISTINA RIVERA
Vice Chair
Volunteer since 2014



STEVE SHARPE
Secretary
Volunteer since 1992



BRIAN ELLIOTT
Committee Member
Volunteer since 2010



MARTIN GROVE
Committee Member
Volunteer since 2003



Message from the PRESIDENT & CEO

There has never been a better time to belong to Redwood Credit Union. Thanks to your participation, RCU has experienced another excellent year, with incredible results across the board. Our exceptional financial results are shown on pages 4-5... but that's only part of the story.

RCU is on a journey to provide you the best banking experience possible, so you can spend less time worrying about money, and more time enjoying what you love. We are continually focused on technology and service improvements to allow you to do your banking at your convenience, anytime, anywhere.

We've added more tools and resources to help you achieve financial wellness, including an interactive educational section of our website featuring videos, online courses, and other content to help you navigate your financial situation at every stage of your life. We've added the ability to see your credit score in online banking so you can have a better understanding of your financial picture. We're also improving our branches to give you a more comfortable, convenient place to seek guidance

for the important financial decisions that affect your family and your future.

We are passionate about making a difference in our communities, and in 2016, we continued to support local nonprofits through sponsorships, fundraising, and volunteer efforts. We provided more than \$2.8 million in support to local nonprofits and community groups, and we collectively volunteered more than 4,100 hours to make a difference in our communities. We also helped raise and distribute more than \$260,000 to victims of the Clayton Fire in Lake County.

I hope you enjoy reading this report to learn all your Credit Union has accomplished this past year to better serve you, as well as some of the ways we've helped our Members succeed. We couldn't do it without you, so thank you for allowing RCU to serve your financial needs.

Brett Martinez
President & CEO

RCU SERVICES GROUP BOARD

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



ROBERT WIECK
Chair



JUDY JAMES
Vice Chair



ROBERT STEELE
Secretary



GINA CARTER
Board Member



BRETT MARTINEZ
Board Member



GREG MCGUIRK
Board Member



DEBRA WATTS
Board Member



Message from the SUPERVISORY COMMITTEE CHAIR

As Chair of your Credit Union's Supervisory Committee, I am pleased to report that RCU continues to be safe, sound, and in excellent financial condition.

