

2016 ANNUAL REPORT



GIVING BACK



CREDIT UNION LEADERSHIP



Pictured from left to right.

Back row: Donald Pinson, Matthew Ralph, Anthony Petri, Ignacio Orozco, Jr., Kyle Friesenhahn and Rudy Peña.

Front row: Clare Coleman and Redell Ervin.

Board of Directors*

Donald Pinson, Chairman (2018)
Rudy Peña, Vice Chairman (2018)
Ignacio Orozco, Jr., Secretary/Treasurer (2019)
Redell Ervin, Director (2017)
Kyle Friesenhahn, Director (2018)
Clare Coleman, Director (2017)
Anthony Petri, Director (2017)
Matthew Ralph, Director (2019)
Joyce Chamberlain, Director Emeritus
Ronald Kyle, Director Emeritus

Audit Committee

Larry Wertheim, Chairman
Gilbert Cremar, Vice Chairman (CPA Representative)
Anthony Petri, Board Member
Matthew Ralph, Board Member

Management Team

Nathanael Tarwasokono, President/CEO
Tamika Baker, Chief Risk Officer
Wendy Beswick, Chief Retail Officer
Michael Grundon, Chief Financial Officer
Don Jones, Jr., Chief Analytics Officer
Dawn Sloans, Chief Human Resources Officer
Gregg Thorne, Chief Lending Officer

Gwynn Deaver, VP of Marketing
Mark Leita, VP of Community Partnerships
Edward Munoz, VP of Retail Support
Michael Poligala, VP of Lending
Tom Pryjowski, VP of Facilities
Veronica Teran, VP of Accounting/Controller

* All current terms expire in March of the year noted.

Michelle Akers, Director of Executive Administration
Jennifer Alonzo, Director of Member Contact Center
Karen Breshears, Director of Core and Applications
Patricia Cadena, Director of Employee Relations
Jerry Dugas, Director of Loan Resolution
Jessica Guzman, Regional Director of Financial Centers
Linda Padulo, Director of Payment Services
David Puente, Regional Director of Financial Centers
Andrew Ramos, Director of Project Management
T'Pring Wade, Director of Risk Management

Sylvia Angel, DeZavala Manager
Diane Bacon, Gold Canyon Manager
Joel Ceguera III, Gulfdale Manager
Angela Guerra, Jefferson Manager
Patricia Luna, Culebra Manager
Christina Mason, Mission Manager
Priscilla Navarro, Huebner Manager
Renee Patterson, Brooklyn & O'Connor Manager
Michael Resendez, Bitters Manager
Ashlie Schilling, Zarzamora & Southwest Military Manager
Angelica Spinks, Potranco & Alamo Ranch Manager
Michelle Torres, Fredericksburg Manager
Susan Valenzuela, Bandera Manager

Andrew Denoncour, Manager of Central Lending
Kelley Farwell, Manager of Organizational Responsibility
Todd Lanier, Web Manager
Jesse Mata, Manager of Network
Rich Migliore, Manager of Consumer & Indirect Lending
Richard Nelson, Manager of Business Lending
Denise Plourde, Manager of Real Estate Operations
Matthew Rojas, Manager of Treasury
Cindy Ruiz, Manager of Risk Management
Mack Specht, Manager of Member Contact Center
Megan Torzewski, Manager of Loan Quality & Servicing
Angel White, Manager of Retail Operations
Traci Wilson, Human Resources Project Manager
Robertdon Witwiski, Marketing Manager

CHAIRMAN & CEO MESSAGE

In 1932, ten teachers pooled their resources and founded San Antonio Teachers Credit Union with the purpose of helping people. By the end of that year, the credit union had grown to 40 members, \$475 in assets, and \$300 in loans. Eighty-five years later, our name has changed to Firstmark Credit Union, our assets have grown to \$1 billion, and our membership has reached beyond 100,000 people. While we have certainly grown over the years, one constant remains – our commitment to helping people. To this day, our common purpose of helping people to better their lives and businesses still exists.

On many fronts, 2016 was an exciting year for Firstmark Credit Union. We completed a smooth CEO transition from Mr. Leon Ewing to Mr. Nathanael Tarwasokono. We had the pleasure of welcoming several new team members and over 6,000 new members from our St. Joseph's Credit Union merger. We also on-boarded several new executives to our team, including Chief Financial Officer Mike Grundon, Chief Retail Officer Wendy Bryant-Beswick, and Chief Risk Officer Tamika Baker. These key leadership additions strengthened the strong team already in place and prepares our credit union for many years of future success.

