



# Member Business Lending: Another Opportunity for Growth

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Redwood Credit Union

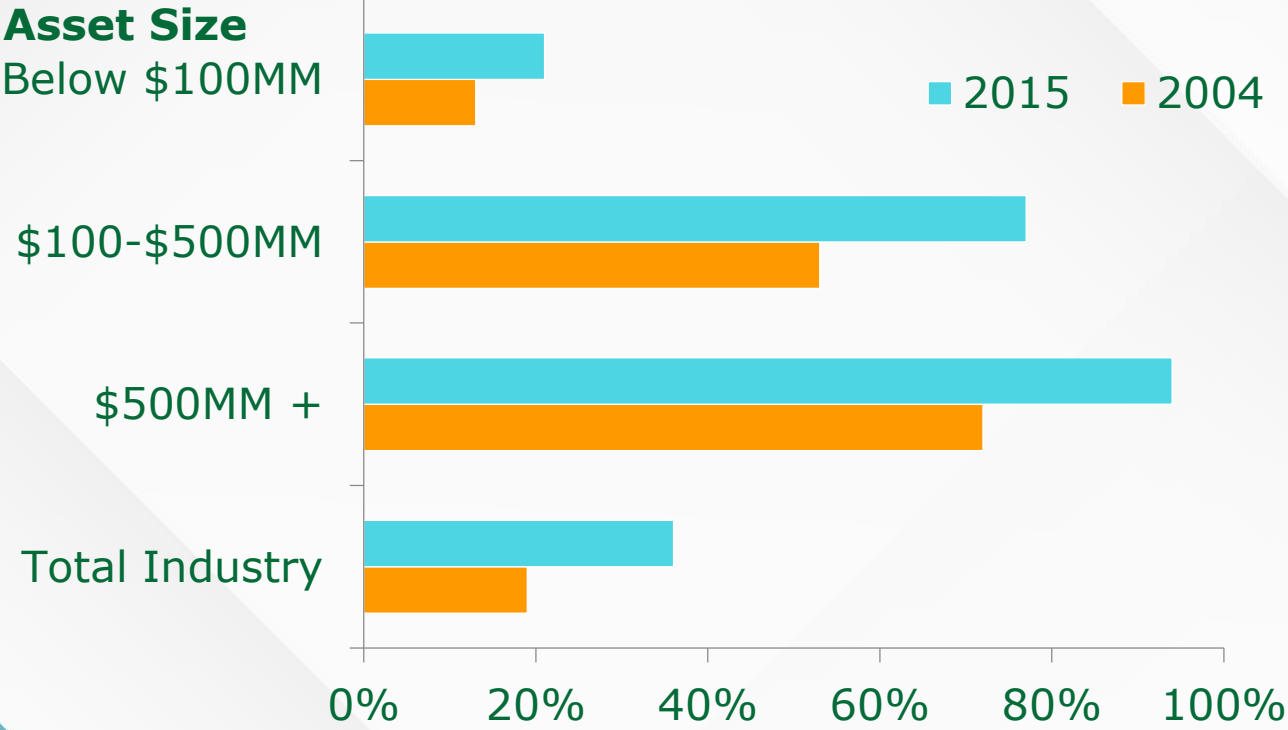


# Redwood Credit Union Profile

- 59<sup>th</sup> largest Credit Union in the U.S.
- \$3.0 Billion in Assets
- 512 Employees serving over 260,000 Members
- 17 Branches in the North Bay and San Francisco (Northern California)
- Full Range of Services (including an Auto Dealership & Insurance Agency) for Consumers and Businesses
  - \$324 Million Business Portfolio (10.27% of Assets vs. Business Lending Cap of 12.25%)