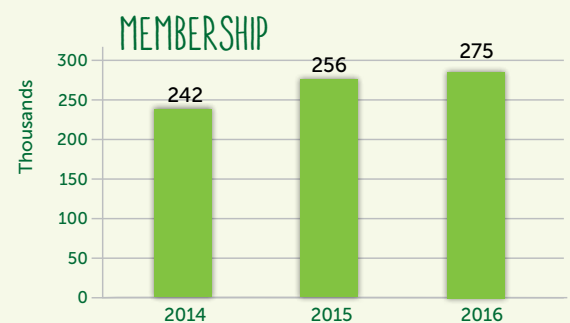
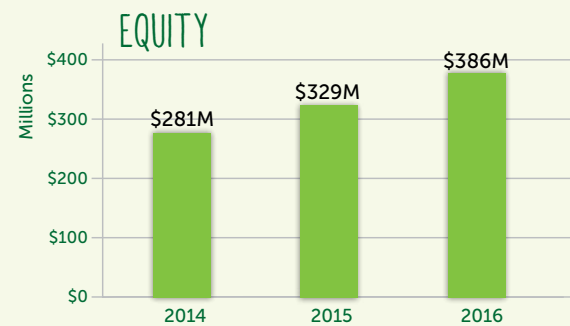
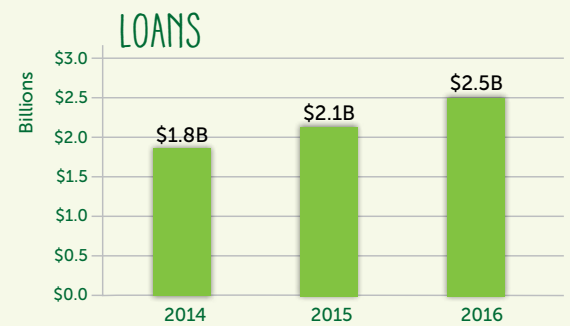
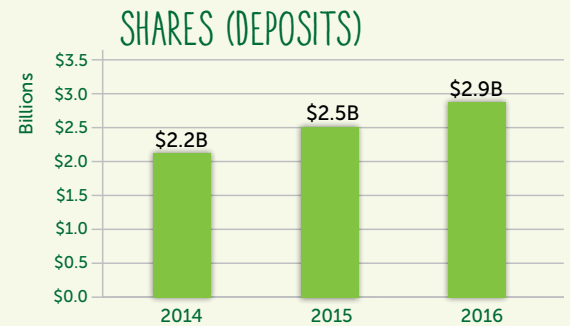
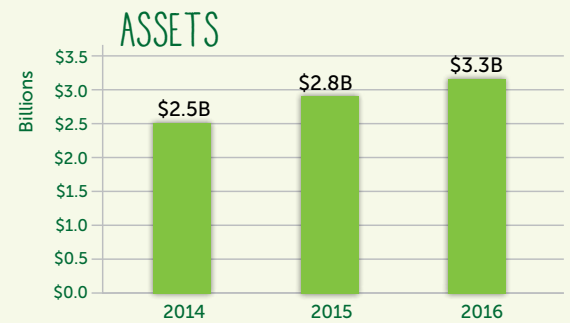
Your volunteer Supervisory Committee is responsible for overseeing RCU's financial strength and stability, focusing on the accuracy and integrity of RCU's financials, and the safety of our Members' assets.

We annually engage an independent certified public accounting firm to verify Member accounts and perform an opinion audit of the Credit Union's financial statements. The results concluded that your Credit Union continues to be a model of financial strength and stability. Our industry regulator, the National Credit Union Administration, also confirmed these findings in their 2016 audit.

Bauer Financial gave RCU their highest possible rankings for financial strength in 2016. Glatt Consulting, an independent firm providing financial health scores specifically for the credit union industry, rated RCU as one of the top 5 healthiest credit unions in the nation for the 3rd year in a row.

We understand the importance of having a safe, sound place where you can save, borrow, and conduct your financial business. We're committed to doing all we can to meet our Members' needs. It's an honor to serve you.

David Gouin
Supervisory Committee Chair



2016 FINANCIAL STATEMENT

Consolidated Statement of Financial Condition (unaudited)

December 31, 2016

Assets

Loans to Members, Net of Allowance for Loan Losses	\$2,469,732,939
Cash and Investments	689,673,748
Property and Equipment	38,697,044
Accrued Interest Receivable	6,585,069
National Credit Union Share Insurance Fund Deposit	25,243,812
Other Assets	46,796,987
Total Assets	<u>\$3,276,729,599</u>

Liabilities

Members' Shares	\$2,866,273,331
Accrued Expenses and Other Liabilities	24,245,005
Total Liabilities	<u>2,890,518,336</u>

Members' Equity

Realized Earnings	386,136,894
Unrealized Gain on Available-for-Sale Investments	74,369
Total Members' Equity	<u>386,211,263</u>
Total Liabilities and Members' Equity	<u>\$3,276,729,599</u>

Consolidated Statement of Operations (unaudited)

For the Year Ended
December 31, 2016

Interest Income

Interest on Loans to Members	\$94,902,450
Interest on Investment and Cash Equivalents	6,971,172
Total Interest Income	<u>101,873,622</u>

Cost of Funds

Dividends on Members' Shares	5,457,831
Interest on Borrowed Funds	1,204,510
Total Cost of Funds	<u>6,662,341</u>

