TOGETHER WE MAKE A DIFFERENCE AS A MEMBERSHIP, CREDIT UNION AND COMMUNITY

WE ARE PEOPLE HELPING PEOPLE
Inspired by our mission and the credit union philosophy of people helping people, we are committed to helping our Members achieve lasting financial security. Because of your loyalty to SchoolsFirst FCU, participation in our products and services, and sharing the benefits of Membership with school employees and their families, we remain financially strong. This financial strength allows us to invest in better ways to serve as your trusted financial partner and help you improve your financial well-being.

As a Member-owned financial cooperative, we are able to provide better interest rates and low to no fees. In 2018, according to the Credit Union National Association, our Members saved more than $134 million from lower loan rates, more than $8 million from fewer or lower fees, and more than $44 million from higher dividend rates on savings accounts. This translates into a savings of $473 per Member household, and for Member households that participated in more SchoolsFirst FCU products and services, a savings of $1,923 over other California financial institutions’ products and services.

In many ways, 2018 was a record year for our Credit Union. We welcomed more than 89,000 new Members, ending the year nearly 863,000 Members strong; provided more loans than ever before to help Members buy homes, cars and consolidate debt; and grew assets by more than $1 billion, ending the year at $15.2 billion.
A Message from Your Chairman and President (continued)

Being your trusted advisor is the cornerstone of building lifelong relationships with our Members.

We listened to your suggestions about ways to make it easier to transact with us and improve the outstanding World-Class Personal Service you deserve. As a result, we made it simpler, faster and more convenient to apply and receive a loan decision by introducing new lending systems. And because more than 59% of our Members regularly use Mobile Banking, we added transaction shortcuts, streamlined transfers, made travel notice enhancements and introduced Zelle®, a payment service that allows you to quickly and easily transfer money to friends and family. We also introduced a way for Members and their joint account owners to manage and access their accounts in Online and Mobile Banking.

Our 50th branch opened to serve Members in the Long Beach-Lakewood area, and Members had access to more than 28,000 fee-free ATMs through the CO-OP network. In addition, we helped nearly 64,000 school employees invest for their retirement.

Unfortunately, many Members faced hardships due to natural disasters, including hurricanes, floods and wildfires. We were there to lend our support to them personally, and gave to CUAid, a disaster relief fundraising center to help credit union Members and their employees recover from major disasters.

Supporting and celebrating the communities we serve is important to building stronger futures for all of us. In 2018, we partnered with local, national and global educational and credit union charities to give back in significant ways. We made more than $2 million in charitable donations, including donations to local schools and colleges, Children’s Miracle Network Hospitals, Habitat for Humanity and CUAid.

Our team members participated in 23 Bite of Reality interactive workshops, helping students learn how to make smart financial decisions. We also came together as a team to build 170 bikes, assemble 430 school-supply kits, and craft 215 blankets and 215 bears to give to local children in need. We gave 57 grants to local teachers to implement innovative learning programs for their students. We can all be proud of our efforts to give back and strengthen the communities we serve.

We hope you enjoy reading about this year’s accomplishments made possible because of you, and hearing about the many ways SchoolsFirst FCU has helped Members work toward achieving lasting financial security.

Thank you for your Membership and for being part of the SchoolsFirst FCU family.

It is an honor and privilege to serve you.

Warmly,

Lynn April Hartline
Chairman of the Board

Bill Cheney
President/CEO

Federally Insured by NCUA

1. 2018 Credit Union National Association (CUNA) Membership Benefits Report for SchoolsFirst FCU. Source: Datatrac, NCUA, and CUNA. 2. 12 credit union Members per household. 3. A “Member household that participated in more products and services” is assumed to have a $30,000, 60-month new auto loan, a classic credit card with an average balance of $5,000, a $200,000, 30-year fixed rate mortgage (a 30-year fixed rate mortgage is replaced with a 5-year adjustable rate mortgage if it yields a greater benefit as it is assumed more in demand), $5,000 in an interest-bearing checking account, $10,000 in a one-year certificate account, and $2,500 in a money market account. 4. Securities sold, advisory services offered through CUNA Brokerage Services, Inc. (CBSI), member FINRA/SIPC, a registered broker/dealer and investment advisor. CBSI is under contract with SchoolsFirst FCU to make securities available to Members. Not NCUA/NCUSIF/FDIC insured, may lose value, no financial institution guarantee. Not a deposit of any financial institution. CUNA Brokerage Services, Inc. is a registered broker/dealer in all fifty states of the United States of America.
PRODUCTS & SERVICES

