

INNOVATION  
COLLABORATION  
INCLUSION  
ACCOUNTABILITY  
LEADERSHIP  
PASSION  
RELATIONSHIP<sup>®</sup>



2017 Annual Report

THE CREDIT UNION DIFFERENCE.  
***That's the value of Veridian.***

## OUR VALUES

Veridian's mission is to partner with members to create successful financial futures. As Veridian members, employees and volunteer directors, we live the credit union difference every day.

*The values we share guide our decisions, strengthen our communities and create successful financial futures.*

### PASSION

*We make a difference.*

### RELATIONSHIPS

*We genuinely care about others.*

### COLLABORATION

*We are people helping people. Together, we create our future.*

### INNOVATION

*We embrace different ways of thinking and lead change.*

### INCLUSION

*We value diversity and include everyone.*

### ACCOUNTABILITY

*We deliver results.*

### LEADERSHIP

*We live these values every day.*

## α LETTER from our CEO

As a credit union, Veridian is about so much more than dollars and cents.

We're a not-for-profit financial cooperative owned by you, our members. Earnings are returned to all members in the form of better rates and lower fees compared to what you would pay at a for-profit bank. You democratically elect Veridian's Board of Directors, who serve as unpaid volunteers making decisions in your financial interest, not to turn a profit. These are the fundamental credit union differences that fuel our mission to create successful financial futures. To set our course in achieving it, shared values guide our daily decisions and actions.

The pages that follow provide not only a report on your credit union's 2017 achievements, but several demonstrations of our values in action that helped to earn them. Our commitment and passion for innovation, building relationships, inclusion, collaboration, accountability and leadership are what guide us to a successful financial future.

Veridian's success in 2017 is the result of those values in action. It's the result of our members' sound financial habits, our employees' hard work and our directors' selfless service. Congratulations on the successful year you helped to create and the financial future you're helping to build for yourself and your fellow members.



**"The better we are at fulfilling our mission, the stronger our credit union, our members and our communities become."**

Monte Berg, **President and CEO**

a WORD from our CHAIR

As an organization, we’ve embraced innovation as one of our defining values. And in 2017, one of our most innovative projects was prompted by you, our members. You asked for an enhanced digital banking experience that simplifies your account access with a single login for both online and mobile channels, fingerprint authentication and more. Veridian employees went to work on your request and delivered.

Member conversion to the new digital banking platform began in July. By the end of the year, more than 90% of our digital banking users made the transition. Beyond the conveniences of quick transfers, bill payments and mobile deposits, many of you are using new features to track your budgets and create savings goals. Ultimately, the transition has resulted in more convenient and secure access to your money, giving us all a stronger tool to create our successful financial future.

Months after the digital banking conversion, annual surveys showed increases in member satisfaction and employee engagement. Those results are a testament to the difference strong financial tools can make for our members.

Thank you for your active participation in your credit union in 2017 and for prompting innovative improvements that benefit all of us.

“In 2017, one of our most innovative projects was prompted by you, our members.”



*Bill Boevers*  
Bill Boevers, Chair

124,000 MEMBERS registered to use the new digital banking platform that launched in July.

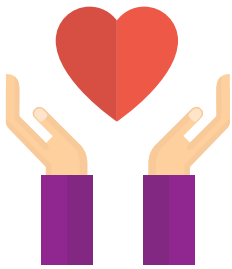


“I worked on a financial literacy partnership between Veridian and a local homeless shelter.

We covered several personal finance topics and talked about how to repair credit, manage a budget and more. We had great conversations about the myths and questions surrounding personal banking. Some of the participants chose to open an account, and I’m still working with a gentleman from that class. About a week after we opened his account, he landed a job. Because of the job, he was able to get an apartment. Now we’re working on rebuilding his credit so he can buy a car. This is the difference that financial literacy can make on a life.

