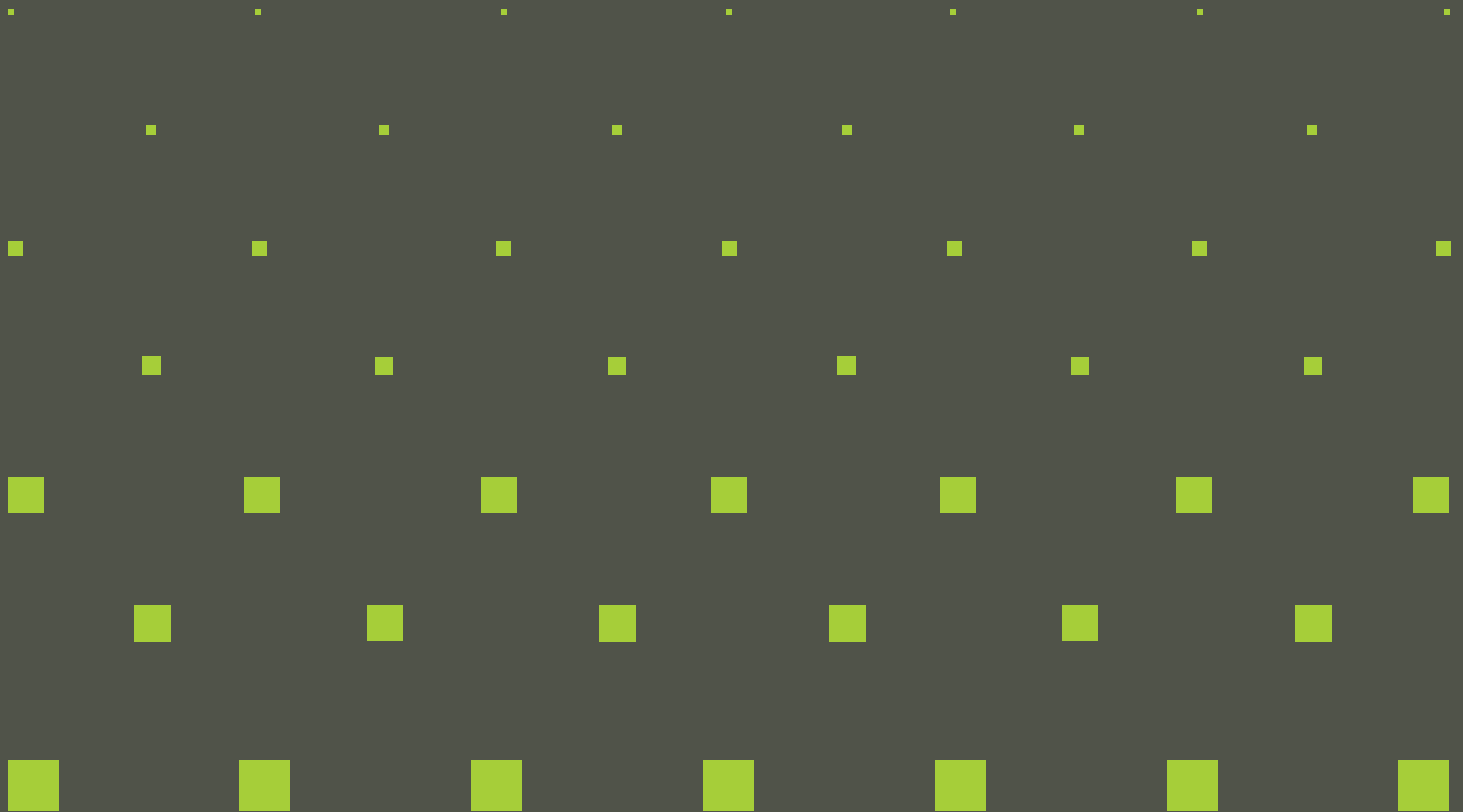




Firstmark
Credit Union™



A Year of Continual Improvement

BOARD OF DIRECTORS & MANAGEMENT



Board of Directors*

Donald Pinson, Chairman (2021)
Rudy Peña, Vice Chairman (2021)
Ignacio Orozco, Jr., Secretary (2019)
Matthew Ralph, Treasurer (2019)
Redell Ervin, Director (2020)
Kyle Friesenhahn, Director (2021)
Clare Coleman, Director (2020)
Anthony Petri, Director (2020)
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
Anthony Petri, Vice Chairman
Tamika Baker, Committee Member

