

May 2017

COMMUNITY *Interest*

THE QUARTERLY NEWSLETTER
FOR REDWOOD CAPITAL BANK

PHOTOS BY: MARY CURLESS SMITH



PHOTO BY: MICHAEL MCCOY

The Time of Your Life

By JOHN DALBY

“It’s something unpredictable but in the end is right, I hope you had the time of your life.”

Green Day

It is with mixed emotions that Redwood Capital Bank announces the retirement of Dr. John E. Burke from the Redwood Capital Bank Board of Directors. Dr. Burke served as the Founding Chairman from 2004-2016 and remained on the Board serving as a Director through May 17, 2017. Early on, Dr. Burke was the leading advocate for creating Redwood Capital Bank’s Board Governance Policies. This document has helped the Board of Directors exceed a high standard of excellence and is used as a model for other community banks throughout the country. Dr. Burke and his wife, Debbie have retired and relocated to Arizona. We will miss them both and wish them every happiness in their new adventures.

In other news, Redwood Capital Bank is celebrating the receipt of several prestigious awards. For the fourth consecutive year and sixth time in the company’s 13-year history, Redwood Capital Bank has been awarded the designation of *Super Premier Performing* by *The Findley Reports*. Additionally, for the sixth straight year, Redwood Capital Bank



...We love doing business with you.

has earned a 5-Star rating from Bauer Financial. These awards represent the highest ratings available by two of the top ranking firms in the industry. On the local level, Redwood Capital Bank is proud to announce that for the third consecutive year, we have been chosen “Best Bank” by readers of the Times Standard in their annual Reader’s Choice Awards.

Things such as leadership and awards certainly are contributing factors to Redwood Capital Bank’s on-going success, but the true secret to our success lies with you – our loyal customers and shareholders. For without you, we would cease to exist. On behalf of everyone at Redwood Capital Bank, thank you for your support over the past 13 years. We love doing business with you.

John Dalby is the President and CEO of Redwood Capital Bank. He can be reached at (707) 444-9833 or via email at jdalby@rdwo.com



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Eureka

B R A N C H

City of Eureka Housing Authorities Commission Appointee



Renee Byers

Renee Byers, Redwood Capital Bank's VP/Controller was recently appointed to the Housing Authorities Commission for the City of Eureka. The Commission serves the greater Eureka area, providing approximately \$2 million in annual assistance to provide affordable housing to those in need.

Wes Weir, Executive Director of the Housing Authorities commented, "We are thrilled to have Renee join our Board of Commissioners. To me, this is a clear definition of the bank's and Renee's dedication to our community."

While Renee is brand-new to the commission, she has a history of community involvement, including serving for nine years as the Junior Director for Harbor Lanes Youth Bowlers and as a long-time volunteer with youth sports.

Ms. Byers looks forward to learning more about the Housing Authorities and ultimately helping local people in need find affordable housing.



applicant has managed their credit historically and higher probability they will repay their loans in the future. 3) Collateral – what will be securing the loan and what is the loan to value (the loan amount divided by the value of the collateral)? The two remaining C's of credit, "Conditions" and "Capital" typically apply to business loans. 4) Conditions – what are the current economic conditions specific to the area and industry? Does management make adjustments as necessary to acclimate to these conditions while remaining competitive; and 5) Capital – how much equity is in the business? How much cash is there in reserves for a rainy day and how leveraged is the business (debt compared to the equity position)? This is a very brief re-cap of the typical things reviewed in underwriting and there is a lot of detail that goes into analyzing a loan request to make a credit decision. We want to make sure that it is not only a good decision for the bank, but we also do not want to make a loan that will create a hardship for someone by adding an additional loan payment. One advantage to pursuing a loan with Redwood Capital Bank is that all of our underwriters are local and understand our diverse community. This allows us to be more flexible and responsive to our customer's needs while processing loans in a more timely fashion - just one more reason to bank with Redwood Capital Bank.