Last year, we challenged our team to give back more to our communities, and we are proud to say our team stepped up and delivered several noteworthy achievements. Through our partnership with Credit Unions for Kids, our team raised

\$50,000 for the Children's Hospital of San Antonio Foundation, bringing our total donations over the years to over \$1 million! This extraordinary milestone was made possible through the leadership of former CEO, Leon Ewing, our Board of Directors, and the generous giving of our employees and members. In 2016, we also continued our Educator Awards program, which awarded 10 educators in K-12 with \$500 each, a total of \$5,000 in giving. These awards provided additional financial assistance to teachers who had classroom ideas or programs that were not funded by their school district. Our annual Cunningham Scholarship program also continued to be a success, awarding 15 high school seniors with \$1,000 each to use toward their college endeavors, totaling \$15,000 in giving.

Last year, more than 95% of our employees volunteered almost 2,600 hours in the community! Volunteer initiatives included building homes for Habitat for Humanity, serving Thanksgiving meals at the Raul Jimenez Thanksgiving Dinner, packing food for Meals on Wheels, sorting food at the San Antonio Food Bank, and building bicycles for the Boys & Girls Clubs of San Antonio. As a credit union, we have a social responsibility to improve the communities where we work and live, and we are privileged to help others. We are truly proud of the commitment from our employees!

The credit union completed 2016 on solid financial footing. Deposits decreased slightly by

290

**Employees Work For
Our Firstmark Members**

40

**Years Of Service Celebrated
By A Firstmark Employee**

\$819.2 thousand or (0.09%), ending the year at \$856.3 million; loans grew by \$13.5 million or 1.79%, ending the year at \$763.2 million; and total assets decreased by \$12 million or (1.17%), ending the year at approximately \$1 billion. The credit union completed 2016 with net income of \$2.3 million or 0.23% return-on-assets, which resulted in a strong year-end capital ratio of 9.13%. The National Credit Union Association (NCUA) and the Texas Credit Union Department (TCUD) consider a ratio over 7% to be well-capitalized. At 9.13%, Firstmark Credit Union continues to remain in a strong capital position and is poised to continue serving our members for many years to come.

On behalf of our organization, we want to thank our Board of Directors and volunteer committee members for their continued dedication to the credit union. As members, you elect these individuals to represent your best interests, and they continue to fulfill this important duty for your financial cooperative. We extend our whole-hearted thanks to our employees for living our shared values and delivering on our common purpose of helping people to better their lives and businesses. And most importantly, we are grateful that you chose to be a member of Firstmark Credit Union because at the end of the day, we exist for you!



We wish you and your family the best!

Donald Pinson

Donald Pinson
Board Chairman

Nathanael Tarwasokono

Nathanael Tarwasokono
President/CEO

17

**Employees Recognized For
10, 15, 20, 25 & 30 Year Anniversaries**

21

**Employees Earned
College Degrees And Certifications**

COMMITTEE REPORTS

Asset/Liability Committee Report

The Asset/Liability Committee (ALCO) is appointed by the Board of Directors to manage specific elements of balance sheet risk, including the pricing of loans and deposits. Examples of risks include liquidity, interest rate, and portfolio concentration. The committee's risk management objective is to mitigate the impact of interest rate changes to net interest income. The committee prices loans and deposits with the goal of providing members a selection of easy to understand solutions at fair rates and terms.

The committee is pleased to report the credit union ended 2016 with a regulatory capital ratio of 9.13%, which was 2.13% greater than the National Credit Union Association's (NCUA) highest rating of "well-capitalized". The credit union completed the year with total assets of \$1.01 billion, total member loans of \$763.2 million, and total member deposits of \$856.3 million. The credit union granted \$259 million in new loans during 2016, while maintaining a low delinquency and charge-off ratio. The credit union's net interest margin remained healthy at 3.51%.

In 2016, the local economy continued to grow with low unemployment and affordable housing. The Federal Reserve discussed as many as four Fed Funds rate moves for the year, but continued with accommodative monetary policy to stimulate growth. The national economy stalled early in the year but gained momentum in the 2nd

half of the year. Market interest rates fell through September and rose significantly after the November election results. Lower rates throughout most of the year promoted significant mortgage activity as members locked in historically-low interest rates. The first and only Fed Funds rate increase of 0.25% occurred in December.