Asset/Liability Management Committee

Matthew Ralph, Committee Chairman
Michael Grundon, Vice Chairman
Donald Pinson, Board Member Representative
Redell Ervin, Board Member Representative
Nathanael Tarwasokono, Committee Member
Gregg Thorne, Committee Member
Tamika Baker, 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 and Culture Officer
Gregg Thorne, Chief Operations Officer

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

Mark Leita, VP, Risk Management
Michael Poligala, VP, Lending
Tom Pryjowski, VP, Real Estate and Facilities
David Puente, VP, Retail
Danny Smith, VP, Operations*
Veronica Teran, VP, Accounting/Controller

Michelle Akers, Director, Governance
Jennifer Alonzo, Director, Retail Project Management
Trevor Brooks III, Director, Treasury
Andrew Denoncour, Director, Online Services
Jerry Dugas, Director, Loan Resolution
Kelley Farwell, Director, Brand
Angela Guerra, Director, Member Care Center
Jessica Guzman, Director, Retail
Todd Lanier, Creative Director
Renee Patterson, Director, Talent and Culture
Melia Peters, Director, Payment Systems
Andrew Ramos, Director, Project Management and Digital Services

Dazery Loreda, Manager, Core and Applications
Rich Migliore, Manager, Consumer Loan Underwriting
Elda Morin, Manager, Accounting
Priscilla Navarro-Fox, Manager, Risk Management
Rick Nelson, Manager, Business Lending
Denise Plourde, Manager, Home Lending
Victoria Rodriguez, Manager, Online Services
Matthew Rojas, Manager, Treasury
Crystal Shook, Manager, Loan Resolution
Esther Torres, Manager, Loan Quality and Servicing
Marisol Trejo Portes, Manager, Member Care Center
Katrina Vargas, Manager, Organizational Performance
Kara Veach, Manager, Consumer Loan Processing

Sylvia Angel, DeZavala Financial Center Manager
Vanessa Arita-Gonzalez, O'Connor Financial Center Manager
Diane Bacon, Huebner Financial Center Manager
Matthew Bohr, Bitters Financial Center Manager
Benjamin Castillo, Alamo Ranch Financial Center Manager
Joel Ceguera III, Culebra Financial Center Manager
Christina Mason, Jefferson Financial Center Manager
Connie Poole, Gulfdale Financial Center Manager
Crystal Saucedo, Mission Financial Center Manager
Ashlie Schilling, Zarzamora Financial Center Manager
Angelica Spinks, Gold Canyon Financial Center Manager
Michelle Torres, Fredericksburg Financial Center Manager
Brenda Trevino, Potranco Financial Center Manager
Susan Valenzuela, Bandera Financial Center Manager

* Joined the management team in January 2019.

CHAIRMAN & CEO MESSAGE

Benjamin Franklin once said, "Without continual growth and progress, such words as improvement, achievement and success have no meaning." With those words in mind, we are proud to inform our members that Firstmark Credit Union had another successful year of improvement and success in 2018. Over the last few years, our credit union has embraced a mindset of continuous improvement or Kaizen. Best known in the Japanese business culture, Kaizen is a combination of two Japanese words "Kai" and "Zen" that together translate to "change for good" and has developed to mean "continuous improvement." Kaizen can be applied in one's home, social and work life. At Firstmark, we recognize that our members' needs are constantly shifting, and we are committed to continually improving and evolving along with you. In 2018, Firstmark strengthened and improved several key areas, which are provided below.

- We strengthened our roots with educators. As a credit union founded by teachers, education will continue to be a central focus for us. Last year, we increased the number of \$500 educator grants from 10 to 15 and will now be awarding \$7,500 in grants to educators each year. Additionally, we increased the number of \$1,000 student scholarships from 15 to 20. We also hosted the first-ever Teacher Fest – a back-to-school fair for

teachers. We did not stop there! In a series of teacher-focus groups, we requested feedback regarding the Firstmark Academic Planner that resulted in a redesign and well-received calendar stickers.

- We enhanced the member experience at our financial centers. We streamlined hours of operation across all Firstmark locations, which ensured more consistency of service and reduced wait times during peak hours. We also consolidated the Southwest Military and Zarzamora financial centers, enabling the credit union to be more efficient and to provide our members with better prices and services.
- We improved our debit card services by transitioning from MasterCard® to VISA®. Our members now have EMV chip-enabled cards that provide greater security, VISA® Check-out that provides a better online checkout experience, and tokenization (i.e. Apple Pay and Google Pay) that provides more payment convenience for our members.

