

May 2015

COMMUNITY *Interest*

THE QUARTERLY NEWSLETTER
FOR REDWOOD CAPITAL BANK

We are...

STRONG!

A Chip and a Chair

By DAVE TIERNEY

There's an old adage in poker that says, "As long as you've got a chip in your hand and a seat at the table, then you are in the game." Redwood Capital Bank is taking a seat at the table and joining the "chip card" game that is active in other countries, but has been slow to catch on here in the United States. Now, with a fraud liability shift on the horizon for card-accepting merchants, that may be about to change.

Also known as EMV (EuroPay-MasterCard-Visa), chip cards are much like the debit and credit cards that you have in your wallet today, with one exception: in addition to the magnetic stripe located on the back of the card, there is also a microprocessor embedded on the front.

When used at an EMV-enabled terminal or ATM, this tiny computer makes the card more dynamic in how it stores and encrypts data, as well as how it interacts with the card terminal and host processor. Duplicating this chip is nearly impossible, thus making it nearly impossible for crooks to create and use counterfeit chip cards.

While EMV is an important tool in combating fraud, it is more like having "pocket aces" than a "royal flush". It is a good hand, but not unbeatable. It is designed to address the



...EMV chip cards are much like the debit and credit cards you have today.

issue of counterfeit or stolen cards being used at merchant point-of-sale terminals, also known as "card present" transactions. However, EMV does not address "card not present" transactions, such as online purchases, where the card is not physically presented to the merchant. In these situations, EMV will not offer any security enhancements over what you have now.

The merchant liability shift, which is coming in October, 2015, moves the liability for "card present" counterfeit disputes from the issuing bank back to the merchant, but only if the card being used fraudulently is EMV-ready and the merchant's point-of-sale terminal is not. If the merchant's terminal is EMV compliant, but the card being used fraudulently is not, then the liability for the fraud dispute will stay with the issuing bank.

Continued on Page 2...

Inside This Issue

A Chip and a Chair	Page 1/2
Eureka Branch News	Page 2
Website Redesign	Page 2
Earnings Release	Page 3
Attitude is Everything	Page 3
Fortuna Branch News	Page 3
Arcata Branch News	Page 4
Holidays	Page 4
ATM Information	Page 4
Branch Locations	Page 4
Dividend Update	Page 4
Senior Management and Directors	Page 4

Eureka

B R A N C H



Abbey Gans and Nanette Jones

RCB Participates in Youth Ambassador Program

Redwood Capital Bank is proud to sponsor Abbey Gans in the 2015 Greater Eureka Chamber of Commerce Rhododendron Youth Ambassador Scholarship Program. Abbey is a student at Fortuna High School, where she serves as Junior Class President and is involved in Interact, the California Scholarship Federation and FFA. Abbey enjoys cheerleading, hiking and writing. Upon graduation, she plans to attend a four-year university and major in Communications. Good luck Abbey – we wish you the best in the Youth Ambassador Program and in all of your future endeavors!

www.redwoodcapitalbank.com

By JOHN DALBY

Redwood Capital Bank is proud to unveil our recently redesigned website – www.redwoodcapitalbank.com. The project was over a year in the making, with no attention to detail spared. The goal of the new website is to serve as a responsive, user friendly, point-of-contact for current and prospective customers.

Being Humboldt County's only truly local community bank, we wanted the new website to reflect our company's culture and showcase our local area's wonderful landscape. We hope visitors will connect with the new website and visit it often. All of the photos on the new site were taken by local photographers, several of whom are employed at Redwood Capital Bank. The

new site offers bio's of our consumer and commercial lenders, senior management team and Board of Directors, which allows you the opportunity to get to know us better, in a more personal way. The new website provides customers with the convenience of 24-hour financial management options, including: Online Banking, Mobile Banking, Bill Pay, Mobile Check Deposit and Remote Deposit Capture. We have also made it a priority to enhance our Fraud Prevention section to provide you with the most current information to help you keep your accounts and financial information safe.

Another key feature of the new www.redwoodcapitalbank.com site is that is responsive. Our site is structured in such a

way that the graphic elements on the page will be presented in an optimum viewing experience regardless of device and screen size, providing fluidity to the layout.

Special thanks to Darrin Breen of Accelerant who designed the new website and to Cindy Conn and Mary Curless Smith for the countless hours spent on completing this project.

Whether you are a first time visitor to the website or a daily user, we invite you to surf around our new website and soon, you will be feeling right at home.

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



A Chip and a Chair ...Continued from Page 1

In other words, the liability shift provides incentive for merchants to upgrade their point-of-sale terminals to accept chip cards, which could jump-start EMV adoption in the United States. But the impact on the consumer is otherwise fairly minimal. Come October, your existing magnetic stripe cards will still work on merchant terminals, even ones that are EMV compliant. The merchants that do convert by then will accept both EMV and magnetic stripe cards. This also means that those cards will remain just as secure as they were prior to EMV.

What is Redwood Capital Bank's timeline for issuing chip cards? We will issue chip cards as soon as the EMV cards become available to us. I can say that we have a "chip and a chair," meaning we have started the process of working with our vendors to get the ball rolling on EMV cards. In the meantime, your regular card will continue to work for the foreseeable future. Look for more information on our website, www.redwoodcapitalbank.com as the timeline becomes clearer in the coming months.

Special thanks to Ken Musante of Eureka Payments for sharing his expertise in the field of EMV. If you are a merchant and would like more information about upgrading your point-of-sale terminals to be EMV-ready, contact Eureka Payments at (707) 476-0570.

