

### CEO Report

Good evening. On behalf of the management and staff of STAR Credit Union, I want to say what a pleasure it is to be here with all of you. Because of your trust and involvement, your credit union is able to thrive and provide many important benefits, not only to our members but to our community.

As a financial cooperative, our success is your success. When you participate in the credit union, you are contributing to its growth. And because of our cooperative structure, we are able to return our profits back to you, the owners and members, by offering competitive rates, new products, enhanced services, and additional points of service.

Now, it is my privilege to provide the state of our credit union.

STAR Credit Union has remained stable and strong in 2016. Our member deposits have grown to 39.20 million and our assets are 45.25 million. STAR Credit Union's reserve ratio is 12.49%, which is well above the amount needed to call ourselves financially sound. Membership at STAR Credit Union has increased and now stands at 5368.

2016 has also had its challenges. The downturn in the oilfield and the political uncertainty in our nation touched the credit union. Although loan demand increased by 1.78%, our loan total decreased by 3.00%. This is a result of loans being paid off at a faster pace than new loans were generated.

Some of our members struggled financially because of the downturn in oilfield related businesses. This affected the credit union as we worked with our members. Our delinquency ratio, 0.50%, remained well below other credit unions of equivalent size, however, loan charge-offs increased due to bankruptcies. This resulted in an increase in provision for loan losses expense to the credit union.

I am happy to say that we have already seen a change in the first quarter of 2017.

STAR Credit Union is a strong, sustainable, and efficient financial institution. Indeed, we are confident in our ability to meet all of your financial service needs. But we are far more than an institution that offers financial products and services.

Here are a few differentiators that make STAR Credit Union special:

- We have a real presence in this community. In 2016, we:
  - Raised and donated monies to Driscoll Children's Hospital, Corpus Christi Food Bank and Toys for Tots.
  - Sponsored children to attend the Shriner's Circus and the Nueces Live Stock Show
  - The employees of STAR Credit Union personally donated to send Christmas stockings to the children at the Women's Shelter

As we grow, we will keep our focus on doing what's right. We will continue to provide better services and more convenience for our members. We will seek to help more people in our community get on solid ground through financial education and our charitable activities.

Through it all, we will continue to focus on people first. It's what makes your credit union different, and what makes us strong.

As we embark on the year ahead, my commitment to you today is that STAR Credit Union will continue to:

- Grow responsibly, while listening and responding to your needs;
- Explore innovative product/service solutions to enhance your financial life, such as Remote Deposit Capture New McKinzie ATM
- Develop our staff and board so they can confidently serve you.

At this time, I would like you to direct your attention to our Loan Manager, Alice Sepulveda. It is with a heavy heart that I announce to you tonight that Alice will be retiring in 2017. Most of you, if not all of you, know Alice. She has served in the credit union for 32 years and processed too many loans to count. Alice has extended kindness, courtesy, and patience to all those around her, whether, members or fellow employees. She has worked countless hours with a spirit of excellence to promote the success of STAR Credit Union and its members. Alice has been an inspiration to us all and a vital part of STAR Credit Union. She will truly be missed.

I would like to take a moment to express our appreciation to Alice for her service.

Many thanks for being an integral part of our credit union family. On behalf of the entire staff, we look forward to a happy and successful 2017 for us all.

**Christina Reyna, President/CEO**

### Chairman Report

Welcome to the 57th annual meeting of STAR Credit Union. It's wonderful to see all of you this evening. I can see you care not only about your financial future, but the future of your credit union as well.

I'm delighted to speak to you and humbled by the trust you've placed in me and my fellow board members whose leadership, dedication, and passion for our credit union is integral to our success.

As a credit union member, you can take comfort in knowing that, unlike for-profit financial institutions such as banks, your board of directors serve on a volunteer basis and doesn't profit from that service. Though the credit union needs to make a profit to keep the doors open, we don't work for shareholders demanding to collect high profits. Our sole interests are in your interests. We are the stakeholders in this credit union, and we all share in its future.