As you can see, we are committed to continually improving your credit union, and you can expect many more improvements in 2019 and beyond!

.70%

**Highest Return-on-Assets Ratio
in 10 Years**

75%

**Financial Center Employees
Cross Trained to Help Members
with all Needs and Requests**

In 2018, we also increased our give-back to the community. In an effort to encourage our employees to volunteer in the community, we provide year-round opportunities for them to give back to the community. We are pleased to report that our employees contributed over 2,300 of volunteer hours in 2018, with an employee participation rate of 85%! We are very proud of our employees' commitment to improving the communities where we work and live.

Firstmark completed 2018 with \$741 million in loans, \$848 million in deposits and \$1 billion in assets. We ended the year with net income of \$7.2 million, resulting in a return-on-assets ratio of 0.70 percent and a strong capital ratio of 10.29 percent. Our insurer NCUA considers a ratio of 7 percent to be well-capitalized. At 10.29 percent, we are financially secure, able to withstand significant downturns in the economy and have the necessary funds to invest back into the long-term success of our credit union. The credit union finished the year with 99,000 members, a slight (2.9%) decrease from 2017.

We would like to close by extending a special thanks to our Board of Directors and Committee members. We recognize your leadership and commitment to representing the best interests of our members. We can say with confidence your credit union is in good hands now and in the future. To our members, we thank you for continuing to place your trust in us. We know



you have many choices, and we appreciate you choosing to be a member at Firstmark. On behalf of Firstmark Credit Union, we wish you and your family much happiness! We look forward to serving you in 2019 and beyond!

Donald Pinson

Donald Pinson
Board Chairman

Nathanael Tarwasokono

Nathanael Tarwasokono
President/CEO

10.29%

**Strongest Capital Ratio
Ever**

\$15K

**Cunningham Scholarships
Awarded**

COMMITTEE REPORTS

Asset/Liability Management Committee Report

The Asset/Liability 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, credit and portfolio concentration. The committee's risk management objectives are to mitigate the impact of interest rate changes to net interest income and maintain a close watch on the credit quality of loans in the portfolio. 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 2018 with a regulatory capital ratio of 10.29 percent, which was 3.29 percent 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 billion, total member loans of \$741 million and total member deposits of \$848 million. The credit union granted \$384 million in new loans during 2018, while maintaining a low delinquency and charge-off ratio. The credit union's net interest margin remained healthy at 3.28 percent.

In 2018, the local economy continued to grow with historically low unemployment. The Federal Reserve raised the Federal Funds rate four times during the year. Inflation remained under control, but monetary policy changed from accommo-

dative toward a goal of fostering maximum employment and maintaining inflation at a target rate of 2.00 percent. The national economy continued to grow at a modest pace in 2018. Market interest rates increased steadily over the year, followed by a decrease in November due to data suggesting the economy may be slowing.

The Federal Reserve may continue on a path toward higher interest rates in 2019, although the pace of change is expected to slow. 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 2019 and beyond, members have an incentive to save money.

Firstmark Credit Union continues to be in a strong financial position and remains poised to provide its 99,000 members a path to better their lives and businesses in the years ahead.

Sincerely,

Matthew Ralph

Matthew Ralph, Committee Chairman

Michael Grundon

Michael Grundon, Committee Vice Chairman

97%

Member Satisfaction

Top 13th Percentile for Credit Unions in the United States According to a 2018 Raddon Survey

90%

Member Care Center Answer Rate

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 Nearman, Maynard, Vallez, CPAs 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 2018, the committee began a new partnership with CliftonLarsonAllen (CLA) for all internal audit activities for the next three years (2018–2020). The firm serves in excess of 600 credit union clients ranging in asset size from \$10 million to more than \$35 billion. CLA leverages a risk-based approach audit program, ensuring that high-risk areas and functions have strong procedures and controls in place. 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 Chairman

85%

**Employee Volunteer
Participation**

41

Community Events

A YEAR OF CONTINUAL IMPROVEMENT

Education

- Increased the number of \$1,000 Cunningham scholarships from 15 to 20
- Simplified the scholarship application and moved it online with the San Antonio Area Foundation
- Increased the number of \$500 educator grants from 10 to 15
- Improved the academic planner and added stickers, as requested by our teachers

Digital Services

- Reduced loan application online clicks from 45 to 30
- Reduced deposit application online clicks from 75 to 43
- Enhanced member self-enrollment in mobile banking
- Automated address changes
- Enhanced caller authentication