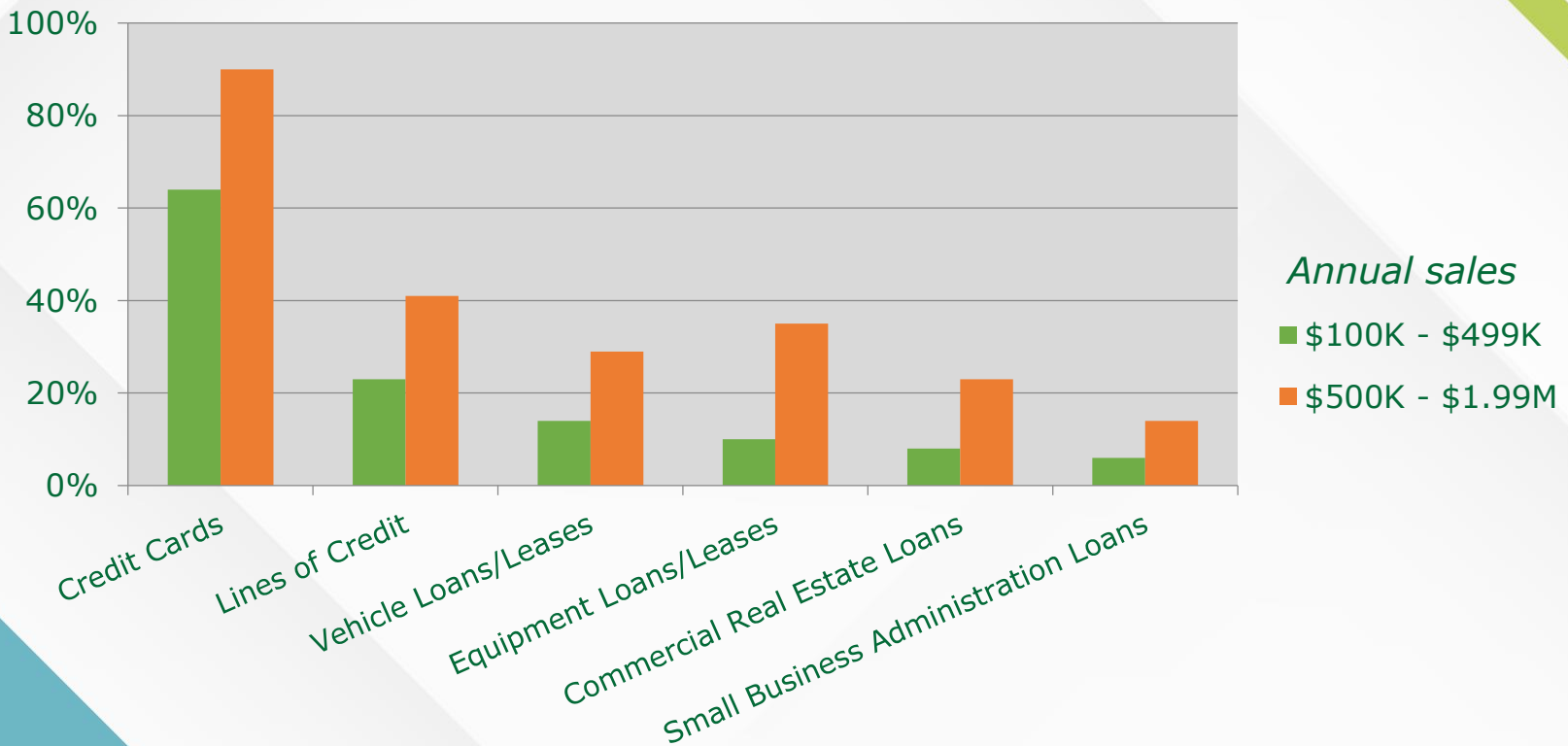
# Credit Unions that offer Business Lending



Source: NCUA (includes Non-Owner Occupied 1-4 unit residential real estate)