The Federal Reserve is clearly on a path towards higher interest rates in 2017. Since 2011, market interest rates have favored borrowers by providing extremely low financing costs for automobiles and homes. Borrowers have been able to refinance their loans multiple times due to the low rate environment. As interest rates increase in 2017 and beyond, members will be incentivized to save money.

Firstmark Credit Union continues to be in a strong financial position and remains poised to help its members to better their lives and businesses in the years ahead.

Sincerely,

Nathanael Tarwasokono

Nathanael Tarwasokono (Chair)

Michael Grundon

Michael Grundon (Vice Chair)

103K

**Firstmark
Members**

\$763

**Million Dollars In
Member Loans**

Audit Committee Report

Appointed by the Board of Directors, the Audit Committee ensures that a comprehensive audit program for the credit union is established and implemented in accordance with all credit union rules and regulations. The committee is also responsible for ensuring that management adheres to policies established by the Board of Directors and maintains a strong internal control system.

The committee retained the CPA firm Padgett Stratemann & Co. to conduct the annual independent audit of the credit union's financial statements for the period ending June 30, 2016. We are pleased to report that Padgett Stratemann issued another unmodified report of Firstmark Credit Union, the highest report that can be issued by a CPA firm.

In 2016, the committee also retained the CPA firm Fisher, Herbst & Kemble, P.C., to (1) perform internal auditing procedures to verify compliance with state and national regulations, (2) verify adherence to the credit union's policies and procedures, and (3) review internal controls. After reviewing the firm's reports and management's responses, the committee is pleased to report that management satisfactorily addressed and resolved all audit findings.

As the credit union grows in size and complexity, the committee will continue to work with management to build a strong risk management program that ensures Firstmark Credit Union remains a trusted partner for its members over the long term.

Sincerely,

Larry Wertheim

Mr. Larry Wertheim (Chair)

\$856

**Million Dollars In
Member Deposits**

\$1.01

**Billion Dollars In
Member Assets**

\$50K

Raised For Credit Unions For Kids

\$100K

Support Given To Education

95%

Employee Volunteer Participation

2,600

Hours Volunteered

Firstmark is committed to giving back to our community. We consider it a privilege to support and strengthen the communities we serve. Firstmark provided support and financial donations of over \$100,000 to education programs and local organizations. Community efforts reached an all-time high as our employees volunteered over 2,600 hours in the community. This commitment is fulfilling for our employees and makes a difference in the lives of others.



All Staff Build-A-Bike day for the Boys & Girls Clubs of San Antonio.

GIVING BACK

Education Support

Frank Price Cunningham & Helen Shipman Cunningham Scholarships

In 2016, the credit union awarded fifteen \$1,000 Frank Price Cunningham and Helen Shipman Cunningham scholarships to outstanding students enrolled in local high schools. These scholarships may be used at any academically accredited two or four-year college or university. Applicants are evaluated based on academic achievement, community involvement/leadership, and recommendations.

Educator Awards

Ten educators were awarded \$500 each to implement innovative projects inside and outside the classroom. The Educator Award program was designed with full-time K-12 teachers in mind. In 2016, winning project ideas included the production of solar ovens using discarded satellite dishes for students to learn firsthand about converting useful energy; creating an outdoor learning space with a mini-living lab that includes a place to study plants and ecosystems; and the addition of interactive white boards to enhance student engagement and encourage more hands-on learning among students with cognitive disabilities.

Academic Planners

For more than 20 years, Firstmark Credit Union has distributed academic planners to educators in the San Antonio area. In 2016, more than 85,000 planners were delivered to teachers and administrators in public and private schools, as well as area colleges and universities. Planners were also provided to students in teacher certification programs at The University of Texas at San Antonio and Texas A&M University-San Antonio.

Development of Volunteer Program

A new employee volunteer program was launched in 2016, which aims to encourage Firstmark employees to volunteer their time throughout the year to various partners and organizations the credit union supports. Each month, an average of three events are offered, including opportunities to serve at Meals on Wheels, Habitat for Humanity, San Antonio Food Bank and many others. In addition to assisting with nonprofits, community events such as the Texas Folklife Festival, Fest of Tails and the Raul Jimenez Thanksgiving Dinner also provide opportunities for employees to get further involved with giving back throughout the San Antonio community.



The Firstmark team participates in the CUFK Bowlathon.



Firstmark volunteers help with The Salvation Army.

Community Partnerships

VITA (Volunteer Income Tax Assistance)

Through VITA, families who earn less than \$60,000 per year have free access to trained volunteers who can help make sure they are claiming important tax credits. During 2016, Firstmark Credit Union hosted the VITA program over five days at five financial center locations. During that time, volunteers helped 273 families prepare and file their income taxes in 2016.