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



Best Bank on the North Coast

In the February issue of this publication, we reported that Redwood Capital Bank had received the *5-Star* award from Bauer Financial. Since then, Redwood Capital Bank has received two additional, notable awards. Recently, we were notified that Redwood Capital Bank has again been awarded the prestigious “Super Premier Performing” designation by *The Findley Reports*, a publication that provides a comprehensive analysis and evaluation of California’s banking industry. Additionally and on a more local scale, readers of the *Times-Standard* have voted Redwood Capital Bank as the “Best Bank” in their *2015 Best of the North Coast Reader’s Choice Awards*.

These awards, combined with last year’s “Best Banks to Work For” award from *American Banker* prove happy employees translate to happy customers and top-of-the-line customer care. Thank you for the trust you place in us with your business – we are proud to serve you!



2015 First Quarter Earnings Release

By FRED MOORE



Balance Sheet data (at period end)	Period Ended		% Change
	3/31/2015	3/31/2014	
(In Thousands) Total Assets	\$293,405	\$254,967	15%
Total Deposits	\$265,002	\$228,518	16%
Total Loans (net)	\$206,918	\$179,313	15%

Summary of Operations (year to date)	Year to Date		% Change
	3/31/2015	3/31/2014	
(In Thousands) Interest Income	\$ 2,795	\$ 2,442	14%
Net Interest Income	\$ 2,630	\$ 2,284	15%
Book Value per Common Share	\$ 9.69	\$ 8.61	13%

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

Fortuna B R A N C H

Attitude is Everything

By JENNIFER BUDWIG

Redwood Capital Bank recently implemented a customer service training with a partial focus being individual “attitude” of our employees. This correlates to a quote that to this day I keep on my office wall and read regularly. It was written by Chuck Swindoll and it goes like this:

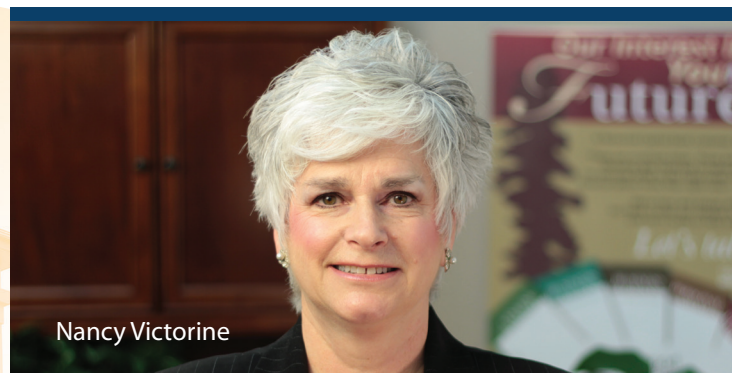
“The longer I live, the more I realize the impact of attitude on life. It is more important than the past, than education, than money, than circumstances, than failures, than successes, than what other people think, or say, or do. It is more important than appearance, giftedness or skills. We cannot change our past, we cannot change the fact that people will act in a certain way, we cannot change the inevitable. The only thing we can do is play on the one string we have



and that is our attitude. I am convinced that life is 10% what happens to me and 90% how I react to it. And so it is with you ... we are in charge of our attitude.”

Our attitude is something that has such a profound impact on how we view the world. At Redwood Capital Bank, we continually strive to maintain a positive, upbeat and responsive attitude so we can take the best possible care of our customers. We are your financial partners and take great pride in that every single day.

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



Nancy Victorine

Employee Spotlight - Nancy Victorine

Nancy Victorine is the AVP/Operations Supervisor in the Fortuna Branch. Nancy is a founding Fortuna Branch employee, since 2007. Nancy has worked in the field of banking for the past 40 years. As the Operations Supervisor, Nancy oversees the Tellers and New Accounts staff and makes sure things run efficiently and smoothly, with an emphasis on providing superior customer service. Nancy appreciates that RCB is truly local and that we give so much back to the community. In her free time, Nancy enjoys spending time with her family at their Ruth Lake cabin. Nancy and her husband, Ron reside in Fortuna.

We are...COMMUNITY!

Arcata

B R A N C H



Congratulations Arcata Branch

Congratulations to Redwood Capital Bank's Arcata branch for receiving the 2014 Beautification Award from the Arcata Chamber of Commerce at their annual dinner held earlier this year.

We invite you to stop in and see our beautiful north county location at 1315 G Street, Arcata and enjoy the view!

BANK HOLIDAYS/ HOLIDAY HOURS

Monday, May 25:
Memorial Day*

* denotes closure

Cover Nature Photos
by: Michael McCoy

Bank Exterior Photos
Gary Todoroff
northcoastphotos.com



Dividend Update

The Redwood Capital Bancorp Board of Directors recently declared the thirteenth consecutive quarterly cash dividend. The dividend of \$0.06 per share is payable on May 8, 2015 to shareholders of record at the close of business on April 27, 2015. The dividend is equivalent to an annual rate of \$0.24 per share or 2.21%, based upon a market price of \$10.85 per common share.

Since December 31, 2012, the rise in the company's stock price, combined with dividends, has generated a total return of over 60%.

For more information regarding investing in Redwood Capital Bancorp, please visit our website at www.redwoodcapitalbank.com and click on About Us/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 E. Burke, Chairman
John J. Gierek Jr., Vice Chairman
Russell N. Britt
John E. Dalby
Larry A. DeBeni
J. William McAuley
W. Timothy Needham
Craig L. Perrone
James R. Seiler
John R. Selvage
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



EUREKA BRANCH
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