# Small Business Loan Demand

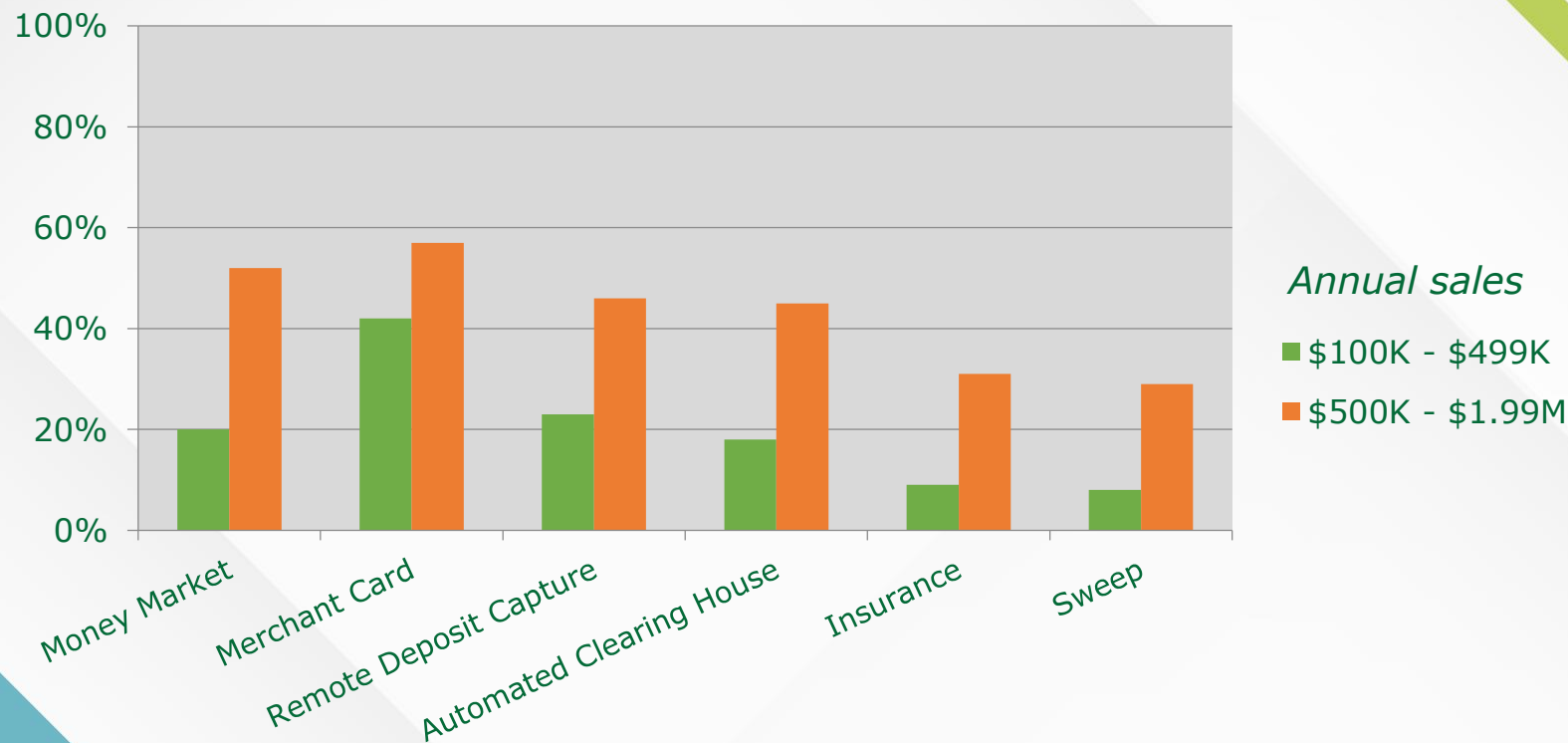
(Small Business defined as having annual sales <\$2M)