– Amela Saric, Community Inclusion Coordinator

Veridian employees volunteered an estimated



3,982 HOURS

for organizations, events and programs that strengthen the communities we share.

the CREDIT UNION DIFFERENCE

Credit Unions	Banks
Member-owned	Owned by a small group of stockholders
Not-for-profit	For-profit
Earnings returned to members in better rates and lower fees	Profits paid to stockholders
Self-governed by an unpaid volunteer Board of Directors	Led by stockholders who collect the bank’s profits
Board members elected by membership vote, and one member = one vote	Only stockholders vote, and those with more stock may cast more votes

Veridian allocated  
**\$40,000**

to match savings in Individual Development Accounts in 2017.

*Individual Development Accounts (IDAs) are matched savings accounts that enable eligible low-income families to save, build assets and enter the financial mainstream. IDA savers meet savings goals and complete financial education requirements to receive matching funds for asset-building purchases.*



**2,519** Veridian members and employees  
signed up to advocate for the credit  
union difference.

Their work helps raise awareness of credit unions' not-for-profit structure, cooperative ownership, self-governance and more.



## Ann Dolan Award Winners

The Ann Dolan Award recognizes one Veridian employee in each of Veridian's four market areas annually for outstanding achievement in exceeding members' expectations. Previously named the Visionary of the Year, this award was renamed last year to commemorate its most frequent recipient, Ann Dolan, in honor of her retirement.



### Annaliese Ott

Learning and Development Specialist  
Northeast Iowa Region

*"Annaliese worked with a couple who needed financial help to achieve their dream of becoming parents. She helped them find tools to make costly fertility treatments more affordable. When the twins were born, the members reached out to Annaliese again so she could meet the babies in person."*



### Faith Smythe

Member Service Representative  
Central Iowa Region

*"After having his wallet stolen at gunpoint, a member recognized Faith for the compassion she showed through replacing his cards and ensuring his account was secure. She also helped him line up the DOT documents needed to replace his driver's license. The member mentioned the fees and lack of empathy he received at other financial institutions. He went out of his way to express his gratitude for Faith's service."*



### Nicole McNulty

Loan Officer  
East Central Iowa Region

*"Two members visited Nicole after their son unexpectedly passed away in Texas. She helped them have the necessary documents notarized and faxed. She also helped them review their own accounts and made their finances easier for their daughter to manage in the event of their passing. The members were grateful for the peace of mind and for Nicole's empathy during such a difficult time."*



### Susie Merchant

Loan Officer  
Western Iowa & Eastern Nebraska Region

*"A member stopped into the branch to ask for Susie's help with a transaction processed on her account. During her visit, the member raved about the previous help Susie offered through a sticky situation with her mortgage. She said, 'If it hadn't been for Susie, we probably would have lost the house.'"*

## AWARDS and RECOGNITIONS



**NATIONALLY**  
in returning earnings to members  
Callahan & Associates

**Best Local Credit Union**  
Des Moines Cityview

**Top Iowa Workplace**  
The Des Moines Register

**Best of the Best**  
Waterloo-Cedar Falls Courier

**Best of Des Moines**  
Des Moines Business Record

**One of the Best**  
Iowa City Press-Citizen

**"A" Financial Health Rating**  
DepositAccounts.com

**Best Credit Union to Work For**  
Credit Union Journal

**Employer of Choice**  
Waterloo-Cedar Falls Courier

**Cooldest Place to Work**  
Corridor Business Journal

**Best in Class 401(k) Plan**  
Plansponsor



## α WORD *from our* TREASURER

As your Treasurer, my top priorities are to ensure Veridian maintains unquestionable financial security and upholds its fiduciary duty to you, our member-owners. Those are the cornerstones of our efforts to help you create successful financial futures.

I'm pleased to report that Veridian's performance in 2017 was exceptional. We experienced record loan growth of 23.74%. Our deposits and assets also grew by 11% and 14.7%, respectively. Our capital-to-assets ratio, a measure of our liquidity and an indicator of our underlying strength, reached 9.89%. We aim for a rate between 9% and 10%, which provides us enough flexibility to meet unforeseen challenges while putting our assets to work for you. Additionally, our expense ratio fell to 2.63% as we continue to be good stewards of the resources you have entrusted to us.