SAReads

Every summer, Firstmark Credit Union collects new and gently used books at each of our locations. In 2016, SAReads collected more than 10,000 books, which will be provided free of charge to many nonprofit organizations, schools, and other groups in the San Antonio area. Firstmark continues to provide office space at its Gulfdale location, which is used by SAReads for the Grade-Level Reading Program Office.

Friends of the San Antonio Parks Foundation

In 2016, Firstmark celebrated the arrival of spring by sponsoring the Fest of Tails Kite Festival and Dog Fair. This annual event encourages families to get outdoors and have fun together and is free and open to the public. This was the tenth year the credit union has sponsored the fair and more than 40 of our employees volunteered throughout the day. All funds raised go to help maintain, improve, and expand our city's parks.

Credit Unions for Kids

With the help of our members and employees, we raised \$50,000 in 2016 for the Children's Hospital of San Antonio through the Credit Unions for Kids program. Established in San Antonio, Credit Unions for Kids is a partner with the Children's Miracle Network, a nonprofit organization that increases awareness of children's health issues and raises funds for children's hospitals and medical research. This donation brings the credit union's total donations to more than \$1 million since 1986.

Boys & Girls Clubs of San Antonio

At our October All Staff event, Firstmark partnered with the Boys & Girls Clubs of San Antonio for an afternoon "Build-A-Bike" activity. Firstmark employees worked in teams to assemble 44 bicycles, which were then donated for kids at the Boys & Girls Clubs of San Antonio. The children were then brought in to the All Staff event space and gifted the bikes. This was an emotional moment for not only Firstmark employees, but also staff from the Boys & Girls Clubs of San Antonio who witnessed the joy and happiness in each child that received their very own bicycle.



Alamo Ranch Financial Center is presented the Alamo Ranch 151 Business Association Award.



Firstmark staff delivers a \$50,000 check for Credit Unions for Kids.

INCOME & EXPENSE

Results as of December 31

2016

2015

INCOME

Interest on Loans to Members	\$ 36,050,564	\$ 34,010,707
Interest on Investments	3,691,201	2,731,634
Other Operating Income	18,230,854	16,798,439

TOTAL INCOME

\$ 57,972,619

\$ 53,540,780

EXPENSES

Employee Compensation and Benefits	\$ 21,728,212	\$ 19,098,875
Travel and Conference Expenses	332,799	323,412
Office Occupancy Expenses	4,113,950	3,938,412
Office Operations Expenses	6,616,344	6,234,761
Educational and Promotional Expenses	978,548	1,196,034
Loan Servicing Expenses	2,348,913	2,306,758
Professional and Outside Services	6,232,767	5,456,630
Member Insurance	21,053	26,212
Provision for Loan and Lease Losses	6,648,151	3,870,241
Operating Fees	75,158	75,150
Miscellaneous Operating Expenses	502,023	349,634

TOTAL OPERATING EXPENSES

\$49,597,918

\$42,876,119

Non-Operating (Gain)/Loss	(35,128)	(1,731,397)
Dividends and Interest Paid to Members	4,318,998	4,443,679
Interest on Borrowed Funds	1,720,058	1,052,648

TOTAL EXPENSES

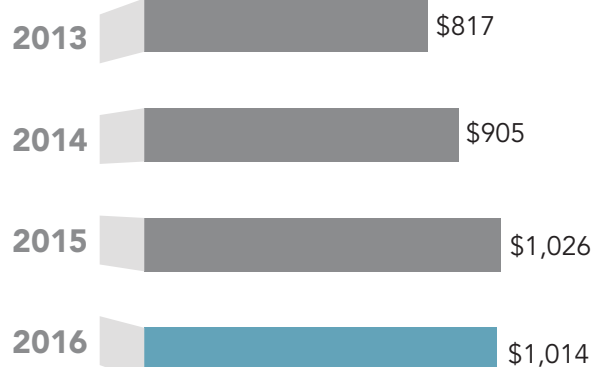
\$ 55,601,846

\$46,641,049

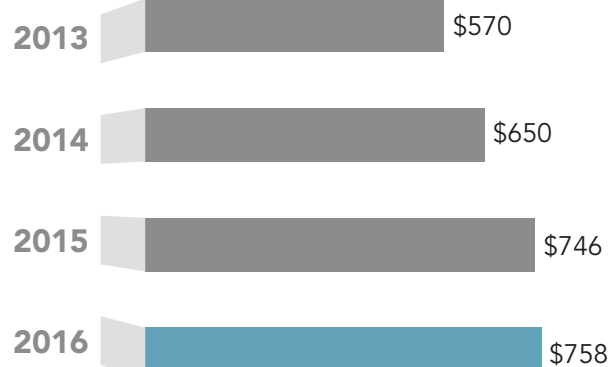
NET INCOME

\$2,370,773

\$6,899,731



Assets (in Millions)