Source: Small Business National Research - Raddon Financial Group

# Small Business Deposit Products

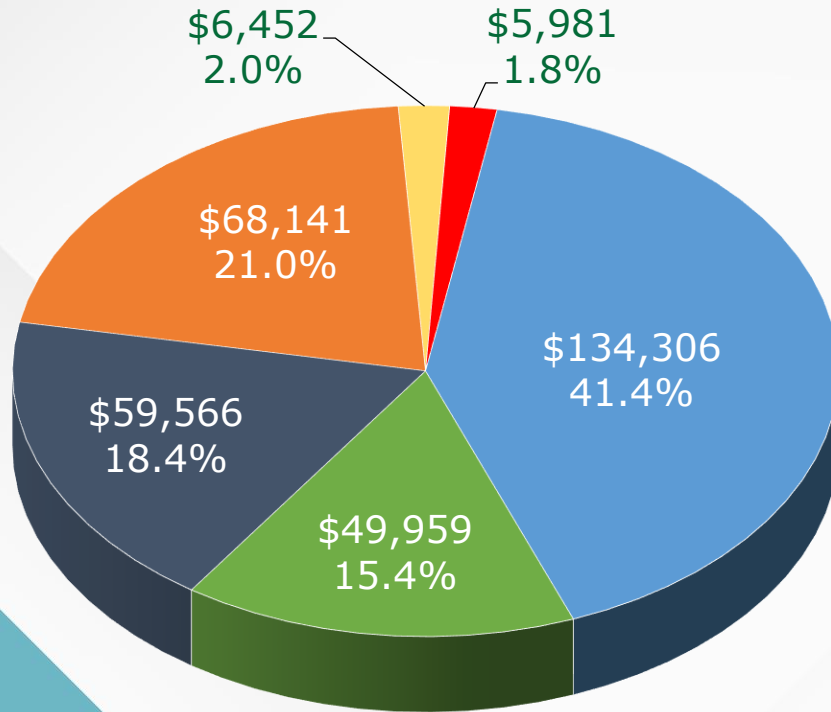
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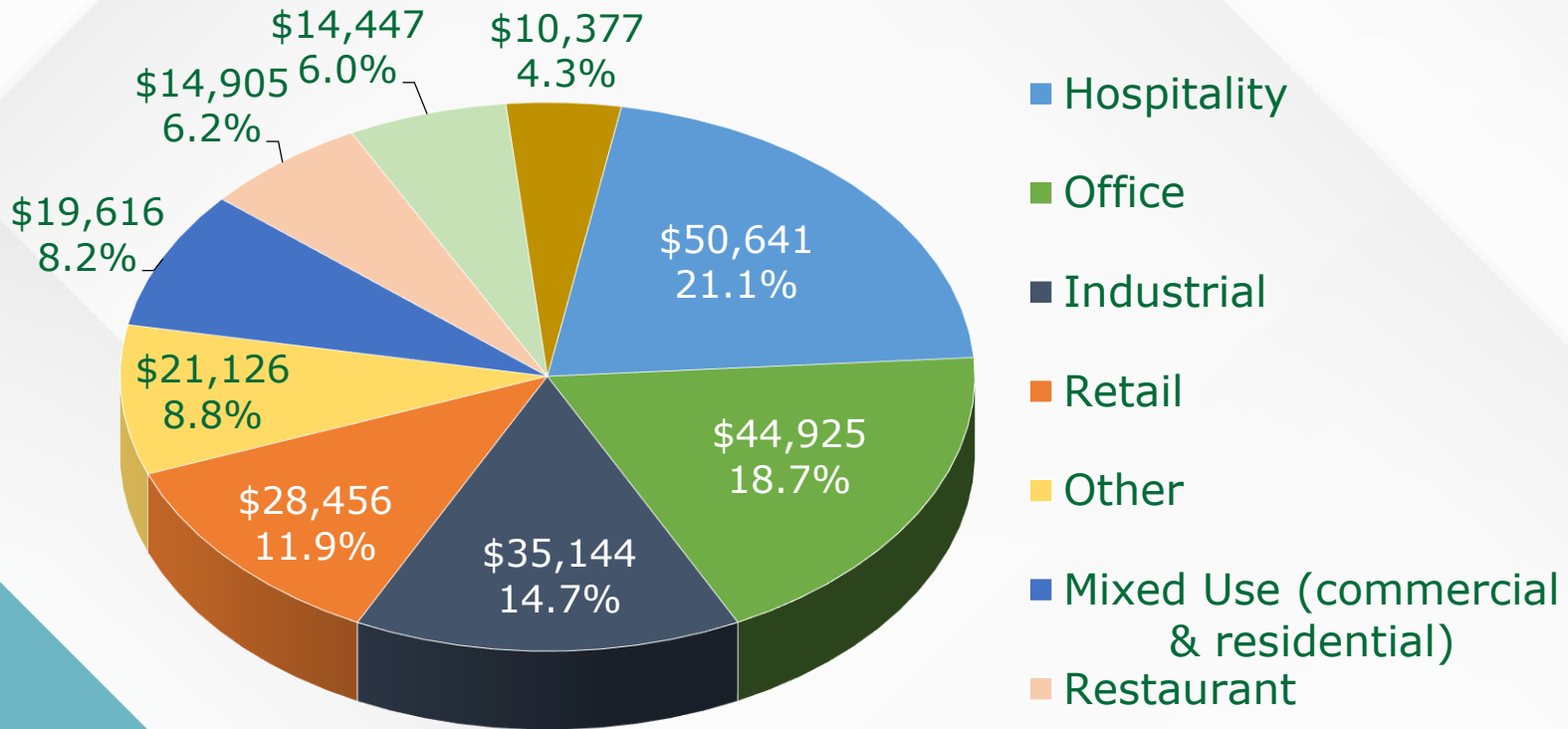
# RCU's Business Portfolio by Loan Type

