

May 2023

COMMUNITY *Interest*

THE QUARTERLY NEWSLETTER
FOR REDWOOD CAPITAL BANK

COVER PHOTOS BY: MICHAEL MCCOY

Stronger Together

By JOHN DALBY

Much has been in the media recently about community banks – are they a good investment, are they safe and secure? How is Redwood Capital Bank different than the failed Silicon Valley Bank (SVB) and Signature Bank?

Redwood Capital Bank's balance sheet is well-capitalized with a healthy, diversified portfolio of deposits and investments. We have a very modest bond portfolio and a great deal of liquidity. As of December 31, 2022, our tangible capital ratio was 9.2%. The minimum regulatory leverage capital requirement for well-capitalized institutions is 5%. Redwood Capital Bank holds \$125 million in excess deposits that are not reflected on our balance sheet. All these deposits are fully FDIC insured.

The Redwood Capital Bank Board of Directors and management team have always taken a conservative approach with our operating model. The goal has been, and remains, to build and maintain a fortress-type balance sheet that can withstand difficult times. Redwood Capital Bank is safe and sound.

Investing in Redwood Capital Bancorp

Redwood Capital Bank was founded over nineteen years ago with the support of more than 600 local shareholders. While the company has grown from 16 founding



...We would be honored by your investment.

employees at one branch location to now more than 80 employees at four branches, our core mission has never changed – to deliver superior community banking services.

Are you a current Redwood Capital Bancorp shareholder? Have you ever considered becoming one? It's very simple. If you are interested in acquiring Redwood Capital Bancorp stock and becoming a shareholder, please visit our website at: www.redwoodcapitalbank.com/Investor-Relations. There you will find both a list of regional "Market Makers" as well as a list of Humboldt County-based financial advisors who would be happy to assist you. We would be honored by your investment.

To our valued shareholders – thank you! We appreciate your trust, partnership and support. We truly are stronger together.

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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Long-Term Financial Partner

Remember the story of the tortoise and the hare? The hare starts off the race fast and furious, but in the end, it is the tortoise that finishes the race, proving “slow and steady wins the race.”

This story can be compared to Redwood Capital Bank’s customer relations model. Here, we look for long-term relationships. These relationships include our community, customers, shareholders and the company’s earnings. During the pandemic, Redwood Capital Bank saw a surge in its liquidity, largely resulting from the Paycheck Protection Program and government stimulus payments. It was a time when we solidified many of these new relationships by showing customers the difference in service and commitment they will receive from a local, community bank.

Our team continues to take a personal interest in our customers and shareholders, making them feel appreciated and comfortable doing business here at Redwood Capital Bank. We are your long-term financial partner.

First Quarter 2023 Earnings Release

By RENÉE BYERS



		At Period End		%
		3/31/2023	3/31/2022	Change
Balance Sheet data				
(In Thousands)	Total assets	\$511,533	\$565,351	-10%
	Total deposits	\$459,091	\$516,200	-11%
	Total loans (net)	\$379,756	\$337,165	13%

		Current Quarter		%
		3/31/2023	3/31/2023	
(In Thousands)	Interest income	\$5,113	\$3,864	32%
	Net Income	\$1,825	\$ 823	122%
	Earnings per common share (fully diluted)	\$ 0.92	\$ 0.42	120%

Renée Byers is the SVP/Chief Financial Officer of Redwood Capital Bank. She can be reached at (707) 444-9849 or via email at rbyers@rdwo.com



Impact Humboldt

By JENNIFER BUDWIG

The Oxford Languages Dictionary defines the word "impact" as: "to have a strong effect on someone or something."

In 2019, Redwood Capital Bank’s Business Development team brainstormed an idea that has evolved into Impact Humboldt. The concept is to facilitate networking and informational opportunities for the up-and-coming generation of young business leaders in our community.

The inaugural event was held in March, 2020 - just before everything shut-down due to COVID 19. Last August, Redwood Capital Bank revitalized the program and hosted the second Impact Humboldt event which featured speakers from Cal Poly Humboldt, the Humboldt County Airport and an update on the fiber optic line upgrades.

Plans are underway for the third installment of Impact Humboldt to be held at the end of May. The featured topic of discussion is “Housing in Humboldt County.”

Redwood Capital Bank looks forward to continuing this series of events and to provide the chance for our business community to get to know each other better and to hear first-hand about important topics that affect us all.

The events are averaging about 75 attendees from a cross-section of our community's emerging leaders - from real estate, county/city economic development, small businesses, finance, investment, non-profit organizations, education, insurance, agriculture, public safety and more.

Many attendees have provided positive feedback about the events and the program in general, as it has created a platform that fosters the opportunity to meet and mingle with their peers, promotes collaboration and provides updated information about county-wide events.

Redwood Capital Bank is proud to sponsor Impact Humboldt and are excited about the future opportunities it will present.

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





Arcata Branch Happenings

By BOB JUDEVINE

The Arcata Branch has had an exciting year to date. The staff has undergone some changes, with two great employees moving out of state. We are grateful to have found two amazing new staff members in Natalie Melton and Shelley Wells, who joined our teller team and are finishing training this month. Alexis Solano is beginning to cross-train in New Accounts to provide support and back-up as that department gets busier in our branch. We were also delighted that our staff trainer and customer favorite, Haley Day, accepted a promotion to take a leadership role as our Lead Teller.

As we head into spring, we are looking forward to better weather and all the exciting events that summer brings. The first of these events here in Arcata is the return of Humboldt Crabs Baseball! The season kicks off on Friday, June 2nd and runs through the first weekend in August. There is such an overwhelming feeling of camaraderie at these games with fun themed nights, locally sponsored games and the all-time favorite entertainment by the Crab Grass Band. Redwood Capital Bank is a long-time sponsor of Crabs Baseball and our staff look forward to seeing you at the Arcata Ball Park.

