

2017 Annual Report

Helping people to better their lives.



BOARD OF DIRECTORS & MANAGEMENT



Board of Directors*

Donald Pinson, Chairman (2018)
Rudy Peña, Vice Chairman (2018)
Ignacio Orozco, Jr., Secretary/Treasurer (2019)
Redell Ervin, Director (2020)
Kyle Friesenhahn, Director (2018)
Clare Coleman, Director (2020)
Anthony Petri, Director (2020)
Matthew Ralph, Director (2019)
Joyce Chamberlain, Director Emeritus
Ronald Kyle, Director Emeritus

Board of Directors 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.*

Audit Committee

Larry Wertheim, Committee Chairman
Gilbert Cremar, Committee Vice Chairman (CPA Representative)
Anthony Petri, Board Member Representative
Nathanael Tarwasokono, Staff Representative/Alternate Member
Tamika Baker, Staff Representative/Alternate Member

Asset/Liability Management Committee

Michael Grundon, Committee Chairman
Nathanael Tarwasokono, Committee Vice Chairman
Redell Ervin, Board Member Representative
Gregg Thorne, Committee Member
Kayvee Kondapalli, Committee Member

Management Team

Nathanael Tarwasokono, President/CEO
Tamika Baker, Chief Risk Officer
Michael Grundon, Chief Financial Officer
Kayvee Kondapalli, Chief Information Officer
Dawn Sloans, Chief Talent & Culture Officer
Gregg Thorne, Chief Operations Officer

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

Gwynn Deaver, VP of Brand
Mark Leita, VP of Legislative Affairs
Michael Poligala, VP of Lending
Tom Pryjowski, VP of Real Estate & Facilities
David Puente, VP of San Antonio Retail Market
Veronica Teran, VP of Accounting/Controller

Michelle Akers, Director of Governance & Administration
Jennifer Alonzo, Director of Member Care Center
Karen Breshears, Director of Core & Applications
Patricia Cadena, Director of Employee Relations/Benefits
Andrew Denoncour, Director of Retail Support
Jerry Dugas, Director of Loan Resolution
Kelley Farwell, Director of Organizational Responsibility
Jessica Guzman, Regional Director of Financial Centers
Todd Lanier, Creative Director
Melia Peters, Director of Payment Services
Andrew Ramos, Director of Project Management/Digital Services
Cindy Ruiz, Director of Risk Management
Cary Trujillo, Director of Learning & Performance

Sylvia Angel, DeZavala Financial Center Manager
Vanessa Arita-Gonzalez, O'Connor Financial Center Manager
Diane Bacon, Huebner Financial Center Manager
Joel Ceguera III, Culebra Financial Center Manager
Angela Guerra, Mission Financial Center Manager
Katrina Hograves, Bitters Financial Center Manager
Javier Lujan, Manager of Talent Acquisition
Christina Mason, Jefferson Financial Center Manager
Jesse Mata, Jr., Manager of Network
Rich Migliore, Manager of Consumer/Indirect Lending
Elda Morin, Manager of Accounting
Rick Nelson, Manager of Business Lending
Renee Patterson, Manager of Retail Support
Denise Plourde, Manager of Real Estate Operations
Connie Poole, Gulfdale Financial Center Manager
Alejandra Ramirez, Manager of Risk Management
Matthew Rojas, Manager of Treasury
Crystal Saucedo, Alamo Ranch Financial Center Manager
Ashlie Schilling, Zarzamora Financial Center Manager
Crystal Shook, Manager of Loan Resolution
Angelica Spinks, Gold Canyon Financial Center Manager
Esther Torres, Manager of Loan Quality & Services
Michelle Torres, Fredericksburg Financial Center Manager
Brenda Trevino, Potranco Financial Center Manager
Susan Valenzuela, Bandera Financial Center Manager

CHAIRMAN & CEO MESSAGE

American architect I.M. Pei said, “A lasting architecture has to have roots.” Firstmark’s roots can be traced back to 1932 when ten teachers combined their resources to establish the San Antonio Teachers Credit Union with the simple purpose of helping people. By the end of that year, the credit union had \$475 in assets, \$300 in loans and had grown to 40 members. Here we are 86 years later—our name has changed to Firstmark Credit Union, our assets have grown to \$1 billion, and we have more than 100,000 members. While we have certainly grown over the years, one constant remains – our commitment to helping people. To this day, we stay true to our common purpose of helping people to better their lives and businesses.