Perhaps most importantly, Veridian was recognized this year as a national leader in returning earnings to members. Callahan & Associates, a credit union trade organization, ranked Veridian second in the nation in its Return of the Member report, a comprehensive score of member value in three key areas: savings, lending and product usage.

It's my honor to report that the financial condition of your credit union is strong and that our members are benefiting significantly from its strength. Thank you for your contributions to our shared success in 2017.

**"Veridian was recognized this year as a national leader in returning earnings to members."**



Creston L. Van Wey, **Treasurer**

**MEMBERS SAVED AN ESTIMATED  
\$22,324,042**

**in 2017 using loan and deposit products at Veridian instead of at a for-profit bank.**



## COMMITTEE REPORTS

### AUDIT

*This committee helps ensure that Veridian's financial condition is accurately represented and its assets are protected.*

**Committee Chair:**  
Nick Waters

**Committee Members:**  
Thomas DeLong  
Gaylen D. Witzel

**Accomplishments:**

- Veridian was audited by three external agencies: RSM US LLP, Iowa Credit Union Division and National Credit Union Administration. Results from all audits were shared with the Audit Committee and Veridian's Board of Directors.
- Reviewed and approved the 2017 and 2018 risk-based internal audit plan.
- Reviewed reports presented by the Internal Audit Department and Compliance Department.

### CREDIT

*This committee monitors lending policies and approves new loan products and services, ensuring Veridian is always responding to the changing needs of our growing membership.*

**Committee Chair:**  
Pam Ayres

**Committee Members:**  
Paul Gengler  
Bob Kressig  
Justine Peebles  
Ginger Shirley

**Accomplishments:**

- Total loans grew 23.74%, a record year.
- Indirect Lending increased loans by originating \$722 million, making Veridian the No. 1 auto lender in the state.
- Commercial Lending had the largest year in our history, increasing the loan portfolio to over \$281 million.
- Credit cards and direct auto loans both experienced over 10% growth.

# FINANCIAL STATEMENTS

## Consolidated Statements of Financial Condition

Years Ended December 31, 2017 & 2016

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 70,198,369	\$ 101,294,459
Certificates of deposit	48,417,555	94,255,462
Investment securities available for sale	184,120,653	275,649,445
Loans held for sale	7,292,526	4,725,096
Loans receivable, net of allowance for loan losses	3,123,298,651	2,525,328,246
Accrued interest receivable	9,333,422	7,583,134
<b>Property and equipment</b>		
Land and land improvements	10,281,495	12,652,881
Buildings and improvements	56,449,565	43,844,340
Furniture and equipment	27,231,172	25,847,442
<b>Total property and equipment</b>	<b>93,962,232</b>	<b>82,344,663</b>
Less accumulated depreciation	33,084,533	31,859,946
<b>Net property and equipment</b>	<b>60,877,699</b>	<b>50,484,717</b>
National Credit Union Share Insurance Fund (NCUSIF) deposit	25,735,772	23,604,560
Other assets	28,848,454	18,973,001
<b>Total assets</b>	<b>\$3,558,123,101</b>	<b>3,101,898,120</b>

<b>Liabilities</b>		
Members' shares	3,049,694,648	2,747,429,311
Accrued interest payable	5,397,614	4,441,846
Borrowed funds	101,650,000	–
Accrued expenses and other liabilities	56,806,927	41,590,850
<b>Total liabilities</b>	<b>3,213,549,189</b>	<b>2,793,462,007</b>
<b>Members' equity</b>		
Appropriated	329,354,827	304,661,983
Unappropriated	22,395,274	9,589,810
Accumulated other comprehensive (loss)	(7,176,189)	(5,815,680)
<b>Total members' equity</b>	<b>344,573,912</b>	<b>308,436,113</b>
<b>Total liabilities and members' equity</b>	<b>\$3,558,123,101</b>	<b>3,101,898,120</b>

