



CHAIRMAN'S REPORT

2016 has been another year of growth and productivity. NavyArmy grew to 149,521 members and \$2.5 billion in assets. A significant component of credit union growth is the Board of Directors' development of a strategic plan which included continued expansion to Hidalgo and Cameron Counties, as well as continued expansion of products and services to our membership. The plan adopted by the Board of Directors was executed by a dedicated and professional staff that kept the benefits of the members at the forefront. We continue to explore additional products and services for Business Lending with an added focus on the needs of small business. Additionally, the Board of Directors recently adopted a Procurement Policy to help promote transparency, diversity and inclusion in a way that creates awareness and access for our business community.

While the number of credit unions continue to decline nationally, almost one per day, total number of members has increased from 92 million in 2010 to 108 million today. By implementing a focus on non-traditional levels of risk and types of risk, our credit union influences opportunities to our core members and business community in a way that promotes both membership growth and prospects. This is all made possible by the dedication and vision of your Board of Directors, a committed management team, and the great staff who by the way contributed over 2800 volunteer hours to our community.

For the 21st consecutive year the Board of Directors has declared a bonus dividend of approximately \$2.6 million dollars back to our members. On behalf of the Board of Directors, the management team, and staff at the Navy Army Community Credit Union, it is my honor to thank you for your confidence and continued support.

- Eloy H. Salazar, Chairman



TREASURER'S REPORT

NavyArmy had another prosperous year! In 2016, member assets increased another 5.8%. The best measure of our efficiency is our measure of return on assets which outpaced our industry peers at 1.12% after bonus dividends. Our net worth remains very strong at 10.8%. We are also proud to announce that the auditing firm of Clifton Larson LLP pronounced your credit union as a very safe, sound and a well-managed financial institution with no significant findings and has given us an unqualified rating. 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.

- Pedro Rivera, Jr., Treasurer

SENIOR MANAGEMENT

Wayne Vann – Interim President/CEO*

Dana Sisk – EVP/COO

Gerry Morrow – CLO

Carrie Rice – CFO

Shannon Srp – CTO

Ashley Smith – CMO

Virginia Whitham – CHRO

*New since last annual meeting



PRESIDENT'S REPORT

NavyArmy had a very productive year in 2016. In loans, we have always been aggressive lenders primarily because that is what our members need for us to be — a lending source. In 2016, loans, as a whole, grew 13% and maintained an even balance in retail. Real estate and commercial loans placed us in the top 20% in production compared to others in the industry. In fact, you can be proud that \$0.95 cents of every \$1.00 deposited is loaned out to a member. Gross loan funding in the communities we serve totaled approximately \$1 billion.

NavyArmy ranks as #81 in assets in the United States credit union space, and #6 in Texas. Other noteworthy national rankings place your credit union in the top 10% for return on assets and in the top 2% for efficiency.

Assets grossed up to \$2.5 billion which was 9% over 2015. Members performed over 18 MILLION debit transactions; 50,000+ remote deposits from our 40,000 active mobile banking users.

Almost every one of our 16 branches grew in members, which means we are a vital competitor in our markets and offer convenience.

Not only do we support the communities we serve with over \$550,000 in charity donations, we also support a staff of nearly 500.

Balance is key to success in this business – 2016 numbers are a definite reflection of this. Your credit union ended the year with strong capital, excellent audits and a strategic plan that will propel us forward in only a positive direction.

None of this would be possible without the support of the staff, Board of Directors and you the member. - Wayne Vann, Interim President/CEO

BOARD OF DIRECTORS

Eloy H. Salazar	Chairman (elected 2/2016 – 2/2019)
Sylvia Y. Martinez	Vice Chair (elected 2/2016 – 2/2019)
Pedro Rivera, Jr.	Treasurer (elected 2/2016 – 2/2019)
John Jackson	Secretary (elected 2/2014 – 2/2017)
Vicki Gonzales	(elected 2/2014 – 2/2017)
Albert Kessler	(elected 2/2015 – 2/2018)
Don Rymer	(elected 2/2014 – 2/2017)
Bryan Stone	(elected 2/2015 – 2/2018)
Jerry Waitas	(elected 2/2014 – 2/2017)

ADVISORY DIRECTORS

Sandra Alvarez	(appointed 1/2016–2/2017)
Linda Anderson	(appointed 1/2016–2/2017)
Mike Conwill	(appointed 9/2016 – 9/2017)
Gerald Villarreal	(appointed 1/2016–2/2017)

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 2016 were \$178,700, and \$178,691 is scheduled (budgeted) for 2017.

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.

FINANCIAL STATEMENT Dec. 31, 2016

ASSETS

Loans to Members	\$2,140,453,784.84
Less Allowance for Loan Losses	(\$27,566,808.30)
Net Loans Outstanding	\$2,120,764,471.85
Cash on Hand and in Bank	\$190,958,171.28
Net Investments	\$50,972,633.20
Other Assets	\$99,757,148.25
TOTAL ASSETS	\$2,498,149,588.48

LIABILITIES & CAPITAL

Accounts Payables/Other Liabilities	\$8,701,648.07
Dividends Payable	\$2,618,456.39
Borrowed Money	\$ 0.00
Shares	\$2,229,751,296.80
Regular Reserves	\$ 4,223,577.37
Undivided Earnings	\$265,589,910.85
Unrealized Gain (Loss) on Available for Sale Securities	0.00
Other Comprehensive Inc-Pension Plan	(\$12,735,301.00)
TOTAL LIABILITIES & CAPITAL	\$2,498,149,588.48

ANNUAL GROWTH 2016 YEAR-END REVIEW

ASSETS \$2,498,149,588

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
2010	1,133,626,727

LOANS 2,140,453,784

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
2010	912,399,081

MEMBERS 149,521

2016	149,521
2015	141,708
2014	135,994
2013	125,756
2012	111,602
2011	92,210
2010	82,481

NET WORTH \$269,813,488

2016	269,813,488
2015	242,690,200
2014	209,039,477
2013	185,777,051
2012	155,174,716
2011	125,458,840
2010	98,942,026

DEPOSITS \$2,229,751,297

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
2010	1,028,225,429

NavyArmy
COMMUNITY CREDIT UNION

Federally
Insured by
NCUA