Improving processes in 2017

Last year, we undertook an in-depth review of our processes and began taking steps to improve the member experience. In short, we want to give members a simple and easy-to-use banking solution. Whether you choose to visit one of our financial centers, call our Member Care Center or use our mobile app, doing business with us should require minimal effort. In 2017, the credit union converted to a new overdraft protection program that was both consumer-friendly and helped members avoid unnecessary fees and frustration. We also took steps in the Member Care Center to minimize call waiting times and to ensure Firstmark employees had the right tools and information to assist members. Last summer, our average wait time reached 9 minutes and 12

seconds. Today, the average wait time is 1 minute and 40 seconds, but we’re not nearly finished. Our team is continuing to work to decrease wait times even further.

For our debit card holders, we increased the daily debit spending limits to ensure members were not inconvenienced when making larger purchases. Debit spending limits on signature-based transactions were increased to \$2,000 per day and \$1,000 per day on PIN transactions.

At Firstmark, we want our members to bank with peace of mind. Securing your personal information is our top priority. Last fall we implemented security alerts for online banking members. From transaction alerts to setting modifications, online banking users now have the ability to be notified when changes are made to their account.

Volunteering to better our community

Each year, we challenge our employees to give back to the community, and we’re happy to report the Firstmark team contributed almost 2,400 volunteer hours in 2017. With 95% participation at more than 40 organized volunteer events, Firstmark employees offered their skills and talents at various nonprofits including the Salvation Army, Meals on Wheels, Habitat for Humanity, Junior Achievement and the San Antonio Food Bank. We are incredibly proud of our employees’ commitment and dedication to serve their community.

9.40%

Strong Capital Ratio

\$20K

**Awarded in
Scholarships and Grants**

Giving back to our roots

George Washington Carver said, "Education is the key to unlock the golden door of freedom." We have been providing educational grants and scholarships to teachers and students in an effort to help minimize the financial burden of purchasing classroom supplies and paying for college. In 2017, ten educators were awarded \$500 each to implement innovative projects in their schools, and 15 outstanding high school students each received a \$1,000 Frank Price Cunningham and Helen Shipman Cunningham scholarship. Additionally, Firstmark distributed more than 85,000 planners to teachers and administrators in public and private schools, as well as area colleges and universities. Championing local educators keeps us connected to our roots.

Financially sound in 2017

We are pleased to say the credit union continues to operate in a financially sound manner. Firstmark Credit Union finished 2017 with 102,000 members, \$762 million in loans, \$851 million in deposits, and \$1 billion in assets. The credit union completed the year with a net income of \$5.8 million, resulting in return-on-assets of 0.56% and a strong capital ratio of 9.40%. Our insurer NCUA considers a ratio over 7% to be well-capitalized. At 9.40%, we are financially strong and able to withstand significant downturns in the economy.



In closing, we extend our whole-hearted thanks to our Board of Directors for their leadership and commitment to representing the best interest of our members. We are grateful to our members for trusting us with your financial needs. We know you have many choices in the market, and we are glad you chose to be a member of this credit union. Lastly, we are thankful for loyal employees who work tirelessly to improve the lives of our members and small businesses.

On behalf of Firstmark Credit Union, we wish you and your family the best!

Donald Pinson

Donald Pinson
Board Chairman

Nathanael Tarwasokono

Nathanael Tarwasokono
President/CEO

1:40

**Member Care Center
Improved Call Wait Time**

41

**Volunteer
Events**

COMMITTEE REPORTS

Asset/Liability Management Committee Report

The Asset/Liability Management Committee (ALCO) is appointed by the Board of Directors to appropriately identify, measure, monitor and control 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 2017 with a regulatory capital ratio of 9.40%, which was 2.40% greater than the National Credit Union Association's (NCUA) highest rating of "well-capitalized." The credit union completed the year with total assets of \$1.04 billion, total member loans of \$761.7 million and total member deposits of \$851.3 million. The credit union granted \$389.0 million in new loans during 2017, while maintaining a low delinquency and charge-off ratio. The credit union's net interest margin remained healthy at 3.24%.

