



Firstmark
Credit Union®



2019 ANNUAL REPORT

BOARD OF DIRECTORS & MANAGEMENT



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. Not pictured: Donald Jones, Jr. and Ronald Kyle.

Board of Directors¹

Donald Pinson, Chairman (2021)
Rudy Peña, Vice Chairman (2021)
Ignacio Orozco, Jr., Secretary (2022)
Matthew Ralph, Treasurer (2022)
Redell Ervin, Director (2023)²
Kyle Friesenhahn, Director (2021)
Clare Coleman, Director (2023)²
Anthony Petri, Director (2023)²
Donald Jones, Jr., Advisory Director (2021)
Ronald Kyle, Director Emeritus

Audit Committee

Donald Jones, Jr., Advisory Director/Chairman
Anthony Petri, Director/Vice Chairman
Larry Wertheim, Member

Asset/Liability Management Committee

Matthew Ralph, Director/Chairman
Michael Grundon, Vice Chairman
Donald Pinson, Director/Member
Redell Ervin, Director/Member
Nathanael Tarwasokono, Member
Danny Smith³, Member
Tamika Baker, Member

Chief Executives

Nathanael Tarwasokono, President/CEO
Tamika Baker, Chief Strategy Officer
Michael Grundon, Chief Financial Officer
Danny Smith, Chief Operations Officer
Gregg Thorne, Chief Alliance Officer

Administration

Lisa Baty, Chief of Staff
Michelle Akers, Board Counsel
Dawn Sloans, Executive Director, Firstmark Foundation

1. All current terms expire in May of the year noted.

2. These directors to be affirmed as re-elected at the August Annual Meeting.

3. Joined the management team in 2019.



Vice Presidents

Aaron Bedingfield³, Information Technology
Mark Leita, Compliance and Legislation
Priscilla Navarro-Fox, Risk and Cyber Security
Michael Poligala, Consumer Lending
Tom Pryjomski, Real Estate and Facilities
David Puente, Member Experience
Veronica Teran, Accounting/Controller

Directors

Trevor Brooks, Treasury
Andrew Denoncour, Credit Cards
Jerry Dugas, Loan Resolution
Kelley Farwell, Organizational Responsibility
Angela Guerra, Member Care
Jessica Guzman, Retail Experience
Todd Lanier, Creative Director, Marketing
Mark McDavid⁴, Marketing
Renee Patterson, Human Resources
Melia Peters, Payment Services

Managers

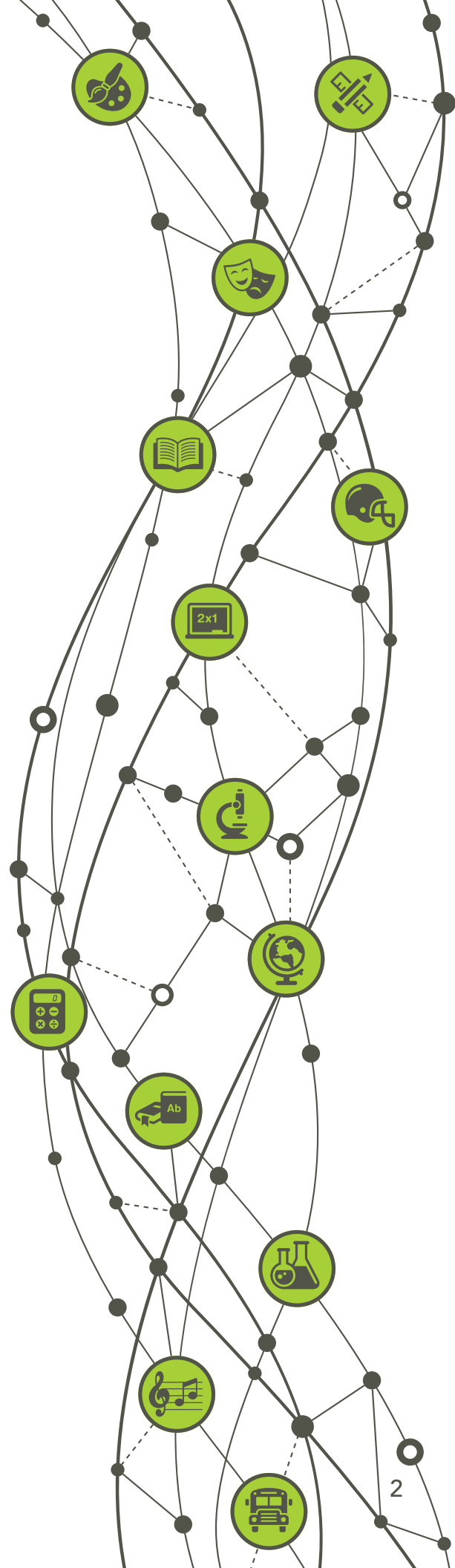
Jennifer Alonzo, Quality and Assurance
Dazery Loreda, Core and Applications
Richard Migliore, Auto Lending
Richard Nelson, Business Partnerships
Donna Prado, Brand and Reputation
Victoria Rodriguez, Online Services
Matthew Rojas, Treasury
Ashlie Schilling, Payment Systems
Crystal Shook, Loan Resolution
Matthew Stiefer, Information Technology
Mark Teter, Consumer Underwriting
Esther Torres, Loan Quality and Servicing
Marisol Trejo, Member Care Center
Katrina Vargas, Human Resources
Kara Veach, Consumer Loan Process

