



CHAIRMAN'S REPORT

Welcome to the NavyArmy Community Credit Union 62nd annual meeting. NavyArmy, established in 1955, began serving only a handful of members. Today, NavyArmy serves over 160,000 members across an eight-county area, which includes the Rio Grande Valley. This exceptional growth has come from the secure financial services we provide our member-owners through a hard-working, dedicated staff. This past year was no exception; NavyArmy membership grew over 8% and we

loaned out \$1.5 billion in 2017. NavyArmy's goal is to help build a stronger community by providing key financial services that help our members improve their lifestyle and to be an institution they can trust and seek to meet their financial goals. NavyArmy is planning for continued service improvements in 2018. We will be making it easier for you to access your account from mobile applications and creating an improved online banking platform. In the Valley, our members will have an additional location to serve them. We will also be expanding our call center to better handle your phone queries. The Board of Directors want to thank you for your continued trust in NavyArmy and to let you know that we are committed to meeting the financial goals for our member-owners. - Pete Rivera, Chairman



PRESIDENT'S REPORT

NavyArmy enjoyed another year of solid growth in assets and members. Earnings out-performed our credit union peer group in spite of the many challenges we faced in 2017. The board, management, and staff work diligently to ensure that your credit union operates in a safe and sound manner. We have the responsibility to balance our members' needs while preserving the financial well-being of the institution. We monitor market interest rates daily and provide the best rates possible on

your deposits and loans. We provide easy access to affordable credit to our members for the purchase of autos and homes, for personal use, and business loans. In 2017, NavyArmy funded \$1.5 Billion in loans to our members. These funds not only help our members, this is money spent in the communities we serve - money that expands commerce and creates job in those communities. NavyArmy is a good corporate citizen giving back to our communities: \$550,000 in charitable donations and 3,000+ staff volunteer hours. When Hurricane Harvey was bearing down on us as a Category-4 storm, our dedicated staff stayed in the branches so that our members had access to their money. When the storm passed, the same dedicated staff was back at work early Monday morning to open the branches and assist members in the wake of the storm. Some of our staff had no power, and some no longer had homes. In an effort to help our members recover from the storm, we processed 8,000 + payment deferrals on loan payments, offered payment forbearance for mortgage loans in the affected disaster areas, and provided loans for repairs. We have the obligation to continually refresh our value proposition. Through innovation and evolution, we are working to meet the wants and needs of our members today and into the future. Our 2018 system enhancements will allow for an easier, more convenient way to manage accounts. The board, management, and staff will continue to lead your credit union into the future as it has in the past, making sure we operate with balance and prudence to remain a safe, sound, and a well-capitalized financial institution for the benefit of the stockholders, our members. The board, management, and staff thank you. - Gerry Morrow, President/CEO



TREASURER'S REPORT

The Board of Directors and Management are pleased to report that NavyArmy Community Credit Union had another successful year. The total assets are \$2.7 billion which is an increase of 8.11%. Our return on assets was .98% after bonus dividends were paid to members which exceeds our peer group average by 36%. Our net worth is 10.93% of total assets which indicates a strong financial position. The annual financial audit was conducted by Clifton Larson LLP in accordance

with generally acceptable auditing standards. NavyArmy received an "unqualified opinion," which means that the financial reports are presented fairly with no material exceptions and meet the standards of generally accepted accounting principles. The Board of Directors continues to work to maintain a sound financial posture for the credit union by approving and monitoring the long range strategic plan. Our goal is to provide the proper balance of loans, assets, and deposit liabilities with compliance and safety in the forefront and to provide products and services that help meet the financial needs of our member-owners. I would like to take this opportunity to express my thanks to my fellow board members; management and staff; and of course, to you, the members, for your cooperation and participation in making NavyArmy a continuing success in South Texas.

- Robert G. (Bob) Westrup, Board Treasurer

BOARD OF DIRECTORS

The Board of Directors serves in a capacity to set policy, plan the course, make sure the credit union maintains sound financial condition, keep communication open to educate members on services and review management's progress in achieving goals and objectives.