Debit Cards

- Transitioned MasterCard® debit cards to VISA® EMV chip-enabled debit cards
- Improved purchasing and payment options with VISA Checkout
- Launched tokenization (Apple Pay and Android Pay)

Financial Centers

- Streamlined hours of operations
- Consolidated the Southwest Military and Zaramora financial centers
- Remodeled the Huebner financial center

Member Service

- Increased Member Care Center calls answered; averaging 90% or higher since July 2018
- Increased member satisfaction ratings to 97 percent (top 13th percentile in the United States)

Credit Union

- Earned highest net income in 10 years
- Finished year with strongest capital ever

33%

**Reduced Length of
Loan Applications**
(online clicks)

43%

**Reduced Length of
Deposit Applications**
(online clicks)

\$45,000

Funds Raised and Donated to Credit Unions for Kids

\$15,000

Cunningham Scholarships Awarded to Students

\$5,000

Educator Grants Awarded to Teachers

2,330

Hours Volunteered by Employees

GIVING BACK IN 2018

Cunningham Scholarships

In 2018, the credit union awarded fifteen \$1,000 Frank Price and Helen Shipman Cunningham scholarships to local high school students. 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 Grants

Ten educators were awarded \$500 each to implement innovative projects inside and outside the classroom. Winning projects included literacy programs, math manipulatives, robotics and engineering kits, and lab equipment.

Meet Our 2018 Educator Grant Winners

Brandie Hokamp, Spicewood Park Elementary
Caitlyn Wood, St. George Episcopal School
Carl Dickerson, Sky Harbour Elementary
Carrie Turner-Gray, Johnson High School
Christopher Schmidt, Medio Creek Elementary
Donna Walker, Elrod Elementary School
Mara Rubio, Japhet Elementary School
Nathaniel Boyd, Bob Hope Elementary
Pedro Rodriguez, Young Men's Leadership Academy
Rebecca Vidal, Harlandale Middle School

Academic Planners

For more than 20 years, Firstmark Credit Union has distributed academic planners to educators in the San Antonio area. In 2018, we hosted focus groups to get feedback on how to improve the planner.

One key change was to include color-coded stickers! More than 85,000 planners were delivered to teachers and administrators in public and private schools, as well as students in teacher certification programs throughout the area.

Junior Achievement

During 2018, Firstmark partnered with Junior Achievement to deliver financial education to 300 students 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. It also reinforces the value of education and how it affects one's future.

Write Start

According to a recent study, teachers spend on average \$945 on classroom materials during the school year. That is why in 2018, Firstmark Credit Union partnered with The United Way of San Antonio and Bexar County to host the Write Start project. This provided over 5,000 new teachers with a starter kit of classroom supplies, including paper, pencils, pens, scissors, hand sanitizers and snacks.

SAWorks

In 2018, 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



Raul Jimenez Thanksgiving Dinner



Presenting the Children's Hospital Foundation with a check donated by our members and employees.

that included visits with: Talent & Culture, Marketing, Finance & Accounting, IT, Risk, Lending and the Gold Canyon Financial Center.

We doubled our summer internship program in 2018. Eight students joined us for a six-week, hands-on experience in our Accounting, IT, Risk, Marketing, Talent & Culture and Lending departments. Students received a first-hand view of the workplace and honed their leadership, professional and networking skills during their summer with the credit union.

SAReads

Every summer, Firstmark Credit Union collects new and gently used books at each of our locations. In 2018, 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 that is used by Literacy San Antonio to administer the science-based reading instruction program and Book Bank.

Credit Unions for Kids

With the help of our members and employees, we raised \$45,000 in 2018 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 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.

SA Teacher Fest 2018

We partnered with San Antonio Leaders & Teachers (SALT) to offer the first-ever San Antonio Teacher Fest, a free event held at the UTSA Downtown Campus. Educators were treated to informational break-out sessions, refreshments, networking opportunities and free takeaways. We invited local organizations and companies to share special educator-only discounts and incentives. The event was a huge success and plans to host the 2nd Annual San Antonio Teacher Fest are underway.

Volunteer

In 2018, Firstmark employees volunteered 2,330 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, JazzSALive and the Raul Jimenez Thanksgiving Dinner also provided opportunities for employees to get further involved with giving back to our community.