In 2017, the local economy continued to grow with low unemployment and affordable housing. The Federal Reserve raised the Federal Funds rate twice during the year but continued with accommodative monetary policy to stimulate growth as inflation remained under control. The

national economy continued to grow at a modest pace. Market interest rates increased steadily over the year. Market interest rates increased at a faster pace in December due to the passing of federal taxation reform.

The Federal Reserve will continue on a path toward higher interest rates in 2018. Since 2011, market interest rates have favored borrowers by providing extremely low financing costs for automobiles and homes. As interest rates continue to increase in 2018 and beyond, members will be incentivized to save money.

Firstmark Credit Union continues to be in a strong financial position and remains poised to provide its 102,000 members a path to better their lives and businesses in the years ahead.

Sincerely,

Michael Grundon

Michael Grundon, Committee Chair

Nathanael Tarwasokono

Nathanael Tarwasokono, Committee Vice Chair

102K

**Firstmark Credit Union
Members**

\$762

**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 appointed the CPA firm Nearman, Maynard, Vallez, CPAs to replace Padgett Stratemann as the credit union's financial external auditor. Nearman, Maynard, Vallez has been ranked by the research firm of Callahan & Associates as a leading CPA firm providing audit services to the credit union industry.

In 2017, CliftonLarsonAllen (CLA) was appointed by the committee to replace Fisher, Herbst & Kemble, P.C. for all internal audit activities for the next three years (2018–2020). The recommendation to select CLA was based on responses, prior experiences and its standing as the firm with the largest market share of credit union clients. For more than 60 years, CLA has provided audit and consulting services to credit unions. Callahan & Associates recently ranked CLA, for the fifth year running, as the #1 provider in the country for services to credit unions with assets of over

\$40 million. The firm serves more than 600 credit union clients ranging in asset size from \$10 million to more than \$35 billion. Fisher, Herbst & Kemble, P.C. have completed their final engagement with the credit union, and all audit findings were received by management. Management responses have been received and published in monthly Audit Committee packets and findings have been satisfactorily addressed.

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

Larry Wertheim, Committee Chair

\$851

**Million Dollars In
Member Deposits**

\$1.04

**Billion Dollars In
Member Assets**

\$50K

Raised For Credit Unions For Kids

\$100K

Support Given To Education

95%

Employee Volunteer Participation

2,400

Hours Volunteered

At our October All Staff event, Firstmark partnered with SAYouth for a “Build Your Future” activity. Firstmark employees worked in teams to assemble 35 tool boxes, which were then donated to YouthBuild students. The YouthBuild program offers young people who have dropped out of school a pathway to earn their high school diploma or GED. Program participants also gain valuable job skills and experience in the construction field, as well as exposure to other opportunities that will help lead to productive livelihoods and community engagement. Through this activity, Firstmark not only gave these students the tools they will need to be successful, but also recognition for the effort they have made to improve their lives.



Firstmark donated much needed tool boxes to SAYouth's dropout recovery program YouthBuild at the 2017 All Staff event.

GIVING BACK IN 2017

Education Support

Frank Price Cunningham & Helen Shipman Cunningham Scholarships

In 2017, 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 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. Winning projects included robotics equipment and technology systems, literacy games and manipulatives, a science lab simulation and a learning library focused on diversity and inclusion.

Academic Planners

For more than 20 years, Firstmark Credit Union has distributed academic planners to educators in the San Antonio area. Last year 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, Texas A&M University-San Antonio, and Trinity University.

Volunteer Program

Firstmark employees volunteered just over 2,400 hours. Throughout the year, 41 volunteer events were organized including opportunities with the Salvation Army, Meals on Wheels, Habitat for Humanity, Junior Achievement, San Antonio Food Bank and more. In addition to assisting with nonprofits, community events such as the Fest of Tails, Texas Folklife Festival, Jazz'SALive and the Raul Jimenez Thanksgiving Dinner also provided opportunities for employees to get further involved with giving back to our community.