Your board of directors also have a responsibility to ensure that we have a capable, competent, qualified, and trustworthy management team, and I can say that we do.

I'm proud to say that your credit union is not just one financial institution, but one of thousands in a credit union movement that spans the globe. We each serve as a supporting pillar in this movement, and that means that the success of one credit union is a success for the entire movement.

As a financial cooperative, we understand that we can most effectively serve you and strengthen that movement by engaging in the vast network of organizations and service groups available. For instance, our participation in our local chapter of credit unions allows us to benefit from the training, tools, and resources available through our trade association, the Cornerstone Credit Union League, whose sole purpose is to support our endeavors and, by extension, you.

You can see STAR Credit Union's performance in fiscal year 2016 in the Annual Report. Some of the highlights of that report include:

- Membership at STAR Credit Union now stands at 5368
- In total, our 5368 members have added more than \$884,000.00 to their accounts.
- You, the members and owners of this institution, have borrowed more than \$9.1 million in 2016, adding more than 757 new loans.
- The median delinquency ratio is now 0.50% percent. This is a strong indicator that our members are diligently staying on top of their debt obligations.

In addition to establishing policies and ensuring that the credit union adheres to pertinent laws, regulations, and sound business practices, we are also charged with setting the direction of the credit union. At the 2016 Annual Planning Session, the Board of Directors determined that the Mission and Vision statements of STAR Credit Union needed to be reviewed. It is vitally important for the credit union to have clear mission and vision statements in order for it to prosper. They define who we are, what we do, and where we are going.

The Board of Directors adopted new mission and vision statements on March 28, 2017. They are as follows:

#### Our Mission

We are committed to creating life-long relationships with our members through exceptional service and financial products.

#### Our Vision

To become our members' preferred partner for their everyday financial needs.

STAR Credit Union's goal is to assist you, our members, in attaining your financial goals. You are what makes STAR Credit Union great!

Thank you, ladies and gentlemen. I wish you and your families the very best in 2017.

**Nina Amador, Board Chair**

## Audit Committee

The Audit Committee serves independently from the Board of Directors, management and staff to ensure the credit union's financial condition is accurately stated and that STAR Credit Union remains a viable financial institution.

In order to fulfill that responsibility, an independent audit of STAR Credit Union's financial condition is obtained on an annual basis, surprise cash counts are performed and a member account verification is performed bi-annually.

The committee engaged CU Resources to perform the 2016 audit of the financial statements and the audit for Bank Secrecy Act. SWACHA performed the 2016 compliance audit for Automated Clearing House activities. The Credit Union Department of the State of Texas also conducts an examination of the credit union at least once every eighteen months.

STAR Credit Union was found to be financially sound and operating within the applicable rules and regulations.

**Rudy Gil, Audit Committee Chair**

### Miscellaneous Statistics

#### Key Personnel Changes

Mario Ramirez – VP/COO

#### Bylaw Changes

NONE

#### Articles of Incorporation

NONE

#### End of December 2016

Membership size:	5368 members
Number of Loans:	2151
Share Draft Accounts:	2751
Loans Granted YTD:	757
Loans totaling:	\$9,114,899
E-Statement Users:	659
CyberStar Users:	3388

## SOUTH TEXAS AREA RESOURCES (STAR) CREDIT UNION ANNUAL MEETING - April 19, 2016

The 2016 56<sup>th</sup> Annual Meeting of the membership was held on Tuesday, April 19, 2016, at the Corpus Christi Event Center 3126 Holly at Kostoryz. The evening opened with STAR CU staff and Board of Directors greeting and welcoming the members as they arrived and were served a sit down dinner.

Nina Amador, Chairwoman, called the Annual Meeting to order at 6:48 p.m.

The invocation was given by Christina Reyna.

An introduction of the Board of Directors, Audit Committee and Management and Staff was made to the membership. The minutes of the 2015 Annual Meeting were referred to in the printed Annual Report. Following a motion by Arnold Sosa and a second from the floor, the membership voted to approve the minutes.

