

## A MESSAGE FROM OUR CEO



Dear Stockholder,

While 2020 will forever be marked by COVID-19, for Lone Star, the year will also be remembered for achieving significant performance milestones such as record loan volume growth, record new loan transactions, record net income, and record patronage distributions.

The global health crisis has no doubt tested every corner of the economy, including agriculture and rural Texas. From supply chain interruptions and shutdowns that challenged how we live and work, to the personal impact of dealing with the virus within our own families, 2020 forced all of us to adapt and overcome. Thankfully, the Association entered the year in a very strong capital position that has allowed us to meet the increasing demand for our loan products due to a greater number of individuals seeking life outside the city limits!

In order to limit the impact of the pandemic on our ability to provide credit in a responsive manner, we immediately began enhancing the team's ability to work remotely while continuing to deliver the customer experience you expect. In fact, even considering the substantially remote working environment, the team closed a record of over \$780 million of new loan commitments, resulting in earning asset growth in excess of 20% and surpassing \$2 billion in total assets.

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Capital levels remain strong and credit quality of the loan portfolio ended the year with over 99% performing as agreed. Sound fiscal discipline during the year resulted in tremendous operating efficiency improvement, which will continue to increase our competitiveness in the future.

If there is anything we learned during the pandemic, diligent and thoughtful planning are all key to our ability to deal with such disruptive events. To that point and to further our ongoing commitment of removing friction from our processes, during the year we launched "Project Falcon," an effort that is focused squarely on enhancing the customer and employee's digital experience.

The Association partnered with a global fintech leader to configure a loan origination and servicing platform that will provide customers online applications, status reporting, electronic documents, and secure file sharing, among other features. The full benefits of this initiative will be further deployed in the coming months.





**Our goal is to fulfill our customers' dreams — whether for country living, enjoying that weekend getaway or building a financial future through farming, ranching or an agribusiness.**



I am reminded of what my Grandad used to tell the family. He would describe how a single stick or twig can very easily be broken, but when several are bound together through a common bond, they become stronger and nearly impossible to break.

That could be used to describe the resilience of the Association's portfolio during COVID-19. Effectively, our diverse group of customer-owners were bound together through a common relationship with Lone Star and made the necessary changes to their business or lifestyle to repay their obligations in a timely manner, while at the same time, referring friends and family along the way. We thank you for that!

To fulfill our customers' dreams — whether for country living, enjoying that weekend getaway or building a financial future through farming, ranching or an agribusiness — we have worked with generation after generation of families and individuals to provide customized financing options as unique as their needs.

Our customer-owners frequently return to us because of our competitive lending products and expert team, but also to enjoy their cooperative's success through our robust patronage program, which returns a portion of our earnings each year. During 2020, the Board took progressive action and declared an unprecedented advance patronage distribution in order to provide financial support during COVID-19.

We understand that our success is a result of your success and your ability to adapt and overcome. Stay safe, and may 2021 be a healthy and prosperous season for you and your family. Thank you for your continued support, and keep those referrals coming!

Sincerely,

**Joe H. Hayman**  
President and CEO

817-509-8381

joe.hayman@lonestaragcredit.com