Net Loans (in Millions)

FINANCIAL CONDITION

Results as of December 31

2016

2015

ASSETS

Loans to Members (Net of Allowance)	\$ 757,992,124	\$ 745,922,986
Accounts Receivable	2,777,893	4,404,293
Cash on Hand in Financial Institutions	11,656,412	9,632,084
Investments	192,858,835	215,604,203
Prepays/Deferreds	2,006,441	2,139,856
Fixed Assets	27,005,090	28,167,645
Accrued Income	2,259,827	2,154,950
NCUA Deposit Insurance	8,105,696	7,982,419
Other Assets	8,923,355	9,561,793

TOTAL ASSETS

\$1,013,585,673

\$1,025,570,229

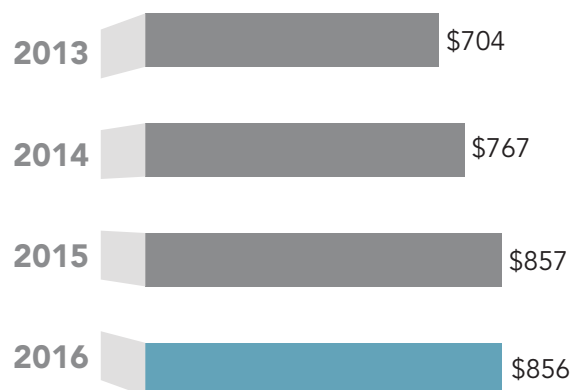
LIABILITIES AND CAPITAL

Notes Payable	61,086,938	77,059,899
Accounts Payable	7,508,962	9,123,683
Dividends Payable	344,017	367,774
Other Liabilities	6,188,797	2,444,048
Member Deposits	856,290,502	857,109,666
Regular Reserves	14,553,488	16,902,857
Undivided Earnings	78,235,450	73,516,346
Accumulated Comprehensive Income–AFS	(1,838,192)	(1,509,078)
Accumulated Comprehensive Income–Pension Plan	(8,784,289)	(9,444,966)