IMPROVING YOUR FINANCIAL WELL-BEING
SCHOOLSFIRST FCU

2018 HIGHLIGHTS

We are committed to offering products and services that help you make the most of your money and improve your financial well-being. Here are some of the highlights from 2018.

NEW LOAN SYSTEMS

Our new loan systems made it faster and easier to apply for a loan and obtain a decision by phone, online or mobile device.

231,618 LOANS WERE FUNDED IN 2018.

– TRUSTED ADVICE –

22,439

One-on-one complimentary consultations with our financial advisors.¹

3,477

Members attended our complimentary homebuying, retirement and trust workshops.

– AUTO LOANS –

65,942 VEHICLE LOANS FUNDED

5,200+

MEMBERS BENEFITED from using one of our non-affiliated car buying services.

– CREDIT CARDS –

260,000 Members use our credit cards.

IN 2018, OVER 34,000 Members opened a new SchoolsFirst FCU Mastercard® credit card.

– GOING MOBILE IN 2018 –

WE MADE IT EASIER TO:

Apply for a loan
Set travel notices
Manage your accounts
Activate your debit card

94,000+

MEMBERS ENROLLED IN ZELLE®
and sent 327,000+ fast and secure payments.

– HOME LOANS –

We made the home buying process simpler with our new online loan application.

When Members applied online, our loan consultants contacted them within 20 minutes.

– HOME ADVANTAGE –

Members received almost $1.1 MILLION IN HOME ADVANTAGE REBATES.³

– AUTO & HOME INSURANCE –

Buying insurance shouldn’t be a hassle. That’s why our insurance agents helped Members choose the best insurance with their budget in mind to protect their home and family for the best value.²

³ Rebate payment is made by First Team Real Estate or HomeSmart Evergreen Realty and is credited to your benefit at the close of transaction. Purchase price must be greater than $150,000 after all credit adjustments. All rebates are subject to limitations, lender guidelines, and other requirements. Certain properties may not be eligible for rebates. Rebate is 20% for purchase only of a residential property in California. Rebate is 25% for a residential property sale and purchase in California. In order to receive the 25% rebates, the home sale and purchase transactions must take place within six months of each other. Please consult a qualified tax professional for advice on tax implications from receiving a rebate. First Team Real Estate and HomeSmart Evergreen Realty are not affiliated with SchoolsFirst FCU.

¹ Securities sold, advisory services offered through CUNA Brokerage Services, Inc. (CBSI), member FINRA/SIPC, a registered broker/dealer and investment advisor. CBSI is under contract with SchoolsFirst FCU to make securities available to Members. Not NCUA/NCUSIF/FDIC insured, may lose value, no financial institution guarantee. Not a deposit of any financial institution. CUNA Brokerage Services, Inc., is a registered broker/dealer in all fifty states of the United States of America.

² CA Insurance License 0I19344.

³ Rebate payment is made by First Team Real Estate or HomeSmart Evergreen Realty and is credited to your benefit at the close of transaction. Purchase price must be greater than $150,000 after all credit adjustments. All rebates are subject to limitations, lender guidelines, and other requirements. Certain properties may not be eligible for rebates. Rebate is 20% for purchase only of a residential property in California. Rebate is 25% for a residential property sale and purchase in California. In order to receive the 25% rebates, the home sale and purchase transactions must take place within six months of each other. Please consult a qualified tax professional for advice on tax implications from receiving a rebate. First Team Real Estate and HomeSmart Evergreen Realty are not affiliated with SchoolsFirst FCU.
Member Story

HELPING MEMBERS BUILD A BETTER FUTURE

Sheri S.
Member since 2013

Lindsey S.
Member since 2014

When single mom Lindsey was struggling with credit card debt, it was only natural to turn to her mom Sheri for advice. “My mom’s my rock,” Lindsey says. “She’s my best friend, and has always been there for me.” A Member since 2013, Sheri brought Lindsey to a local branch because she knew the Credit Union could help her find the right solution.