Specific duties include, but are not limited to, the following:

- Work with the President to develop objectives and goals.
- Adhere to pertinent laws, regulations and sound business practices.
- Maintain a sound financial condition, and protect assets against unauthorized or illegal acts.
- Designate depositories, authorize borrowing and investing, and provide for bonding and other security factors, including internal control procedures.
- Approve interest rates, dividends and refunds.
- Approve loan limits and savings minimums.
- Establish policies and approve them for all programs and activities, i.e., investments, loans, savings, personnel, collections.
- Approve the budget.
- Hire the President, define the scope of the job and review management's progress in attaining goals and objectives.
- Strive to keep educationally up to date with current business practices and education.
- Do all the things necessary to carry out the purpose and powers of the credit union, subject to the regulations issued by the Texas Credit Union Department and the National Credit Union Administration.
- Director Fees paid in 2017 were \$125,260, and \$130,000 is scheduled (budgeted) for 2018.
- The present Board of Directors and nominated members represent a group of dedicated individuals with the necessary background to ensure the credit union's direction and continued existence.



BOARD OF DIRECTORS

Pedro Rivera, Jr.	Chairman (elected 2/2016 – 2/2019)
Sylvia Y. Martinez	1st Vice Chair (elected 2/2016 – 2/2019)
Bryan Stone	Secretary (elected 2/2015 – 2/2018)
Bob Westrup	Treasurer (elected 2/2017-2/2020)
Linda Anderson	(appointed 2/2017 – 2/2018)
John Chapman	(elected 2/2017-2/2020)
Tess Gonzales	(elected 2/2017-2/2020)
Thelma Mandel	(elected 2/2017-2/2020)
Gerald Villarreal	(appointed 2/2017-2/2018)

ADVISORY DIRECTORS

Mike Conwill	(appointed 9/2017 – 9/2018)
Michael Grub	(appointed 9/2017 – 9/2018)
Drue Jones	(appointed 9/2017 – 9/2018)

HONORARY DIRECTOR

Jerry Woitas	(appointed 2/2017 – 2/2018)
--------------	-----------------------------

SENIOR MANAGEMENT

Gerry Morrow – President/CEO *
Dana Sisk – EVP*
Carrie Rice – CFO
Shannon Srp – CTO
Ashley Smith – CMO
Virginia Whitham – CHRO
Cyndy Ramos – COO*
Dan Dibble – CLO*
Roman Escobar – CLO*



*New since last annual meeting

BOARD CANDIDATES 2018

Nomination and election of members to serve on the Navy Army Community Credit Union Board of Directors is governed by the credit union's Bylaws and Policies & Procedures.

The Board Chair selects a Nominating Committee which then proposes individuals for upcoming Board nominations.

In the past, at the Annual Meeting, the Nominating Chair announced these potential candidates and called for nominations from the floor. Nominations from the floor will no longer be accepted.

According to our bylaws as amended in 2015, members are allowed to apply to the nominating committee to have their name placed on the ballot at the next Annual Meeting. This process started on August 1, 2017 and ended on August 30, 2017.

A second opportunity to be placed on the ballot by petition started on October 1, 2017. Petition packets were made available to be picked up, signed by members, and returned to NavyArmy by 5:00pm (CST) on November 1, 2017. The petition must have been signed by a minimum of 500 members who are in good standing, designated as the "Primary Owner" on the account, and at least 18 years old.

On **October 1, 2017**, petition packets were made available to be picked up, signed by members, and returned to NavyArmy by 5:00pm (CST) on **November 1, 2017**.

As of November 1, 2017 (5:00pm), there were no packets submitted for nomination to the board. Therefore, the three candidates that will be voted on tonight are those selected by the Nominating Committee on September 11, 2017. The Nominating Committee consists of the following members: Sylvia Martinez, Thelma Mandel, Tess Gonzales, and myself, Pete Rivera.