Net Interest Income

95,211,281

Provision for Loan Losses

4,288,380

Net Interest Income after Provision for Loan Losses

90,922,901

Non-Interest Income

50,355,476

Non-Interest Expense

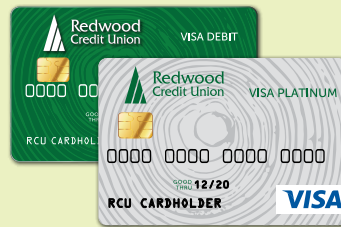
84,058,768

Net Income

\$57,219,609

BETTER BANKING: TECHNOLOGY

All RCU credit and debit cardholders received updated EMV (Europay Mastercard Visa) chip cards, providing an additional layer of identity and account security when used at compatible point-of-sale terminals.



Additionally, Members now have the ability to log in and “freeze” their cards if they suspect unauthorized activity.

RCU’s online and mobile banking services continued to grow in popularity, with more than 16 million logins by Members in 2016.

Members with loans and credit cards now have the ability to view their FICO Score® in online banking, along with access to information about credit scores and how to improve them.



BETTER BANKING: CONVENIENCE

Members can now conveniently make their RCU loan payments anytime, anywhere using their debit card, mobile check deposit or by scheduling one-time or recurring transfers.

We are continuing to improve to our online and mobile functionality, design, and security alerts, based on feedback we receive from Members.

BETTER BANKING: BRANCHES

RCU opened a new Marin County branch in Mill Valley last year, and moved our Santa Rosa Mendocino Avenue branch to a more spacious location with better parking and a modernized interior.

Our new branch design includes interactive tablets, digital signs and video, a children's activity area, and enhanced consulting spaces for assisting Members with new accounts; home, business and other financing; budgeting and debt consolidation; insurance; investments; and more.

RCU's Petaluma branch remodel was completed in the first quarter of 2017, and we'll be making similar improvements to several other branches this year.

Clockwise from top right: New Mendocino Avenue branch, Santa Rosa; Mill Valley branch; Mendocino Avenue branch technology bar.



RCU IN THE COMMUNITY

RCU's strong commitment to its communities was evidenced by the generous efforts of its employees and officials who volunteered more than 4,100 hours at nearly 350 nonprofit and community events in 2016.

Throughout the year, RCU and its employees helped generate more than \$2.8 million to support the community, including over \$105,000 pledged to United Way during RCU's workplace giving campaign, as well as support for Redwood Empire Food Bank, Sonoma County Volunteer Center, Social Advocates for Youth, Boys and Girls Clubs, SchoolsRule Marin, and many others.

Clockwise from top right: Team RCU cycles to fight Parkinson's Disease at the Tour de Fox; RCU partnered with the Press Democrat and Senator Mike McGuire to raise money for Lake County fire relief; Reddy the Redwood and Team RCU at the Marin County Human Race; RCU volunteering at Harvest for the Hungry Garden.



FINANCIAL WELLNESS

RCU hosted 63 educational events throughout our communities providing financial education to more than 2,500 people, including many events at high schools and youth groups.

RCU's popular **"Bite of Reality"** financial fair allows high school students to experience real-world money challenges such as paying for housing, transportation, and childcare, to introduce them to some of the financial decisions they'll face as adults.

RCU also launched a new online Financial Wellness center, featuring interactive learning modules, videos, podcasts, articles, and other tools to help people make informed financial decisions at every stage of life.



“We were used to conventional bankers and Redwood Credit Union’s not conventional banking. RCU checks in on us on a regular basis to see how they can help.”

– Robert M.

“It’s a feel-good relationship.”

– John M.

– Brothers and owners of Inn Marin and Rickey’s restaurant
Business Members since 2013

On the back (clockwise from left): Martin and Heather, Members since 2013; Cynthia (and baby Jack), Member since 2014, with RCU Member Service Representative Christian; the Parchman family, Members since 2004, with Assistant Branch Manager Amanda.



Redwood
Credit Union

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