Financial Center Managers

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

3. Joined the management team in 2019.

4. Joined the management team in 2020.



CHAIRMAN & CEO MESSAGE

OUR HISTORY

In 1932, during the Great Depression, ten teachers agreed to establish a credit union to serve educators. San Antonio Teachers Credit Union (SATCU), the first state-chartered credit union in San Antonio, was born and proudly served members under that name for 70 years. In 2002, SATCU became Firstmark Credit Union when membership qualifications were expanded to help more people in our community. Although our name changed 18 years ago, we continue to be deeply rooted in the education community. Today in 2020, we are committed more than ever to the success of our educators and those who support them. We are proud to be a credit union founded by educators for educators!

2019 HIGHLIGHTS

Firstmark Credit Union completed 2019 with a net income of over \$8 million, resulting in a return-on-assets ratio of 0.79 percent and a strong capital ratio of 11.13 percent. The NCUA considers a ratio over 7 percent to be well-capitalized. At 11.13 percent, the credit union is financially strong and able to withstand significant downturns in the economy. Additionally, internal audits and the joint state and federal exam continue to verify the safety and soundness of the credit union.

At Firstmark, we believe our members' experience will never exceed our employees' experience. That is why we have, and continue to be, fully committed to building a healthy culture for our employees to succeed and make a difference. This has resulted in high engagement scores and low turnover, which has enabled us to provide a higher level of service to our members. In 2019, our members provided us with the highest net promoter scores on record. Additionally, our members rewarded the credit union with a 97 percent member satisfaction rate on the most recent annual member survey; this ranks in the top 13 percent of credit unions in the United States!

In 2019, our employees continued to connect with our community and represented our credit union at numerous volunteer events. Giving back is part of our DNA, and we annually provide every employee with 16 hours of paid volunteer time to support our community. Last year, we served over 1,500 volunteer hours in the community on behalf of our members!

Last year, we completed several important initiatives, including (1) refreshing our logo, (2) launching a rebranding campaign to strengthen brand awareness in the community, (3) improving numerous internal processes to simplify the banking experience for our members and (4) enhancing online banking and our mobile app. I am pleased to report that our Apple store ratings jumped from 2.4 in 2018 to 4.6 in 2019, while our Android store ratings improved from 3.79 to 4.51.

As we look forward, we currently have two exciting financial center projects planned. First, we are rebuilding the Culebra Financial Center on the same property. This new financial center will be a model for the future, and we expect to break ground in the fall of 2020. Second, our Gold Canyon Financial Center will be moving across 1604 to the Legacy shopping center. This move will allow us to expand our corporate office space while providing our members with a modern financial center in a nearby location. Both projects are expected to be completed by the summer of 2021.



Rendering of Future Culebra Financial Center





OUR SINCERE GRATITUDE

In closing, we would like to thank our employees for their unwavering passion and commitment to the success of our credit union and members. We want to thank our Board of Directors for their outstanding leadership and dedication to representing the best interests of our members. And most importantly, we want to thank our members for choosing to do business with us. At the end of the day, we simply exist because of you! We know you have many choices in the marketplace, and we are grateful you chose Firstmark to be your financial partner.