Another favorite Arcata summer-time event is the Oyster Festival. Mark your calendars for June 10th as this year promises a return to the Plaza and the family-centered fun that made Oyster Fest a must do in Humboldt County for years. While you are there keep an eye out for the Redwood Capital Bank booth as we will be selling "oyster-themed" ice cream treats. All monies raised at the Redwood Capital Bank booth will be donated to our friends at Food for People.

And finally, don't forget about the Arcata Chamber of Commerce's 4th of July Jubilee. This is always a full day of fun on the Arcata Plaza with lots of food, vendors, family fun and entertainment. The day is traditionally completed with a fabulous fireworks display.

As you get out and about and enjoy all that Arcata and northern Humboldt have to offer, please stop by the Arcata Branch. Kaitlyn Poehner and I would love to introduce you to our newest team members.

Bob Judevine is the VP/Arcata Branch Manager/Commercial Loan Officer of Redwood Capital Bank. He can be reached at (707) 826-0820, or via email at bjudevine@rdwo.com



Where are the Vulnerabilities?

By DAVE TIERNEY



In the critically acclaimed television drama Mr. Robot (2015-2019), the main character Elliot Alderson (played by Rami Malek) is part of an underground hacktivist group called "fsociety". Fsociety is attempting to start a revolution by destroying consumer debt records on data systems belonging to E-Corp, the largest financial conglomerate in the world. The hope is that eliminating all consumer debt will throw the global economy into chaos and incite anarchy.

Fsociety's plan involves gaining physical access to E-Corp's Steel Mountain data storage facility, considered to be the Fort Knox of data centers. If they can get inside, fsociety will compromise the systems and launch a malware attack to destroy the data. But first, they must get in.

As the fsociety team is discussing the monumental security obstacles they will have to overcome to gain entry to the facility, they realize that it might be too difficult to pull off. There are 3-ton steel gates, armed guards 24/7 and closed-circuit surveillance cameras. It appears impenetrable.

After a few moments of studying surveillance photos showing the outside of the building, where the armed guards are watching the doors where employees come and go, Elliot has an epiphany: "All we need is one vulnerability. I see about six walking around in this picture," Elliot says, pointing one-by-one to the guards and employees in the photo.

Spoiler alert: The plan works. Fsociety is able to use social engineering tactics on the people working at Steel Mountain to gain access to the facility. The moral of the story is that world-class security is no match against the most vulnerable system of all – people.

So, where are there vulnerabilities in your data?

Dave Tierney is the SVP/Chief Information Officer of Redwood Capital Bank. He can be reached at (707) 444-9848, or via email at dtierney@rdwo.com



Digital Financial Services



By TAMMY BROWN

As Redwood Capital Bank's Chief Credit Officer, one of my challenges is finding ways to simplify the lending process while maintaining excellent credit quality of the loan portfolio. The reinvestment of local dollars back into our community is vital to our mission and one of our value propositions. Digital delivery of financial services has accelerated in recent years, and we get that there is a compelling shift toward digital lending experiences. If we have learned anything in the past three years, it's that our small businesses are resilient. They want simplicity in applying for a loan, a quick decision, and seamless delivery of funds.

Redwood Capital Bank is in a strong position to provide the assistance our local businesses need. We have leveraged technology to help meet customer demands while continuing to deliver community bank customer service at competitive rates. Customers in business two or more years can apply online with a quick application process for a loan of up to \$100,000 for short-term working capital, machinery, equipment, or an operating line of credit at <https://www.redwoodcapitalbank.com/business/commercial-lending>. For loans over \$100,000 please contact your relationship manager or a Redwood Capital Bank branch.

There will always be a need for personal service, support and trust exemplified in community banking relationships. Please feel free to contact me or your relationship manager directly to discuss your particular financing needs. We are stronger together!

Tammy Brown is the SVP/Chief Credit Officer of Redwood Capital Bank. She can be reached at (707) 444-9822 or via email at tbrown@rdwo.com



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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.

BANK HOLIDAYS/ HOLIDAY HOURS

Monday, May 29:

Memorial Day*

Monday, June 19:

Juneteenth*

Tuesday, July 4:

Independence Day*

Monday, September 4:

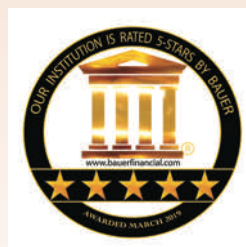
Labor Day*

* denotes closure

Bank Exterior Photos by

Gary Todoroff

northcoastphotos.com



Dividend Update

The Redwood Capital Bancorp Board of Directors recently declared the 45th consecutive, quarterly cash dividend. The dividend of \$0.08 per share was payable on May 9, 2023 to shareholders of record at the close of business on April 24, 2023. The annualized dividend of \$0.32 combined with Tangible Book Value appreciation from March 31, 2022 to March 31, 2023 was 11.07%.

For more information regarding investing in Redwood Capital Bancorp, please visit:

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 CFO Renée Byers at (707) 444-9849 or via email at rbyers@rdwo.com.

Senior Management

John E. Dalby, President & CEO

Jennifer Budwig, SVP/CLO

Tammy Brown, SVP/CCO

Renée Byers, SVP/CFO

Michael McCoy, SVP/CRO

Dave Tierney, SVP/CIO

Board of Directors

John J. Gierke, Jr., Chairman

J. William McAuley, Vice Chairman

Tyrone Champ

John E. Dalby

Jennifer Harris

Benjamin McWhorter

W. Timothy Needham

K. Jeff Nelson

Michele Rieke

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

