

August 2016

COMMUNITY *Interest*

THE QUARTERLY NEWSLETTER
FOR REDWOOD CAPITAL BANK

PHOTO BY: MICHAEL MCCOY



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We Are Family

By JOHN DALBY

When I think of family, I immediately think of the people I am closest to. These people are the individuals that I am related to and also those whom I have chosen to be part of my extended family. Family comes in all shapes and sizes and is a very important part of our everyday lives.

Given that we spend eight hours a day, five days a week with the people we work with, it is easy to see how our co-workers become dear to us and a family environment is built.

Redwood Capital Bank is more than a workplace – it is an extension of family. The relationships that we have here are special. We take care of each other. We celebrate accomplishments and milestones. We also come together in tough times to offer encouragement and to support each other.

In 2004, Redwood Capital Bank opened the doors with 12 founding Directors - ten of whom still remain on the Board and 16 founding employees, of which nine continue to work at Redwood Capital Bank today. It isn't just our staff that make up the RCB family, it is also our Directors, their family members, customers and shareholders that are all included. In July, Founding Chairman, Dr. John Burke retired as Chairman of the Board of Directors. Dr. Burke will remain an active member on the Board of Directors. On behalf of everyone at Redwood Capital Bank, we thank Dr. Burke for his leadership and vision over the past 12



...Family comes in all shapes and sizes.

years. Vice Chairman, John Gierek, Jr. assumed the position of Chairman and at a recent Board meeting, Bill McAuley was voted the new Vice Chairman of the Board of Directors. Like families, roles shift and dynamics change, but we still maintain the same core values that are part of who we are and how we do business.

Our Redwood Capital Bank family has grown over the years. We have expanded to three branches and 60 employees. While many things have changed and evolved over the past 12 years, the family atmosphere is at the heart of it all. It defines who we are as a company, how we treat each other and the importance of how we take care of our customers, shareholders and our community.

If you are not already a part of the Redwood Capital Bank family, I invite you to stop by to visit any of our three, full-service branches and experience the difference of Humboldt County's only truly local, community bank. We are always looking to expand our family tree.

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



Eureka

B R A N C H



Tia Tupper Brownell, Nanette Jones and Megan Binschus
NMLS # 466374 NMLS #1311124 NMLS # 791936

RCB - Your Local Consumer Lending Team

Whether you are buying a new home, refinancing, or building the home of your dreams, Redwood Capital Bank will help you choose the loan product that is right for you. Let our experienced, local lenders customize a solution that fits your needs. We pride ourselves on providing excellent customer service and a variety of lending options to meet all of your expectations.

For more information and current interest rates, please call or visit any of our three convenient locations, or call, (707) 444-9800.



RCB's "Judge's Choice" Float, Fortuna Rodeo Parade

Biggest Security Vulnerability: Humans?

By DAVE TIERNEY



There's a scene in an episode of the outstanding USA Network television series "Mr. Robot" where the lead hacker, Elliot, and his team are trying to figure out how to breach a maximum security data facility called Steel Mountain. The facility is so locked down with physical and technical security controls, explains one team member, that no vulnerabilities exist.

Elliot, studying a surveillance photo of Steel Mountain, says, "I see six vulnerabilities in this picture alone," and points to a handful of guards and employees walking around outside the facility. His point? That physical and technical security controls, while certainly important and necessary, are useless against criminals that know how to prey upon vulnerabilities in human nature. That's what social engineering is all about.

These vulnerabilities take many forms. It might be someone who likes to post online pictures and comments about her dog, Jazzper and makes her online banking password "Jazzper1." It might be a curious person who finds a thumb drive laying on the ground in the parking lot at work and puts it in his computer to see what's on it. It might be a person who isn't aware of identity theft risks who clicks on an e-mail link from what he believes is his bank and enters his social security number and account number on the web page that pops up.

Hackers know what makes people tick and they are trying to exploit that knowledge every single day. You can have the best firewalls and anti-malware software in place on your network, but if you don't train your employees (and yourselves) about the threats targeting the biggest vulnerability – people – then even the best technical controls won't be nearly as effective.

Take the time to learn how hackers can mine the Internet and especially social media, for information about you that they can use to try and steal your passwords or your identity. Understand that placing a thumb drive from an unknown source into your computer can infect your computer with malware and/or spyware. Learn the differences between phishing, spear phishing, and whaling and how hackers use these techniques to trick people into giving them money or information that can be used to steal identity or access online financial systems. A couple of quick Google searches, or a visit to Redwood Capital Bank's Fraud Prevention page (www.redwoodcapitalbank.com/online-banking-info/fraud-prevention) will provide you with a wealth of resources to start with.