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



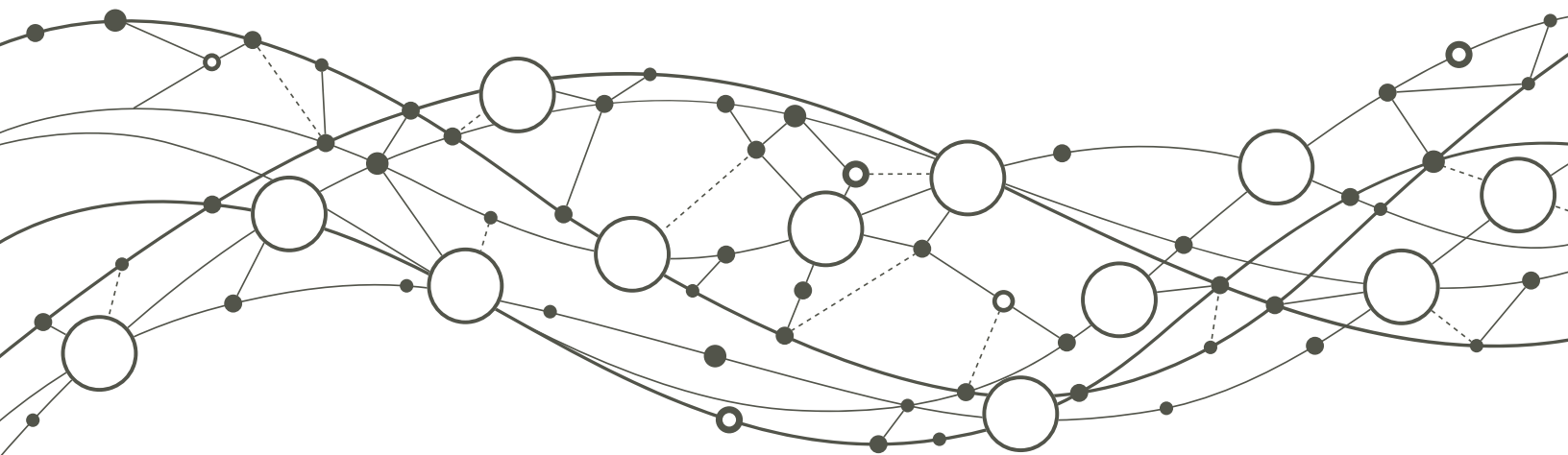
Pictured left to right: Donald Pinson and Nathanael Tarwasokono

Donald Pinson

Donald Pinson
Board Chairman

Nathanael Tarwasokono

Nathanael Tarwasokono
President/CEO



BYLAW AMENDMENT: In June 2020, the Firstmark Credit Union Board of Directors approved an amendment to credit union bylaw **§3.05 – Annual Meeting**. This amendment added language that would support the credit union's use of a virtual platform for conducting its 2020 annual membership meeting and to allow an emergency exception to the in-person quorum requirement. Members who wish to view the amended bylaw in its entirety may contact the credit union's executive office at 2023 Gold Canyon Drive, San Antonio, TX 78232 between the hours of 9 a.m. and 4 p.m., Monday through Friday.



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 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 2019 with a regulatory capital ratio of 11.13 percent, which was 4.13 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 approximately \$1 billion, total member loans of \$693 million and total member deposits of \$849 million. The credit union granted \$318 million in new loans during 2019, while maintaining a low delinquency ratio of 0.28 percent and net charge-off ratio of 0.38 percent. The credit union's net interest margin remained healthy at 3.29 percent.

In 2019, the local economy continued to grow modestly with historically low unemployment. The Federal Reserve decreased the Federal Funds rate three times during the year to stimulate growth in

the domestic economy amid a global slowdown. Inflation remained under control as monetary policy was modified to include lower rates. This move maintained an inflation target rate of 2.00 percent while maintaining high employment numbers. The national economy continued to grow at a modest pace for most of 2019. Market interest rates decreased steadily over the year as the pace of growth slowed in the headwinds of global events.