San Antonio Food Bank



Healthy Workplace Silver Recognition

FINANCIAL CONDITION

Results as of December 31

2018

2017

ASSETS

Loans to Members (Net of Allowance)	\$ 741,299,061	\$ 756,325,725
Accounts Receivable	3,034,114	1,006,125
Cash on Hand in Financial Institutions	8,440,491	10,808,215
Investments	219,346,908	225,060,868
Prepays/Deferreds	1,822,932	1,645,955
Fixed Assets	24,822,740	25,856,123
Accrued Income	2,508,653	2,498,773
NCUA Deposit Insurance	8,175,589	8,288,126
Other Assets	15,730,143	13,890,765

TOTAL ASSETS

\$1,025,180,631

\$1,045,380,675

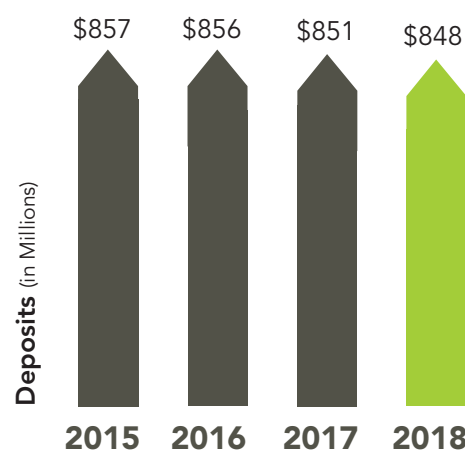
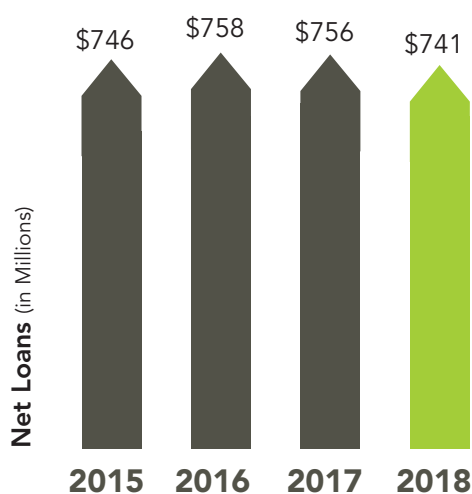
LIABILITIES AND CAPITAL

Notes Payable	\$ 64,106,817	\$ 83,784,870
Accounts Payable	8,189,569	10,429,999
Dividends Payable	472,836	360,755
Other Liabilities	4,042,649	5,675,038
Member Deposits	847,660,044	851,311,657
Regular Reserves	16,902,857	16,902,857
Undivided Earnings	88,650,822	81,450,902
Accumulated Comprehensive Income–AFS	(3,112,355)	(1,599,120)
Accumulated Comprehensive Income–Pension Plan	(1,732,608)	(2,936,283)

TOTAL LIABILITIES & CAPITAL

\$1,025,180,631

\$1,045,380,675



INCOME & EXPENSE

Results as of December 31

2018

2017

INCOME

Interest on Loans to Members	\$ 35,263,419	\$ 35,088,004
Interest on Investments	7,195,054	6,037,191
Other Operating Income	17,065,862	18,025,808

TOTAL INCOME

\$59,524,335

\$59,071,003

EXPENSES

Employee Compensation and Benefits	\$ 19,688,674	\$ 19,273,963
Travel and Conference Expenses	742,108	405,289
Office Occupancy Expenses	4,088,719	4,098,692
Office Operations Expenses	6,739,817	6,541,868
Educational and Promotional Expenses	926,134	957,802
Loan Servicing Expenses	1,886,500	2,636,863
Professional and Outside Services	6,858,195	6,712,160
Member Insurance	25,677	23,133
Provision for Loan and Lease Losses	2,334,228	4,856,788
Operating Fees	83,877	81,116
Miscellaneous Operating Expenses	409,441	571,790

TOTAL OPERATING EXPENSES

\$43,783,370

\$46,159,464

Non-Operating (Gain)/Loss	44,134	(568,435)
Dividends and Interest Paid to Members	4,830,648	4,275,726
Interest on Borrowed Funds	3,651,938	3,363,825