Jennifer Budwig is the SVP/Chief Lending Officer of Redwood Capital Bank. She can be reached at (707) 444-9817 or via email at jbudwig@rdwo.com



Jill and Amy

Welcome Jill Ceffalo and Amy Minor

Jill began working at RCB in March. She has been in the banking industry since 2004. Jill likes RCB's welcoming, family environment. In her free time, Jill enjoys weight training. She and her family live in Fortuna.

Amy moved to Humboldt County in 2015 from the Central Valley. Amy began working at RCB in February. Amy appreciates the opportunity to build personal relationships with customers and her co-workers. Amy enjoys spending time hanging out with friends and her boyfriend. She lives in Arcata.

Please stop by the Eureka Branch and say hello to Jill and Amy – they look forward to meeting you!



The Mysteries of Underwriting

By JENNIFER BUDWIG

When a customer applies for a loan, regardless of whether it is to purchase a car, a house or for business purposes, they will be informed that the loan is in "underwriting". Prior to working in banking, I really did not understand what the term "underwriting" meant and I imagine it is a mystery to many. Here is an opportunity to discuss a little more in depth about what is entailed in this process. Once a loan package is submitted, it typically goes to our underwriting team. There are a variety of things they do at this level often referred to as the "Five C's of Credit," which include the following: 1) Cash Flow – what is the amount of income the applicant makes compared to their current monthly obligations (adding in the new payment amount with the loan request)? This is often referred to as debt to income ratio, or debt coverage ratio. There is specific criteria defined that needs to be met to approve a loan. 2) Credit – what are the credit scores of the borrowers and/or business? This is important because it gives the bank a history of the applicant's repayment track record. The higher the credit scores, the better the

Shareholder Value

As this issue of *Community Interest* goes to press, the Directors, management and staff at Redwood Capital Bank are preparing for our 2017 Annual Meeting of Shareholders. As a publicly held company, founded over 13 years ago by more than 600 local investors, we often speak of shareholder value. Shareholder value is a term that describes the primary goal for a business to increase the wealth of its shareholders by paying dividends and causing the stock price to increase.

Comparing numbers and analyzing metrics and data show steady increases. The stock price continues to rise. But what other factors contribute to shareholder value? In a small, rural community, the people who invest in a business are also your friends and neighbors. It is paramount to our success to provide consistent, exceptional customer service and to remain competitive with the larger non-local banks in the products and services we offer. These factors help to provide you, our owners with a tangible, complete package of value.

We remain ever-mindful of our responsibility to our investors and customers. Thank you for helping Redwood Capital Bank remain a valuable asset to Humboldt County.



2017 First Quarter Earnings Release



By FRED MOORE

Balance Sheet data (at period end)	Period Ended		% Change
	3/31/2017	3/31/2016	
(In Thousands) Total assets	\$324,519	\$320,658	1%
Total deposits	\$295,591	\$293,580	1%
Total loans (net)	\$249,248	\$226,192	10%

Summary of Operations	Year to Date		% Change
	3/31/2017	3/31/2016	
(In Thousands) Net income	\$ 683	\$ 535	28%
Net Interest Income	\$ 2,946	\$ 2,876	2%
Earnings per Common Share (fully diluted)	\$ 0.36	\$ 0.28	26%

Fred Moore is the EVP/Chief Financial Officer of Redwood Capital Bank. He can be reached at (707) 444-9840 or via email at fmoore@rdwo.com

Feel Secure with RCB Online Banking

By DAVE TIERNEY



In today's connected world, securing your identity and your money are more important than ever. That's why Redwood Capital Bank's online banking system features multiple layers of security controls designed to protect you and your accounts.

Occasionally these security controls can feel like a hassle. From strong passwords to multi-factor authentication, sometimes it may feel like it's hard to simply login to get access to your accounts. But in a way, that's kind of the point.

We aren't trying to make it harder for you to login to your accounts. We're trying to make it harder for bad guys to login to your accounts.

Requiring strong passwords and multi-factor authentication are two of the ways we do that. We also require e-mail alerts for your account activity, so that you can be notified of any suspicious activity.