The Federal Reserve is expected to continue a path towards lower interest rates in 2020 to support economic expansion. Market interest rates will favor borrowers by providing extremely low financing costs for automobiles and homes in 2020.

In closing, our committee would like to thank the Board and management for their support in 2019. Firstmark Credit Union continues to be in a strong financial position and remains poised to provide our 97,000 members with a path to better their lives in the years ahead.

Matthew Ralph

Matthew Ralph, Committee Chairman



11.13%

**Strongest Capital
Ratio Ever**

.79%

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



Audit Committee Report

The Audit Committee is appointed by the Board of Directors to ensure management adheres to all board-approved policies. The committee is also responsible for providing oversight to the risk management, internal audit and cybersecurity programs, while ensuring the credit union is compliant with all credit union rules and regulations.

In 2019, the committee continued to engage Nearman, Maynard, Vallez, CPAs as the credit union's external financial 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.

For the credit union's internal audit program, the committee continued to engage Clifton Larson Allen (CLA), who provided audit support for the credit union in 2019. The firm serves in excess of 600 credit union clients, ranging in asset size from \$10 million to more than \$35 billion. CLA utilizes a risk-based approach to the audit program, ensuring that high-risk areas and functions have strong procedures and controls in place.

We are pleased to report that the internal and external audits as well as the regulatory exam conducted in 2019 revealed no material findings.

Looking ahead, we will focus our attention in 2020 to advancing the credit union's cybersecurity program while continuing enhancements to the risk management and internal audit programs. As new risks emerge, it will be important for the credit union to monitor and mitigate these risks through effective programs.

In closing, the committee would like to thank the Board and management for their support over the last year. We will continue to work prudently to protect the safety and soundness of the credit union for the benefit of our members.

Donald Jones

Donald Jones, Jr., Committee Chairman



93%

**Member Care Center
Answer Rate**

4.5

**Mobile App Rating Within
Apple and Android**

FINANCIAL CONDITION

Results as of December 31

2019

2018

ASSETS

Loans to Members (Net of Allowance)	\$ 697,230,820	\$ 741,299,061
Accounts Receivable	4,204,453	3,034,114
Cash on Hand in Financial Institutions	7,647,068	8,440,491
Investments	261,162,989	219,346,908
Prepays/Deferreds	1,615,886	1,822,932
Fixed Assets	23,610,873	24,822,740
Accrued Income	2,615,476	2,508,653
NCUA Deposit Insurance	8,168,966	8,175,589
Other Assets	17,651,616	15,730,143

TOTAL ASSETS

\$1,020,010,997

\$1,025,180,631

LIABILITIES AND CAPITAL

Notes Payable	\$ 49,589,583	\$ 64,106,817
Accounts Payable	6,181,130	8,189,569
Dividends Payable	462,358	472,836
Other Liabilities	4,804,841	4,042,649
Member Deposits	849,095,916	847,660,044
Regular Reserves	16,902,857	16,902,857
Undivided Earnings	96,683,022	88,650,822
Accumulated Comprehensive Income–AFS	(340,301)	(3,112,355)
Accumulated Comprehensive Income–Pension Plan	(3,368,409)	(1,732,608)

TOTAL LIABILITIES & CAPITAL

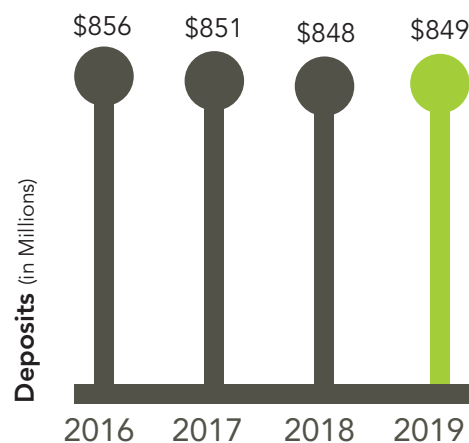
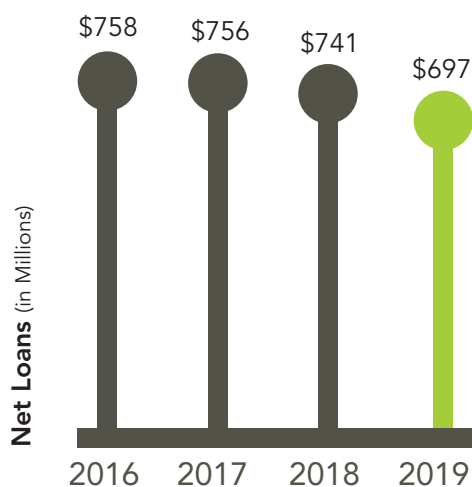
\$1,020,010,997