(\$000's)



- Commercial Real Estate
- Small Bus Admin 504 (real estate secured)
- Small Bus Admin 7a (oper/equip loans)
- Non-Owner Occupied Real Estate 1-4
- Participation loans
- Commercial & Industrial (working capital, equipment financing)

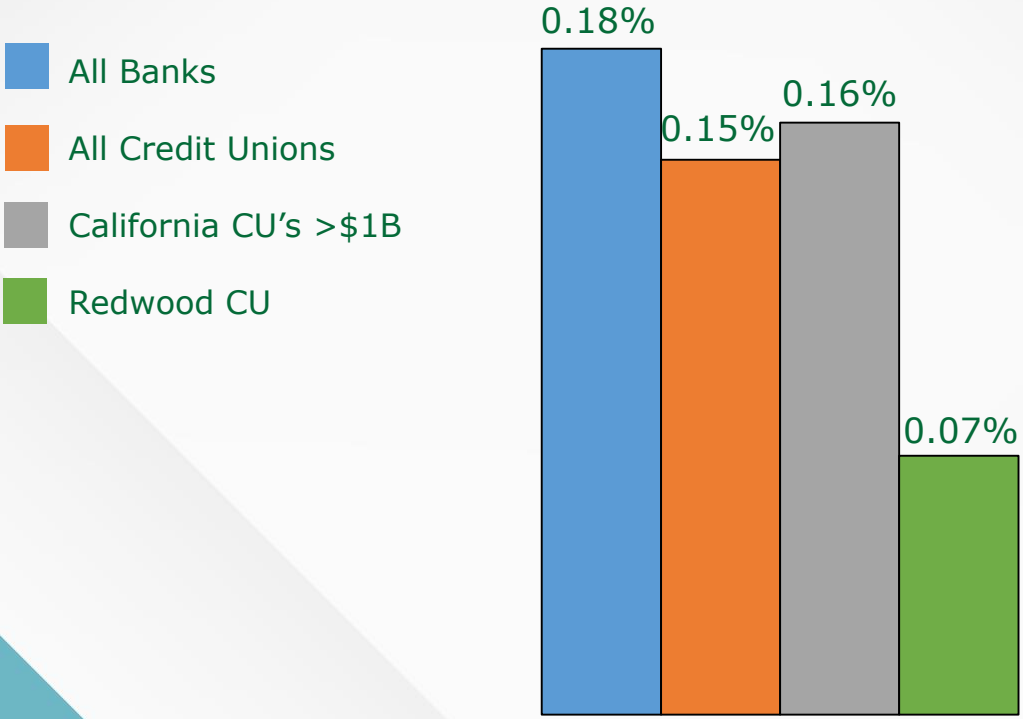
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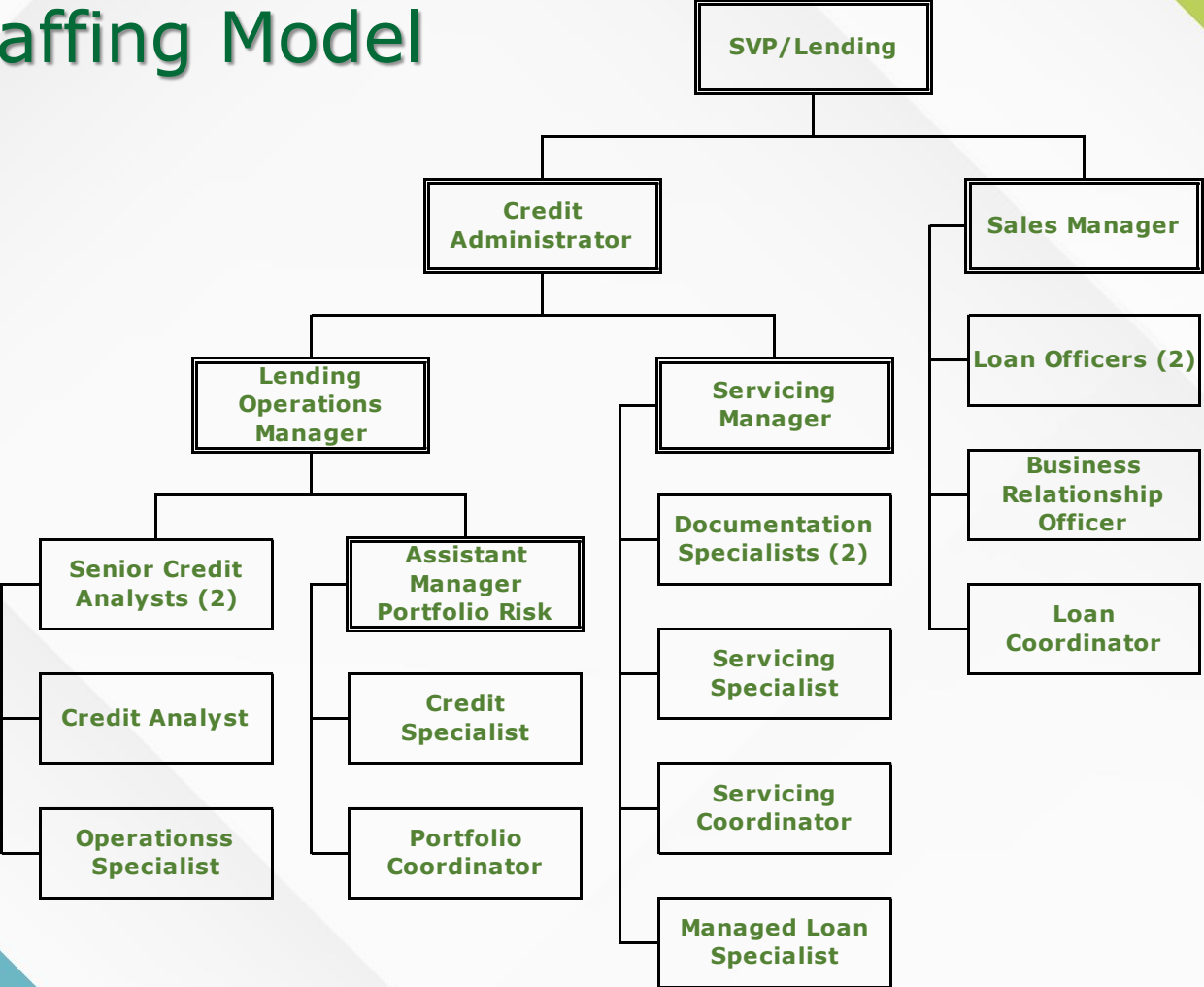
# Business Loan Performance