Remember, the only 100% secure computer is one that isn't connected to the Internet at all. For all the rest, Redwood Capital Bank is working in tandem with you to minimize the risks that are inherent in a connected world.

Dave Tierney is the VP/IT Director of Redwood Capital Bank. He can be reached at (707) 444-9848 or via email at dtierney@rdwo.com



Fortuna

B R A N C H



Wendy and Ami

New Faces at the Fortuna Branch

Welcome Ami Franklin and Wendy Eberhardt to the Fortuna Branch. Ami began working for RCB in March. She brings with her more than 20 years of banking experience. Ami likes that RCB is a small, community bank that goes above and beyond for its customers. In her spare time, Ami enjoys watching her children's sporting events. She and her family reside in Fortuna.

Wendy began working at RCB in April. She previously worked in Customer Service for a large grocery store and most recently, was a stay-at-home mom. Wendy believes RCB is a tight-knit and inclusive team that cares about its customers and staff. Wendy enjoys spending time with her children. She and her family live in Fortuna.

Ami and Wendy – we are glad to have you here at RCB!

Arcata

B R A N C H



Kathrina and Rhea

Kathrina Hendricks and Rhea Varley Join RCB

Redwood Capital Bank's Arcata Branch welcomes Rhea Varley and Kathrina Hendricks, Customer Service Representatives.

Rhea Varley started working at RCB in February. She began her banking career in 2016 and enjoys being able to recognize all of the Arcata Branch customers. Rhea graduated from Mills College in 2015 with a degree in Economics. She enjoys reading *The New Yorker* and *The Wall Street Journal*. Rhea lives in McKinleyville.

Kathrina began working at RCB in April. She has been in banking since 2006. She likes the close-knit, family feel of RCB. In her spare time, she enjoys walks with her dog. Kathrina and her husband live in McKinleyville.

Welcome Rhea and Kathrina – they look forward to serving you!

Dividend Update

The Redwood Capital Bancorp Board of Directors recently declared its 21st consecutive quarterly cash dividend. The dividend of \$0.06 per share is payable on May 15, 2017 to shareholders of record at the close of business on May 1, 2017. The dividend is equivalent to an annual rate of \$0.24 per share or 1.37%, based upon a market price of \$17.50 per common share.

For more information regarding investing in Redwood Capital Bancorp, please visit our website at www.redwoodcapitalbank.com and click on Investor Relations. There you can access a list of market makers, as well as local financial advisors who can assist you in acquiring Redwood Capital Bancorp shares. For more information on the quarterly dividend, please contact Fred Moore at (707) 444-9840 or via email at fmoore@rdwo.com.



Senior Management

John E. Dalby, President & CEO
 Fred J. Moore III, EVP/CFO
 Jennifer Budwig, SVP/CLO
 Tammy Brown, SVP/CCO

Board of Directors

John J. Gierck Jr., Chairman
 J. William McAuley, Vice Chairman
 Russell N. Britt
 John E. Burke
 John E. Dalby
 Larry A. DeBoni
 W. Timothy Needham
 Craig L. Perrone
 James R. Seiler
 John R. Selvage
 Steven M. Strombeck

BANK HOLIDAYS/ HOLIDAY HOURS

Monday, May 29:
Memorial Day*

Tuesday, July 4:
Independence Day*

* denotes closure

Cover Photos

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 and
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Bank Exterior Photos

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If you have ever used another financial institution's ATM to withdraw money from your account, chances are you paid a surcharge fee. We know these surcharges can add up, and that is why we joined an ATM network called the SUM Switch. It eliminates surcharges normally incurred when you use another institution's ATM*.



Now you can use hundreds of ATMs without paying costly surcharge fees. Just look for the SUM Switch logo when you are using another financial institution's ATM and you will know that you can receive money from your own account without extra fees*.



* Foreign ATM usage fee might still apply depending on your account type.



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Our interest is YOU

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 Monday - Thursday: 9:00 a.m. - 5:00 p.m.
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