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



We are the Local Difference

What difference does it make when you bank with Redwood Capital Bank? It makes all the difference to Humboldt County. While larger, out-of-area banks utilize your deposits elsewhere, Redwood Capital Bank puts your money to work right back in to our local economy in the form of loans to local businesses, families and individuals and that makes us stronger. How many times have you called a “big” bank and received a computer recording as a greeting? Not at Redwood Capital Bank. During our business hours, you will be greeted by a live “RCBer,” someone who strives to know you by name. When you come into our branches, you rarely have to wait for service and we are always glad to see you. Need a loan decision, preferably sooner rather than later? One of the greatest benefits of banking with Redwood Capital Bank is we are an independent, community bank run by local people and our decisions are all made right here in Humboldt County by people who live and work here. We have a vast knowledge and understanding of this place that we call home and a vested interest in its financial health and success.



2016 Second Quarter Earnings Release

By FRED MOORE



		Period Ended		%
		6/30/2016	6/30/2015	Change
Balance Sheet data (at period end)				
(In Thousands)	Total assets	\$323,542	\$304,202	6%
	Total deposits	\$295,653	\$275,428	7%
	Total loans (net)	\$229,108	\$212,922	8%
		Year to Date		%
		6/30/2016	6/30/2015	Change
Summary of Operations (current quarter)				
(In Thousands)	Net income	\$ 718	\$ 572	26%
	Net Interest Income	\$ 2,930	\$ 2,722	8%
	Earnings per Common Share	\$ 0.38	\$ 0.30	24%
	(fully diluted)			

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

Fortuna B R A N C H

Loan Production Boom

By JENNIFER BUDWIG



The first half of the year has proven to be an interesting time for our residential real estate and consumer lending departments. As the residential market demand continues to heat up resulting in increased values, homeowners are realizing more equity in their properties, providing them with refinancing opportunities that were not available over the last several years. This, coupled with amazingly low mortgage interest rates, has resulted in a boom for our loan production departments as purchases and refinances continue to steamroll.

Redwood Capital Bank also recently rolled-out an equity line of credit promotion that provides an exceptionally low six month interest rate adding to increased volume.

On the commercial loan front, the first half of the year has been busy with over \$14 million in new business loans being generated. As we continue to support our local businesses, residents and our economy by deploying your deposits back into our community in the form of loans, we want to thank you for banking with the only locally owned community bank. It is a great way to support the economy and future of Humboldt County. We appreciate your business!

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



Chili Cook-Off for a Cause Winner

Fortuna Rodeo is a week-long event in the Friendly City. Redwood Capital Bank is proud to announce that the Humboldt Ice Rink won the \$1,000.00 prize in our second annual, “Chili Cook-off for a Cause.” Other winning organizations include: Fortuna Rotary, Fortuna Police Officer’s Foundation, Fortuna Sunrise Rotary and Fortuna Kiwani’s – each of these organizations won \$100.00. Thank you to the Fortuna Rodeo Association, the Fortuna Chamber of Commerce and everyone involved with coordinating another fun and successful Rodeo Week.

Arcata

BRANCH



Tyce Maciel

RCB Night at Crabs Baseball

One of the favorite events Redwood Capital Bank hosts is our annual RCB Night – Crabs Baseball and BBQ. Staff, Directors, family members and customers come out to the Arcata Ballpark for a fun evening of baseball and BBQ. Special thanks to Travis Jones and Murphy's Market for all of their help with the delicious food and to our top-notch BBQ-ers, John Dalby, Bob Judevine and Lily Judevine. Pictured above is Tyce Maciel, son of Arcata Branch Manager, Shannon Maciel, who threw out the first pitch at the June 7th game.

BANK HOLIDAYS/ HOLIDAY HOURS

Monday, September 5:
Labor Day*

Friday, November 11:
Veteran's Day*

Thursday, November 24:
Thanksgiving Day*

Friday, November 25:
Closing at 3:00 p.m.

* denotes closure

Cover Nature Photos
by: Michael McCoy
and Google Images

Bank Exterior Photos
Gary Todoroff
northcoastphotos.com



Dividend Update

The Redwood Capital Bancorp Board of Directors recently declared the 18th consecutive quarterly cash dividend. The dividend of \$0.06 per share is payable on August 10, 2016 to shareholders of record at the close of business on July 29, 2016. The dividend is equivalent to an annual rate of \$0.24 per share or 2.04%, based upon a market price of \$11.75 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. Gierke Jr., Chairman
J. William McAuley, Vice Chairman
Russell N. Britt
John E. Burke
John E. Dalby
Larry A. DeBeni
W. Timothy Needham
Craig L. Perrone
James R. Seiler
John R. Selva
Steven M. Strombeck

redwoodcapitalbank.com

HOURS OF OPERATION
Monday - Thursday: 9:00 a.m.- 5:00 p.m.
Friday: 9:00 a.m.- 6:00 p.m.

MEMBER FDIC



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402 G Street
Eureka, California 95501
(707) 444-9800



FORTUNA BRANCH
1075 S. Fortuna Blvd., Ste. A
Fortuna, California 95540
(707) 725-4722



ARCATA BRANCH
1315 G Street
Arcata, California 95521
(707) 826-0878



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.



Redwood
Capital Bank
Our interest is YOU