\$1,025,180,631

MEMBERSHIP

97,000

97,000



INCOME & EXPENSE



Results as of December 31

2019

2018

INCOME

Interest on Loans to Members	\$ 34,803,216	\$ 35,263,419
Interest on Investments	7,672,428	7,195,054
Other Operating Income	16,140,301	17,065,862

TOTAL INCOME

\$58,615,945

\$59,524,335

EXPENSES

Employee Compensation and Benefits	\$ 19,257,860	\$ 19,688,674
Travel and Conference Expenses	426,001	742,108
Office Occupancy Expenses	4,080,081	4,088,719
Office Operations Expenses	6,524,695	6,739,817
Educational and Promotional Expenses	1,186,052	926,134
Loan Servicing Expenses	1,853,716	1,886,500
Professional and Outside Services	6,458,999	6,858,195
Member Insurance	25,522	25,677
Provision for Loan and Lease Losses	2,267,861	2,334,228
Operating Fees	82,338	83,877
Miscellaneous Operating Expenses	464,458	409,441

TOTAL OPERATING EXPENSES

\$42,627,583

\$43,783,370

Non-Operating (Gain)/Loss	(829,972)	44,134
Dividends and Interest Paid to Members	5,799,654	4,830,648
Interest on Borrowed Funds	2,986,480	3,651,938

TOTAL EXPENSES

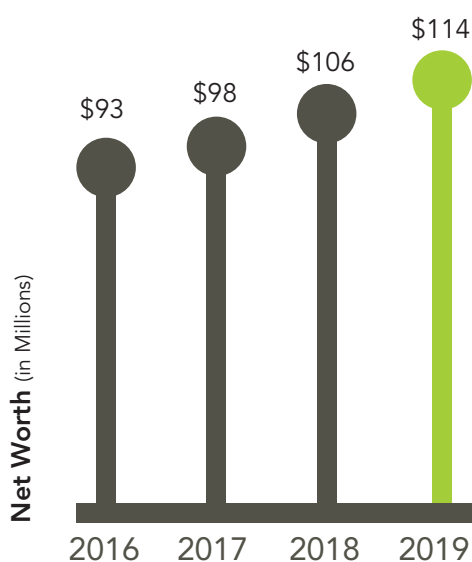
\$50,583,745

\$52,310,090

NET INCOME

\$8,032,200

\$7,214,245



GIVING BACK IN 2019

Volunteer

In 2019, Firstmark employees volunteered over 1,500 hours of their time in support of education activities and other community efforts. Together, we have helped support the great work of Northside ISD, North East ISD, San Antonio ISD, SAWorks, SAREads and Junior Achievement. We have also served other organizations like The Salvation Army, Habitat for Humanity, Animal Defense League, San Antonio Food Bank and more. In addition to supporting nonprofit initiatives, employees enjoyed giving back during community events such as the Fest of Tails, the San Antonio Book Festival and the Raul Jimenez Thanksgiving Dinner.

Junior Achievement

During 2019, Firstmark partnered with Junior Achievement to deliver financial education to 200 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.

SAWorks

In 2019, Firstmark welcomed high school students for a half-day visit to our headquarters as part of a city-wide Job Shadow Day organized by SAWorks. The program gives students an inside look at the workplace and sponsors a Summer Internship Program. Firstmark was honored to support the initiative and provide hands-on experiential learning to ten interns.

Academic Planners

For more than 30 years, Firstmark Credit Union has distributed academic planners to educators in the San Antonio area. In 2019, more than 70,000 planners were distributed to teachers, counselors and administrators in public and private schools, as well as students in teacher certification programs throughout the area.