When Lindsey shared her concerns with Jenn, a SchoolsFirst FCU teammember, she found encouragement, compassion and help at a time when she needed it most. “I had the same financial struggles years before, so I wanted to let her know she wasn’t alone, and that there is a way out,” Jenn says.

The encounter proved to be a life changing one for both Lindsey and Sheri. “Walking out and seeing my daughter smiling and happy — I’m just so grateful,” Sheri says.

Lindsey appreciates her family’s special bond, especially during tough times. And now she considers SchoolsFirst FCU family, too. This mother and daughter feel hopeful about the future, knowing they have a financial partner on their side.

“I have a special bond with my family and going through this together with SchoolsFirst makes them feel like family, too.”
– Lindsey S.
COMMUNITY

GIVING BACK TO OUR COMMUNITIES TOGETHER
SCHOOLSFIRST FCU
2018 GIVE BACK

Social responsibility is one of the founding principles of the Credit Union Movement. With the support of our Members and team, we gave more than $2 million in charitable donations to help our communities grow stronger and thrive.

$2 MILLION+
in charitable donations to schools, local organizations and the credit union community.

WITH YOUR HELP, the Education Foundation for Orange County Schools awarded

57 GRANTS TO LOCAL TEACHERS
TOTALING $130,000

WE GAVE MORE THAN $130,000 in scholarships to deserving students.

TOGETHER WE DONATED

$240,000 TO CHILDREN’S MIRACLE NETWORK

Children's Miracle Network Hospitals
Helping Local Kids

WE EMPOWERED OUR YOUTH through financial education.
+14,000 STUDENTS Participated in financial education workshops.

BITE OF REALITY is a hands-on, money management simulation that we take on the road to schools to educate students about making smart financial decisions.

2,000 STUDENTS AT 23 BITE OF REALITY EVENTS.

OUR TEAMMEMBER VOLUNTEERS HELPED

130 TEAMMEMBERS VOLUNTEERED
1,000 HOURS to dig, hammer, paint, plant and more to help build homes for 18 families.

SCHOOLSFIRST FCU made a donation TOTALING $50,000 during our annual blood drives our team donated enough blood to save 170 LIVES.

WE GAVE MORE THAN $130,000 TO CHILDREN’S MIRACLE NETWORK

$240,000

WE DONATED $35,000 donated to CUAid — a disaster relief fundraising center to help Credit Union Members and their employees recover from major disasters.

WE"RE PART OF A GLOBAL CREDIT UNION FAMILY, WITH MORE THAN 89,000 CREDIT UNIONS IN 117 COUNTRIES.

TOGETHER WE HELP MEMBERS AND OUR COMMUNITIES THRIVE.
## Condensed Consolidated Statements of Financial Condition

As of December 31, 2018 and 2017 (in thousands of dollars)

### Assets

<table>
<thead>
<tr>
<th>Asset</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$745,740</td>
<td>$678,093</td>
</tr>
<tr>
<td>Investments, available-for-sale, at fair value</td>
<td>1,274,572</td>
<td>1,023,635</td>
</tr>
<tr>
<td>Investments, held-to-maturity, at amortized cost</td>
<td>3,766,099</td>
<td>4,307,063</td>
</tr>
<tr>
<td>Other investments, at fair value</td>
<td>70,958</td>
<td>71,524</td>
</tr>
<tr>
<td>Loans, net</td>
<td>8,696,934</td>
<td>7,462,687</td>
</tr>
<tr>
<td>Loans held for sale, at fair value</td>
<td>7,310</td>
<td>8,048</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>43,751</td>
<td>37,323</td>
</tr>
<tr>
<td>National Credit Union Share Insurance Fund (NCUSIF) deposit</td>
<td>125,826</td>
<td>116,426</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>89,321</td>
<td>66,052</td>
</tr>
<tr>
<td>Other assets</td>
<td>385,772</td>
<td>348,124</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$15,206,283</strong></td>
<td><strong>$14,118,975</strong></td>
</tr>
</tbody>
</table>