## Business Loan Charge-Offs as a % of Outstandings



Source: FDIC call report and NCUA 5300 reports (excludes participations)

# RCU's Staffing Model



# Business Loan Portfolio Profitability

|                            | FY 2015             |                   |
|----------------------------|---------------------|-------------------|
|                            | <u>Amount</u>       | <u>% of Loans</u> |
| Yield on Loans             | \$11,935,827        | 4.89%             |
| Cost of Funds              | (\$627,332)         | -0.26%            |
| <b>Net Interest Margin</b> | <b>\$11,308,495</b> | <b>4.63%</b>      |
| Non-Interest Income        | \$14,484            | 0.01%             |
| Operating Expenses         | (\$6,321,771)       | -2.59%            |
| <b>Core Earnings</b>       | <b>\$5,001,208</b>  | <b>2.05%</b>      |
| Net Loan Losses            | (\$158,831)         | -0.07%            |
| <b>Net Income</b>          | <b>\$4,842,377</b>  | <b>1.98%</b>      |

Note: Excludes Non-Owner Occupied 1-4 unit residential real estate loans

# In Conclusion...

- Small business lending provides benefits to both the credit union and our Members
- Focused on leading with loans for the 35% of our Membership that own small businesses
- Allows us to capture both the business and personal loan relationship which provides convenience for Members
- Lack of cash intensive deposit products mitigates negative impact in our branches