Teacher Appreciation Month

In 2019, Firstmark partnered with the San Antonio Zoo to sponsor Teacher Appreciation Month. During May, all Texas teachers employed by pre-K-12 public, private and parochial schools received free admission to the Zoo, and they could bring up to four guests with a 50% discount on the ticket price.

Educator Grants

In 2019, the credit union expanded the educator grant program to not only increase the number of awards from 10 to 15, but also to allow educators to apply at any time during the school year. The application was moved online, making it more convenient. Educator grants can be used inside or outside the classroom and are awarded based on the impact of the project, including the number of students who will benefit and the sustainability of the materials. Winning projects included bilingual literacy programs, solar ovens, manipulative kits for special education classes, lab equipment and more.



SA Works Interns



Educator Grant Winner - George Leos



SAReads

Every summer, Firstmark Credit Union collects new and gently used books at each of our locations. These books are then taken to the SAReads Book Bank, which is housed within our Gulfdale Financial Center. Throughout the year, educators are invited to visit the Book Bank and select books for use in their classroom libraries and to send home with their students.

Read Across America Day

In celebration of Dr. Seuss' birthday, volunteers were invited to read to students in nearby elementary schools. Firstmark employees answered the call, donned red and white striped hats and spent the morning having fun reading books, including: *Oh, The Places You'll Go*, *The Butter Battle Book* and *One Fish, Two Fish, Red Fish, Blue Fish* to students in kindergarten through third grade.

The 2nd Annual San Antonio Teacher Fest

In 2019, Firstmark once again partnered with San Antonio Leaders & Teachers (SALT) to offer the San Antonio Teacher Fest, a free event held at the City Education Partners facilities at The Pearl. Educators were treated to informational break-out sessions, refreshments, networking opportunities and free takeaways. Local organizations and businesses that offer special educator-only discounts and incentives were invited to participate. The event, in its second year, almost doubled in size with close to 500 educators attending.

Cunningham Scholarship Fund

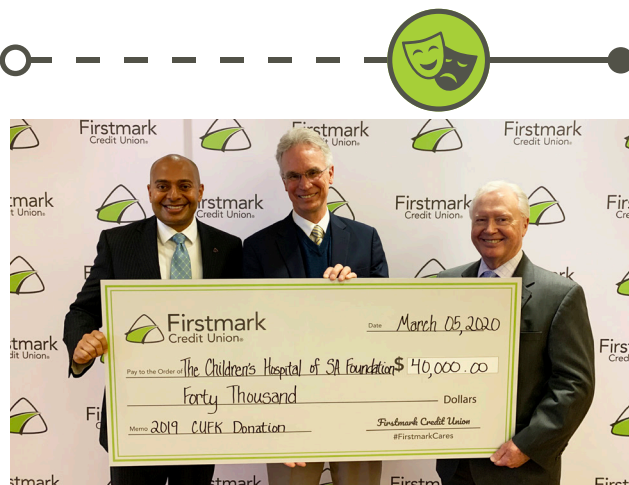
The Board of Directors made several changes to the Cunningham Scholarship Fund. The number of scholarships increased from 15 to 20 bringing the total amount awarded to \$20,000. In addition, the number of scholarships reserved for students planning for a career in education was increased to 25 percent. A new online application made it easier for students to apply. Applicants are evaluated on academic achievement and community involvement. These scholarships may be used at any accredited two-or four-year college or university.

Credit Unions for Kids

With the help of our members and employees, we raised \$40,000 in 2019 for The Children's Hospital of San Antonio Foundation through the Credit Unions for Kids (CUFK) program. Established in San Antonio, CUFK is a partnership with the Children's Miracle Network, a non-profit organization that increases awareness of childhood health issues and raises funds for local children's hospitals and medical research.



Fest of Tails Volunteers



Firstmark Presents Check to CUFK

RENEWING OUR FOCUS



Our story began more than 88 years ago when ten teachers signed a charter to form San Antonio Teachers Credit Union. As the oldest state-chartered credit union in San Antonio, we remain focused in our commitment to champion educators by supporting school district foundations, sponsoring back-to-school events and offering products specially designed for educators. Simply said, we are here to serve our education community.