## Consolidated Statements of Income

Years Ended December 31, 2017 & 2016

	2017	2016
<b>Interest income</b>		
Interest and fees on loans	\$ 112,512,165	\$ 91,870,895
Interest on investment securities	3,944,028	5,206,575
Interest on certificates of deposit and other investments	1,690,403	2,120,305
<b>Total interest income</b>	<b>118,146,596</b>	<b>99,197,775</b>
<b>Interest expense</b>		
Members' shares	24,201,038	21,828,510
Borrowed funds	940,417	80,300
<b>Total interest expense</b>	<b>25,141,455</b>	<b>21,908,810</b>
<b>Net interest income</b>	<b>93,005,141</b>	<b>77,288,965</b>
Provision for loan losses	11,910,714	8,259,739
<b>Net interest income after provision for loan losses</b>	<b>81,094,427</b>	<b>69,029,226</b>
<b>Other income</b>		
Service charges	17,988,001	14,173,246
Credit card interchange fees	20,208,528	18,505,144
Other income	10,115,322	7,549,422
<b>Total other income</b>	<b>48,311,851</b>	<b>40,227,812</b>
<b>Operating expenses</b>		
Salaries and employee benefits	54,763,176	50,624,837
Other operating expenses	37,144,794	39,848,400
<b>Total operating expenses</b>	<b>91,907,970</b>	<b>90,473,237</b>
<b>Net income</b>	<b>37,498,308</b>	<b>18,783,801</b>

## Consolidated Statements of Comprehensive Income

Years Ended December 31, 2017 & 2016

<b>Net income</b>	<b>\$ 37,498,308</b>	<b>\$ 18,783,801</b>
<b>Other comprehensive income (loss):</b>		
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the year	(17,804)	823,765
Less reclassification adjustment for (gains) included in net income	(282,318)	(411,363)
Post-retirement benefit obligation	(1,060,387)	881,735
<b>Other comprehensive gain (loss)</b>	<b>(1,360,509)</b>	<b>1,294,137</b>
<b>Comprehensive income</b>	<b>36,137,799</b>	<b>20,077,938</b>

# FINANCIAL STATEMENTS

## Consolidated Statements of Changes in Members' Equity

Years Ended December 31, 2017 & 2016

	Appropriated			Unappropriated		
	Legal reserve for loan losses	Capital reserve	Total	Undivided earnings	Accumulated other comprehensive (loss)	Total
Balance, December 31, 2015	\$ 88,395,790	\$ 187,654,406	\$ 276,050,196	\$ 19,417,796	\$ (7,109,817)	\$ 288,358,175
Comprehensive income:						
Net income	–	–	–	18,783,801	–	18,783,801
Other comprehensive income	–	–	–	–	1,294,137	1,294,137
Transfers, net	9,222,787	19,389,000	28,611,787	(28,611,787)	–	–
<b>Balance, December 31, 2016</b>	<b>97,618,577</b>	<b>207,043,406</b>	<b>304,661,983</b>	<b>9,589,810</b>	<b>(5,815,680)</b>	<b>308,436,113</b>
Comprehensive income:						
Net income	–	–	–	37,498,308	–	37,498,308
Other comprehensive (loss)	–	–	–	–	(1,360,509)	(1,360,509)
Transfers, net	15,131,830	9,561,014	24,692,844	(24,692,844)	–	–
<b>Balance, December 31, 2017</b>	<b>\$112,750,407</b>	<b>\$216,604,420</b>	<b>\$329,354,827</b>	<b>\$ 22,395,274</b>	<b>\$ (7,176,189)</b>	<b>\$ 344,573,912</b>

Veridian funded grants, scholarships, sponsorships, donations and more totaling approximately

\$1.2 million

in 2017 to help strengthen the communities we serve.