The Reports of Officials were delivered by: Chairwoman, Nina Amador, the CEO Report was given by Christina Reyna. The Treasurer's Report by Joe Carmona, the Audit Report by Rudy Gil. Following a motion by the floor and a second from the floor the membership voted to approve the reports.

#### Old Business

There was no old business.

#### New Business

Election of Directors

The Nominating Committee presented four nominations to fill the three expiring terms. Biographies of the candidates were mailed and processed in accordance with our by-laws. There were no additional nominations, therefore, ballots were not required.

The results of the Board of Director elections for the 3 Director's terms that expired are as follows: Nina Amador, Dennis Hill, and Joe Carmona. The newly elected directors were recognized.

The Board of Director's whose terms had not expired are as follows: Hector Saenz, Randy Wilson, Linda Edwards and Diana Gonzalez.

The Board of Director's were sworn in by taking the Oath of Directors.

Nina Amador, Chairwoman thanked the membership in attendance and called for a motion from Arnold Sosa and a second by the floor, the meeting was called to adjourn at 7:31 p.m.

**Linda Edwards, Board Secretary**

## 2016 Financial Condition

### Balance Sheet

\*All figures are in thousands

#### Assets

Loans	19087
Allowance for Charge-off Loans	(92)
Investments	21851
Fixed	2987
Other	1409

**Total 45242**

#### Liabilities and Equity

Total Member Deposits	39202
Reserves	1356
Undivided Earnings	4413
Other	271

**Total 45242**

### Income Statement

\*All figures are in thousands

#### Income

Loans	931
Investments	245
Non-Interest Income	706

**1882**

#### Expenses

Compensation/Benefits	768
Office Oper/Occupancy	954
Provision for Loan Loss	125
Dividends	149

**1996**

**Net Income from Operations -114**

#### Extra Ordinary Items

**Extra Ordinary Expenses- 0**

**Income after Extra Ordinary Items -114**

## Treasurer's Report

STAR Credit Union has remained stable and strong in 2016. Our member deposits are 39.20 million and our assets are 45.24 million. STAR Credit Union's reserve ratio is 12.49%, which is well above the amount needed to call ourselves financially sound.

STAR Credit Union's members can be assured of the security of their deposits, knowing that their money is insured for \$250,000 through the NCUA (National Credit Union Association) as well as an additional \$250,000 through ESI (Excess Share Insurance). Integrity and responsibility continue to be the standard of STAR Credit Union, whether in lending practices, the investment of monies, business decisions, or daily member service. The total dollar amount of loans decreased from 19.70 million in 2015 to 19.09 million in 2016. The quality of loans has remained strong resulting in a lower average of delinquencies compared to other credit unions of equivalent size. Our interest rates on loans and certificate of deposits have remained competitive.

STAR Credit Union's priority has always been to provide competitive, quality financial products and services to its members, that priority remains the same.

Joe Carmona  
Treasurer

## MEET STAR CREDIT UNION

<u>Board of Directors</u>	<u>Term Expires</u>
Nina Amador, Chairperson	2018
Hector Saenz, Vice-Chair	2019
Joe Carmona, Treasurer	2018
Linda Edwards, Secretary	2019
Dennis Hill	2018
Derrick Escobedo	2019
Randy Wilson	2019

### Audit Committee

Rudy Gil, Chairman  
Arnold Sosa, Member

### Management Staff

Christina Reyna, President/CEO  
Mario Ramirez, VP/COO  
Alice Sepulveda, Loan Manager  
Rose Kowis, Branch Operations Supervisor

### Accounting

#### Officers

Amber Marchan	Ariana Saenz
Lucy Vasquez	Judy Gaston

### Information Systems

#### Services

Jerad Harper	Autumn Salinas
	Yvetth Leitzelar

### Loan Department

Severa Stapurewicz	Marissa Suchil
Amanda Trevino	Monica Saenz
(JR) Jose Rojas	Siera Gonzalez
	Jennifer Gonzalez
	Christian Salinas

<u>Telephone Service Rep.</u>	Marina Martinez
	Otilia Leal