Northside Education Foundation Grant Deliveries



Teacher Fest Seminar



San Antonio Teacher Fest Volunteers



Educator Grant Winner - Susan Hernandez



North East ISD Leadership Conference



79%

Employee Engagement

13%

**Turnover Rate
Ranking Us in the Top Tier Among
Credit Unions**



\$40,000

Funds Raised and Donated to Credit Unions for Kids

\$20,000

Cunningham Scholarships Awarded to Students

\$7,500

Educator Grants Awarded to Teachers

1,500

Hours Volunteered by Employees





Dr. Seuss' Birthday - Book Reading at Kindred Elementary



Raul Jimenez Thanksgiving Volunteers



San Antonio Teacher Fest Booth



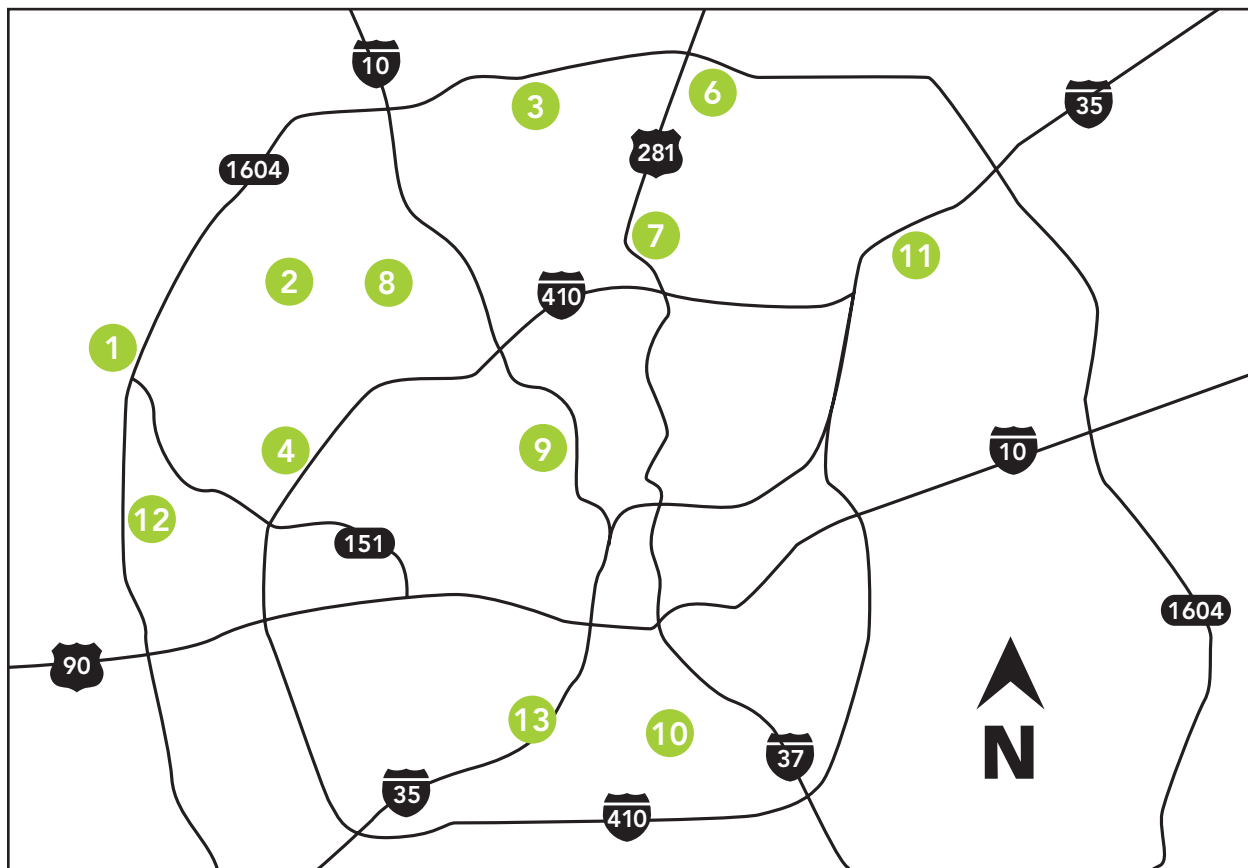
Animal Defense League Volunteers



Southwest School of Arts Volunteers



Financial Center Locations



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

* Located in Fredericksburg, Texas





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