TOTAL EXPENSES

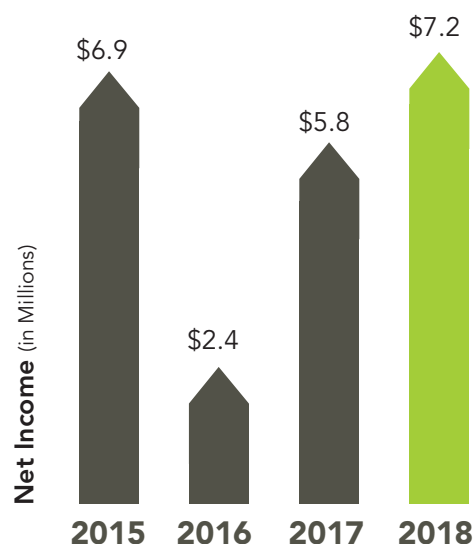
\$ 52,310,090

\$53,230,580

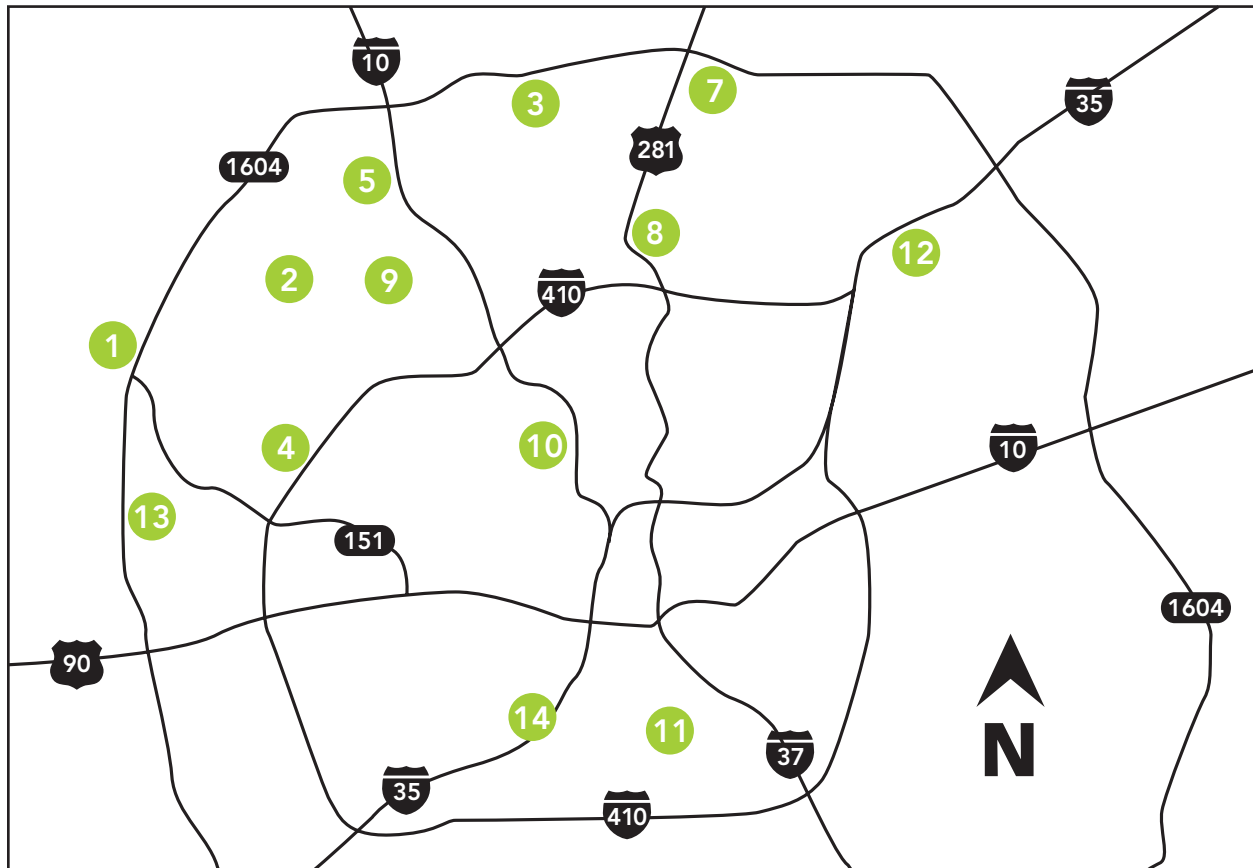
NET INCOME

\$7,214,245

\$5,840,423



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> |
|---|--|



Angle Tree Gift Collection



Animal Defense League



San Antonio Food Bank




Habitat for Humanity



Junior Achievement



800.683.1211 | firstmarkcu.org
P.O. Box 701650, San Antonio, TX 78270-1650

 Equal Housing Lender Federally Insured by the National Credit Union Administration