## Consolidated Statements of Cash Flows

Years Ended December 31, 2017 & 2016

	2017	2016
<b>Cash flows from operating activities</b>		
<b>Net income</b>	<b>\$ 37,498,308</b>	<b>\$ 18,783,801</b>
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	3,934,036	3,454,679
Provision for loan losses	11,910,714	8,259,739
Proceeds from sale of loans sold	226,037,712	254,107,096
Originations of loans held for sale	(228,604,254)	(255,619,854)
Gains from the sale of loans	(888)	(9,888)
Net gains on sales of available for sale investment securities	(282,318)	(411,363)
(Loss) on sale of property and equipment	26,641	–
Net amortization of premiums on available for sale investment securities	2,043,020	2,827,153
<b>Net change in:</b>		
Accrued interest receivable	(1,750,288)	(137,235)
Other assets	(5,630,753)	3,085,605
Accrued interest payable	955,768	334,048
Accrued expenses and other liabilities	14,155,690	6,589,784
<b>Net cash provided by operating activities</b>	<b>60,293,388</b>	<b>41,263,565</b>
<b>Cash flows from investing activities</b>		
Proceeds from maturities of certificates of deposit investments	49,271,907	42,588,101
Purchase of certificates of deposit investments	(3,434,000)	(11,404,015)
Proceeds from sales of investment securities available for sale	67,619,521	53,389,833
Purchase of investment securities available for sale	(40,264,285)	(91,642,377)
Proceeds from maturities of investment securities available for sale	62,112,732	107,742,254
Purchase of Federal Home Loan Bank stock	(32,354,700)	(2,556,600)
Proceeds from sale of Federal Home Loan Bank stock	28,110,000	5,182,000
Net change in loans receivable	(609,881,119)	(393,064,404)
Purchases of property and equipment	(14,387,914)	(12,247,083)
Proceeds from sale of property and equipment	34,255	–
Net increase in National Credit Union Share Insurance Fund deposit	(2,131,212)	(1,619,104)
<b>Net cash used in investing activities</b>	<b>(495,304,815)</b>	<b>(303,631,395)</b>
<b>Cash flows from financing activities</b>		
Proceeds (payments) from borrowed funds	101,650,000	(75,000,000)
Net increase in members' shares	302,265,337	197,367,177
<b>Net cash provided by financing activities</b>	<b>403,915,337</b>	<b>122,367,177</b>
<b>Decrease in cash and cash equivalents</b>	<b>(31,096,090)</b>	<b>(140,000,653)</b>
Cash and cash equivalents at beginning of year	101,294,459	241,295,112
Cash and cash equivalents at end of year	70,198,369	101,294,459
<b>Supplemental disclosures of cash flow information, cash payments for:</b>		
Interest paid to members	23,245,270	21,494,462
Interest paid on borrowed funds	940,417	80,300
<b>Supplemental schedule of noncash investment and financing activities:</b>		
<b>Change in accumulated other comprehensive income:</b>		
Unrealized gains (losses) on securities available for sale, net	(17,804)	823,765
Post-retirement benefit obligation	(1,060,387)	881,735
Transfers from loans to foreclosed real estate	1,142,219	1,068,245



our **BOARD** of DIRECTORS

**Pam Ayres**

COMMITTEES  
Credit (Chair)



**Bill Boevers**

COMMITTEES  
Executive (Chair)  
Strategic Planning



**Elizabeth Caven**

COMMITTEES  
Executive (1<sup>st</sup> Vice Chair)  
Strategic Planning  
The Veridian Group Board



**Thomas DeLong**

COMMITTEES  
Audit  
Board Governance



**Paul Gengler**

COMMITTEES  
Credit  
Nominating



**James Kacher**

COMMITTEES  
Executive (2<sup>nd</sup> Vice Chair)  
Strategic Planning



**Bob Kressig**

COMMITTEES  
Credit  
Political Involvement



**Ashley Lindley**

COMMITTEES  
Board Governance



**Traci McBee**

COMMITTEES  
Executive (Secretary)  
Board Governance



**Justine Peebles**

COMMITTEES  
Credit  
Nominating  
Strategic Planning



**Ginger Shirley**

COMMITTEES  
Credit (Secretary)  
Nominating



**Denny Skelton**

COMMITTEES  
Strategic Planning (Chair)  
Board Governance (Chair)  
The Veridian Group Board



**Creston L. Van Wey**

COMMITTEES  
Executive (Treasurer)



**Nick Waters**

COMMITTEES  
Audit (Chair)  
Board Governance



**Gaylen D. Witzel**

COMMITTEES  
Audit (Secretary)  
Board Governance







This credit union is federally insured by the National Credit Union Administration.