Community Partnerships

SAWorks

Firstmark once again hosted a group of high school students for a half-day visit to our headquarters. The visit was part of a city-wide Job Shadow Day organized by SAWorks and Junior Achievement. The goal of the program is to give students an inside look at the workplace and career options. We offered a fast-paced schedule that included visits with Talent & Culture, Marketing, IT, Risk and other departments.

This year, we partnered with SAWorks to introduce a student internship program. Four students joined us for a six-week, hands-on experience in Risk, IT, Marketing and Lending departments. With support from their staff mentors, the students learned about the real-world challenges facing the financial industry, and they honed 21st



Southwest Military Financial Center hosts Price Elementary school students.



Firstmark volunteers help SAMMinistries during the holidays.

century leadership, professional and networking skills during their summer with the credit union.

Junior Achievement

During 2017, Firstmark partnered with Junior Achievement to deliver financial education to more than 300 students. Volunteers visited nearby elementary schools to present the “JA in a Day” program that teaches young students about their roles as individuals, consumers and workers in their family, as well as citizens of their community. Volunteers also spent time at the Junior Achievement Finance Park. This program educates middle and high school students on the basics of financial literacy: budgeting, investing and managing risk.

Write Start

According to a recent study, over 99% of teachers dip into their own pockets to provide supplies and instructional materials for their students. On average, teachers spend \$945 on classroom materials during the school year. That’s why in 2017, Firstmark Credit Union partnered with The United Way of San Antonio and Bexar County to host the first ever Write Start project. During the summer, donations of school supplies were collected at all San Antonio Firstmark Financial Centers. Once collected, volunteers sorted, packaged and delivered the supplies to new teachers in several underserved schools.

SAReads

Every summer, Firstmark Credit Union collects new and gently used books at each of our locations. In 2017, SAReads collected more than 13,000 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 Financial Center, which is used by SAReads for the Grade-Level Reading Program Office.

Friends of the San Antonio Parks Foundation

Last year, 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. This was the eleventh year the credit union sponsored the fair and more than 40 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 2017 for The Children’s Hospital of San Antonio Foundation through the Credit Unions for Kids program. Established in San Antonio, Credit Unions for Kids is a partnership 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.



Firstmark volunteers serve as judges for DECA.



Firstmark employees assemble needed items for Hurricane Harvey relief efforts.

FINANCIAL CONDITION

Results as of December 31

2017

2016

ASSETS

Loans to Members (Net of Allowance)	\$ 756,325,725	\$ 757,992,124
Accounts Receivable	1,006,125	2,777,893
Cash on Hand in Financial Institutions	10,808,215	11,656,412
Investments	225,060,868	192,858,835
Prepays/Deferreds	1,645,955	2,006,441
Fixed Assets	25,856,123	27,005,090
Accrued Income	2,498,773	2,259,827
NCUA Deposit Insurance	8,288,126	8,105,696
Other Assets	13,890,765	8,923,355

TOTAL ASSETS

\$1,045,380,675

\$1,013,585,673

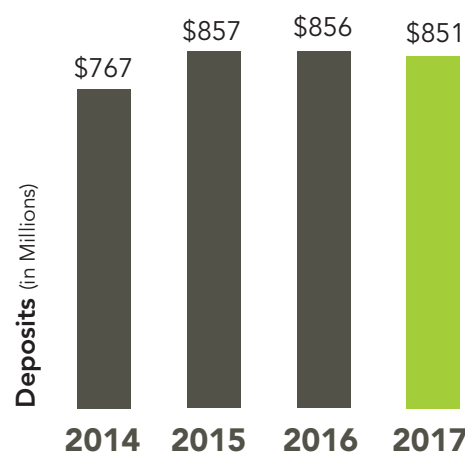
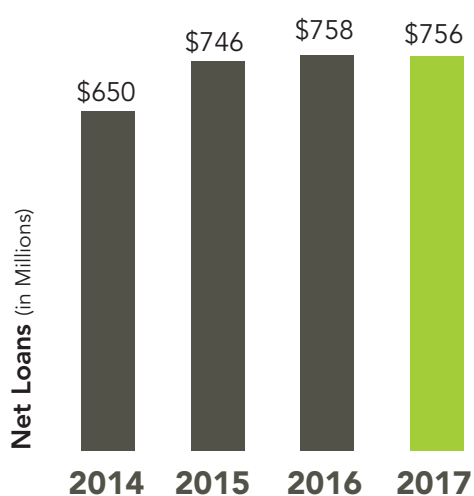
LIABILITIES AND CAPITAL