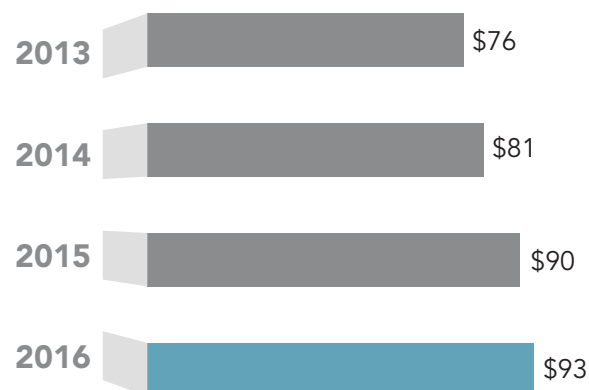
TOTAL LIABILITIES & CAPITAL

\$1,013,585,673

\$1,025,570,229

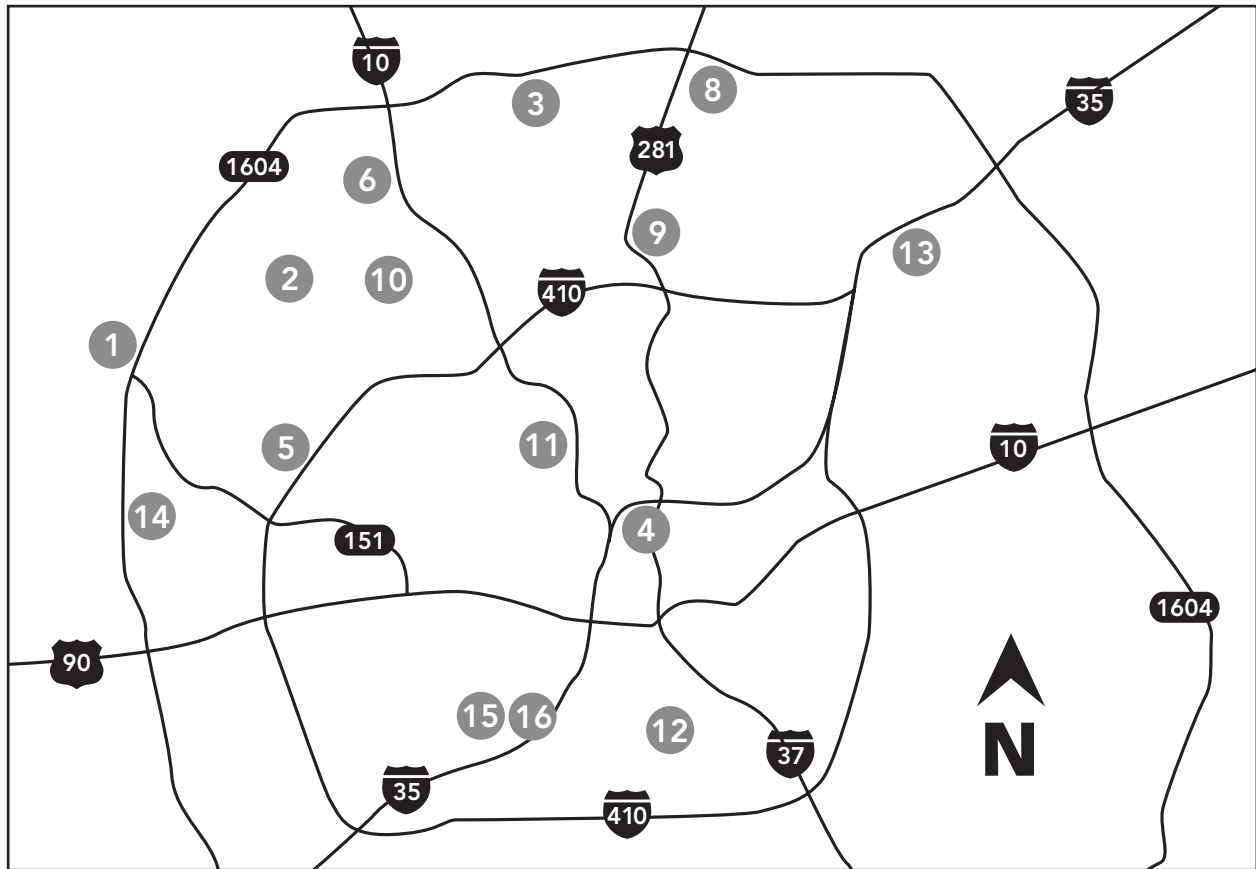


Deposits (in Millions)



Reserves (in Millions)

Financial Center Locations



- | | |
|--|--|
| 1. Alamo Ranch
10911 Culebra Rd., San Antonio, TX 78253 | 9. Gulfdale
10730 Gulfdale St., San Antonio, TX 78216 |
| 2. Bandera
8826 Bandera Rd., San Antonio, TX 78250 | 10. Huebner
8960 Huebner Rd., San Antonio, TX 78240 |
| 3. Bitters
2600 North Loop 1604 W., San Antonio, TX 78248 | 11. Jefferson
122 Donaldson Ave., San Antonio, TX 78201 |
| 4. Brooklyn
802 Brooklyn, San Antonio, TX 78215 | 12. Mission
1440 S.E. Military Dr., San Antonio, TX 78214 |
| 5. Culebra
7200 Culebra Rd., San Antonio, TX 78251 | 13. O'Connor
11530 North IH 35, San Antonio, TX 78233 |
| 6. DeZavala
12822 IH 10, San Antonio, TX 78249 | 14. Potranco
10610 Potranco Rd., San Antonio, TX 78251 |
| 7. Fredericksburg*
610 W. Main St., Fredericksburg, TX 78624 | 15. Southwest Military
3401 S.W. Military Dr., San Antonio, TX 78211 |
| 8. Gold Canyon
2023 Gold Canyon Dr., San Antonio, TX 78232 | 16. Zarzamora
6927 S. Zarzamora St., San Antonio, TX 78224 |

* Located in Fredericksburg Texas



Meals on Wheels



Habitat For Humanity



SAMMinistries



San Antonio Food Bank



Credit Unions For Kids



Boys & Girls Clubs of San Antonio



800-683-1211 | firstmarkcu.org
P.O. Box 701650, San Antonio, TX 78270-1650



Your savings federally insured to at least \$250,000 and back by
the full faith and credit of the United States Government National
Credit Union Administration, U.S. Governmental Agency