### Liabilities and Members’ Equity

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members’ shares</td>
<td>$12,976,128</td>
<td>$12,065,490</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>196,940</td>
<td>179,257</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>305,000</td>
<td>305,000</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>13,478,068</strong></td>
<td><strong>12,549,747</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Members’ Equity</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained earnings (partially restricted)</td>
<td>1,731,767</td>
<td>1,572,308</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(3,552)</td>
<td>(3,080)</td>
</tr>
<tr>
<td><strong>Total Liabilities and Members’ Equity</strong></td>
<td><strong>$15,206,283</strong></td>
<td><strong>$14,118,975</strong></td>
</tr>
</tbody>
</table>

Capital ratio                                                              | 11.37%   | 11.11%   |
## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2018 and 2017 (in thousands of dollars)

### Interest Income

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>$384,643</td>
<td>$321,784</td>
</tr>
<tr>
<td>Investments and cash deposits at financial institutions</td>
<td>113,535</td>
<td>91,632</td>
</tr>
<tr>
<td><strong>TOTAL INTEREST INCOME</strong></td>
<td><strong>498,178</strong></td>
<td><strong>413,416</strong></td>
</tr>
</tbody>
</table>

### Interest Expense

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members’ shares</td>
<td>96,926</td>
<td>72,176</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>7,912</td>
<td>7,846</td>
</tr>
<tr>
<td><strong>TOTAL INTEREST EXPENSE</strong></td>
<td><strong>104,838</strong></td>
<td><strong>80,022</strong></td>
</tr>
<tr>
<td>Net interest income</td>
<td>393,340</td>
<td>333,394</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>42,100</td>
<td>33,800</td>
</tr>
<tr>
<td><strong>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</strong></td>
<td><strong>351,240</strong></td>
<td><strong>299,594</strong></td>
</tr>
</tbody>
</table>

### Non-Interest Income

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Card interchange and ATM fees</td>
<td>62,982</td>
<td>57,092</td>
</tr>
<tr>
<td>Member fees</td>
<td>28,790</td>
<td>22,347</td>
</tr>
<tr>
<td>Gain on sale of loans and investments</td>
<td>4,143</td>
<td>3,745</td>
</tr>
<tr>
<td>Other ancillary products</td>
<td>35,185</td>
<td>27,542</td>
</tr>
<tr>
<td><strong>TOTAL NON-INTEREST INCOME</strong></td>
<td><strong>131,100</strong></td>
<td><strong>110,726</strong></td>
</tr>
</tbody>
</table>

### Non-Interest Expense

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>179,150</td>
<td>159,145</td>
</tr>
<tr>
<td>Operations and other administrative expenses</td>
<td>127,544</td>
<td>117,410</td>
</tr>
<tr>
<td>Occupancy</td>
<td>15,950</td>
<td>14,705</td>
</tr>
<tr>
<td><strong>TOTAL NON-INTEREST EXPENSE</strong></td>
<td><strong>322,644</strong></td>
<td><strong>291,260</strong></td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td><strong>159,696</strong></td>
<td><strong>119,060</strong></td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td>(709)</td>
<td>(4,198)</td>
</tr>
<tr>
<td><strong>TOTAL COMPREHENSIVE INCOME</strong></td>
<td><strong>$158,987</strong></td>
<td><strong>$114,862</strong></td>
</tr>
</tbody>
</table>
BOARD & SUPERVISORY COMMITTEE

ADVOCATING ON BEHALF OF EVERY MEMBER
Supervisory Committee Report

The Supervisory Committee is responsible for monitoring the financial safety and soundness of SchoolsFirst Federal Credit Union and its compliance with various financial and regulatory requirements. In fulfilling these responsibilities, the Committee engaged Moss Adams LLP to perform the annual financial statement audit for the year ended December 31, 2018. The Committee held quarterly meetings to, among other things, review internal audit services, internal controls and risk management processes, and examinations by regulatory agencies. In the opinion of the Committee, SchoolsFirst Federal Credit Union has operated in a financially sound manner and, in all material respects, in accordance with applicable federal and state regulations.

Ted Alejandre
Chairman, Supervisory Committee