Notes Payable	83,784,870	61,086,938
Accounts Payable	10,429,999	7,508,962
Dividends Payable	360,755	344,017
Other Liabilities	5,675,038	6,188,797
Member Deposits	851,311,657	856,290,502
Regular Reserves	16,902,857	14,553,488
Undivided Earnings	81,450,902	78,235,450
Accumulated Comprehensive Income–AFS	(1,599,120)	(1,838,192)
Accumulated Comprehensive Income–Pension Plan	(2,936,283)	(8,784,289)

TOTAL LIABILITIES & CAPITAL

\$1,045,380,675

\$1,013,585,673



INCOME & EXPENSE

Results as of December 31

2017

2016

INCOME

Interest on Loans to Members	\$ 35,088,004	\$ 36,050,564
Interest on Investments	6,037,191	3,691,201
Other Operating Income	18,025,808	18,230,854

TOTAL INCOME

\$59,071,003

\$57,972,619

EXPENSES

Employee Compensation and Benefits	\$ 19,273,963	\$ 21,728,212
Travel and Conference Expenses	405,289	332,799
Office Occupancy Expenses	4,098,692	4,113,950
Office Operations Expenses	6,541,868	6,616,344
Educational and Promotional Expenses	957,802	978,548
Loan Servicing Expenses	2,636,863	2,348,913
Professional and Outside Services	6,712,160	6,232,767
Member Insurance	23,133	21,053
Provision for Loan and Lease Losses	4,856,788	6,648,151
Operating Fees	81,116	75,158
Miscellaneous Operating Expenses	571,790	502,023

TOTAL OPERATING EXPENSES

\$46,159,464

\$49,597,918

Non-Operating (Gain)/Loss	(568,435)	(35,128)
Dividends and Interest Paid to Members	4,275,726	4,318,998
Interest on Borrowed Funds	3,363,825	1,720,058