The three positions, open for election to the Board, are for a three-year term*. The Nominating Committee has placed the following individuals up for nomination:

BRYAN STONE (Elected 2/2015 to 2/2018)



Mr. Stone is an attorney with Upton, Mickits & Heymann, L.L.P. He is board certified and specializes in all areas of real estate-finance/banking law. He is a member of the Corpus Christi Bar Association, American Bar Association, and State Bar Association. He graduated from University of Texas in 1980 and from University of Houston Law Center in 1986 with honors. His volunteer activities include: Buccaneer Commission, City of Corpus Christi Planning & Zoning Commission, Leadership CC (Class XXII), CC Texas Longhorn Foundation, Corpus Christi Area Council for the Deaf, and Coastal Bend Food Bank. He has served on the Board for three years.

LINDA ANDERSON* (Appointed 2/2017 - 2/2018)



Ms. Anderson served as Advising Director up until February 2017. Prior to this appointment she served on the Supervisory Committee for five years. She retired from federal service in 2004 after 25 years, 22 years in the budget field. Prior to retirement, she served as the Budget Officer for Naval Air Station Corpus Christi. She has completed the core level of the Volunteer Achievement Program and achieved certification as a Certified Credit Union Volunteer from the Credit Union National Association in 2014. She has served on the Board for one year.

*Linda Anderson's term will only be one year since she was appointed to fulfill a former board members' term.

GERALD VILLARREAL (Appointed 2/2017-2/2018)



Mr. Villarreal is an Attorney and Counselor at Law, licensed by the Supreme Court of Texas and by the United States District Court, Southern District of Texas. He maintains a solo law practice which includes criminal defense, probate law, family law, property law and represents clients in a wide variety of other legal issues. He worked as a management analyst, systems administrator and systems accountant during his 14-year career with the federal government. He is a graduate of Corpus Christi State University with a Bachelor's degree in Business Administration with a major in Accounting. He received his Juris Doctor Degree with a concentration in Business, Taxation and Commercial Transactions from Creighton University School of Law in Omaha, Nebraska. He has served on the Board for one year.

FINANCIAL STATEMENT

ANNUAL GROWTH

2017 YEAR-END REVIEW



ASSETS \$2,700,862,976

2017	2,700,862,976
2016	2,498,149,588
2015	2,361,365,208
2014	2,247,270,291
2013	2,004,665,638
2012	1,675,627,885
2011	1,326,759,805



LOANS \$2,406,214,941

2017	2,406,214,941
2016	2,140,453,784
2015	1,899,599,021
2014	1,796,788,905
2013	1,706,803,471
2012	1,511,289,136
2011	1,124,178,897

MEMBERS 161,563

2017	161,563
2016	149,521
2015	141,708
2014	135,994
2013	125,756
2012	111,602
2011	92,210

NET WORTH \$295,289,185

2017	295,289,185
2016	269,813,488
2015	242,690,200
2014	209,039,477
2013	185,777,051
2012	155,174,716
2011	125,458,840

DEPOSITS \$2,406,760,648

2017	2,406,760,648
2016	2,229,751,297
2015	2,106,610,020
2014	2,019,939,175
2013	1,804,682,907
2012	1,512,411,133
2011	1,205,710,767

ASSETS

Loans to Members	\$2,406,214,941
Less Allowance for Loan Losses	(\$28,597,439)
Net Loans Outstanding	\$2,377,617,502
Cash on Hand and in Bank	\$197,366,510
Net Investments	\$1,006,900
Other Assets	\$124,872,064
TOTAL ASSETS	\$2,700,862,976

LIABILITIES & CAPITAL

Accounts Payables/Other Liabilities	\$12,296,182
Dividends Payable	\$2,526,601
Borrowed Money	\$0.00
Shares	\$2,406,760,648
Regular Reserves	\$4,223,577
Undivided Earnings	\$291,065,608
Unrealized Gain (Loss)	
on Available for Sale Securities	0.00
Other Comprehensive Inc-Pension Plan	(\$16,009,640)
TOTAL LIABILITIES & CAPITAL	\$2,700,862,976