TOTAL EXPENSES

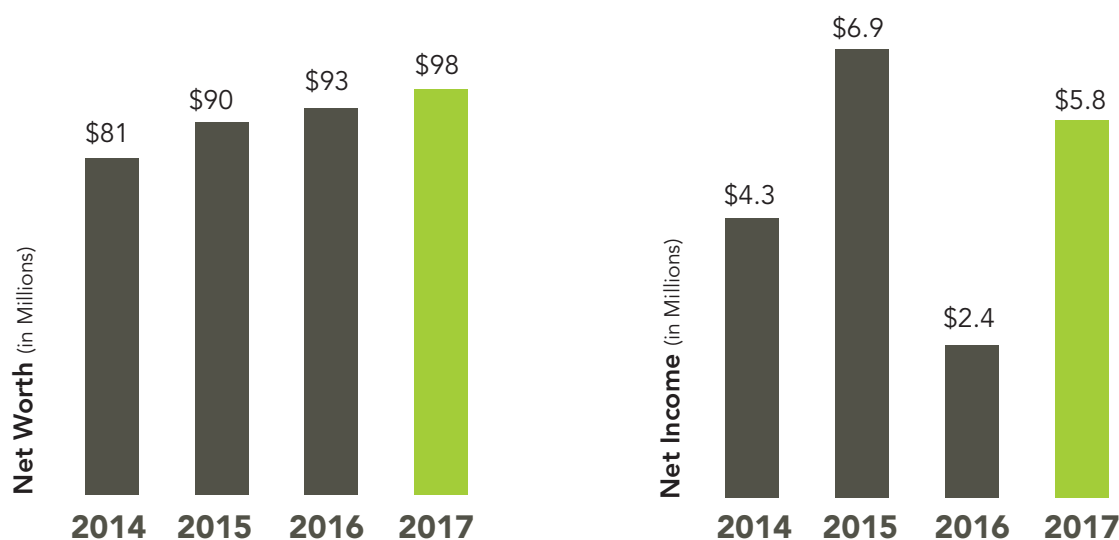
\$ 53,230,580

\$55,601,846

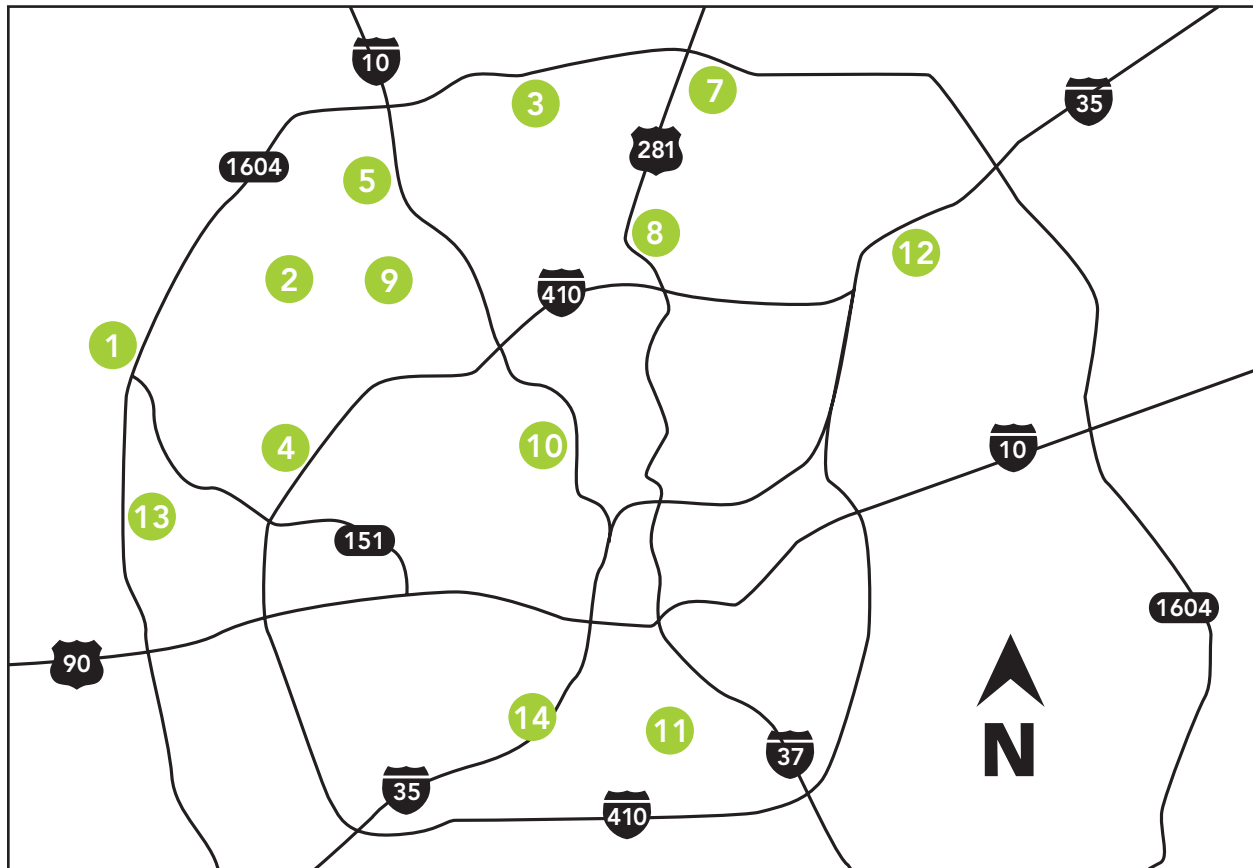
NET INCOME

\$5,840,423

\$2,370,773



Financial Center Locations



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



Raul Jimenez Thanksgiving Dinner



United Way



San Antonio Food Bank



Meals on Wheels



SAReads



Habitat for Humanity



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