



2016

ANNUAL REPORT

CREATING SUCCESSFUL FINANCIAL FUTURES

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

VISION

Members

Create meaningful relationships where members view us as their trusted financial partner.

Employees

Engage, develop and value the diversity in our employees to ensure their success.

Products and Services

Deliver a broad range of innovative, simple-to-use, high-quality products and services.

Community

Play a vital role in enriching the community.

Sustainability

Maintain unquestionable financial security.

We connect with members and create an atmosphere of belonging and trust to ... EXCEED EXPECTATIONS!

VALUES

Passion

We make a difference.

Innovation

We embrace different ways of thinking and lead change.

Relationships

We genuinely care about others.

Inclusion

We value diversity and include everyone.

Collaboration

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

Accountability

We deliver results.

Leadership

We live these values every day.

MISSION

To partner with members to create successful financial futures.

THE CREDIT UNION DIFFERENCE

We're a not-for-profit credit union, and we're proud to be structured differently than other financials.

Being member-owned and not-for-profit means we return earnings to our members through lower rates, higher dividends, better services and low-to-no fees.

Did you know?

We're owned and governed by you.

Every member has one vote in the election for the Board of Directors, regardless of how much money that individual has on deposit.



Veridian Credit Union's mission is "To partner with members to create successful financial futures." When our members succeed, we succeed, and our 2016 results reflect success in several key areas. Loans outstanding increased 17.98%, far exceeding the budgeted 12% growth. Increasing loans helps members save money and generates revenue to pay dividends, maintain low fees and retain a high performing staff. Our total membership exceeded 200,000 for the first time in our history and assets ended the year at \$3.1 billion, also a new high.

Our diversification efforts continued in 2016 as we opened two new branches in our Western

Region. The first was in Council Bluffs in April, and the second was in Omaha in December. We also moved to a new location in Oelwein and remodeled our Cedar Heights office, as we remain committed to serving all of our members.

Our dedicated and knowledgeable staff and volunteer Board of Directors were vital to our accomplishments this past year. It is a privilege to work with fellow employees and Board members who live our mission every day – always focusing on what is best for our members. Finally, thanks to you, our member/owners. Your support of Veridian is deeply appreciated. We exist to serve you and help you create your successful financial future.



"When our members succeed, we succeed."

Monte T. Berg, CEO

CHAIR

REPORT

Veridian enjoyed continued success in 2016, hitting significant milestones in the areas of branches, members, assets, loans and more. These achievements will allow us to continue to live our mission of partnering with our members to create successful financial futures.

Our diversification efforts in the Western Region continued last year as we established two new branches. The West Broadway branch, in Council Bluffs, opened in April, and a second branch, West Maple in Omaha, opened in December.

Our membership continued to expand, reaching a milestone of 200,000 members in October. Along the way, we surpassed \$3 billion in assets.

We rolled out thousands of debit and credit chip cards that provided a new level of security for you. In addition, we upgraded several branch locations, continued our work assisting the

underserved and received numerous awards for financial and workplace excellence.

In light of our remarkable 2016, I would like to acknowledge Veridian's employees, who work diligently to help members achieve the financial futures they desire. I also thank the Board of Directors for all the time and effort they volunteered to ensure that Veridian's future remains promising and secure.

And to you, our members, thank you for your membership and support. We are grateful you continue to place your trust in us. Here's to a spectacular 2016 – and an even brighter future.

"These achievements will allow us to continue to live our mission of partnering with our members to create successful financial futures."



Bill Boevers, **Chair**



TREASURER

REPORT

Veridian remained financially strong in 2016. Our capital-to-assets ratio, a primary indicator of financial strength, was 10.13% at the end of 2016. Our goal is to keep this ratio between 9.0% and 10.0%. Other financial highlights included total asset growth of 5.02% to \$3.1 billion, loan growth of 17.98% to \$2.53 billion and deposit growth of 7.74% to \$2.75 billion. In addition, our operating expense ratio was 2.7%, which was well below our peer credit unions of similar asset size at 3.25%. The lower the operating expense, the better for this ratio.

In 2016, Veridian issued 237,000 new chip cards to our members. The new chip cards will provide additional security for our members while they are making purchases. In addition, Veridian implemented a new loan product through LendKey. This new product helps our members refinance their existing student loans at lower rates and lower monthly payments.

Veridian now serves 204,000 members with 29 branches in Iowa and Nebraska. In December, Veridian opened its first Nebraska branch in Omaha. Soon we'll be opening a second branch in Papillion. We've been serving members for 82 years, and we're excited to continue this long tradition for years to come.

Did you know?

Our Loss Prevention Department saved members and Veridian more than \$2.47 million in fraudulent charges in 2016.

"We've been serving members for 82 years, and we're excited to continue this long tradition for years to come."



Creston L. Van Wey, **Treasurer**



COMMITTEE

REPORTS

AUDIT

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

Committee Chair:

Traci McBee

Committee members:

Thomas DeLong

Gaylen D. Witzel

Accomplishments in 2016:

- Veridian was examined by three external auditing agencies – RSM US LLP, Iowa Credit Union Division and National Credit Union Administration. Results from all exams were shared with the Audit Committee and Veridian's Board of Directors.
- As part of a Board of Directors workshop, RSM US LLP presented industry best practices for the Board Governance Committee and Internal Audit Department.
- An external Bank Secrecy Act review and IT risk assessment were completed and presented to the Audit Committee.

BOARD GOVERNANCE

This committee reviews and oversees all policy issues regarding the Board of Directors.

Committee Chair:

Traci McBee

Committee members:

Scott Anderson, Elizabeth Caven

David R. Schultz, Denny Skelton

Accomplishments in 2016:

- Coordinated a Board workshop about the organization's approach to information technology and cybersecurity.
- Reviewed and recommended candidates to fill appointments on the Member Council in all four regions.
- Reviewed policies within the jurisdiction of the committee and proposed changes for the Board's approval.

STRATEGIC PLANNING

This committee prepares for the future by facilitating ongoing strategic discussions, setting short and long-term goals and establishing Balanced Scorecard measurements.

Committee Chair:

James Kacher

Committee members:

Bill Boevers, Ginger Shirley,

Nick Waters, Gaylen D. Witzel

Accomplishments in 2016:

- Established and monitored Balanced Scorecard targets for 2016. The targets were exceeded for five of the eight measures.
- Conducted surveys for the Board of Directors and employees to identify key strategic issues.
- Coordinated a strategic planning session for all Board members in September. The session focused on future member needs.

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:

David R. Schultz

Committee members:

Scott Anderson, Paul Gengler,

Bob Kressig, Ginger Shirley

Our thanks go out to our members, staff and our committee members for a great year!

Accomplishments in 2016:

- Total loans grew 17.98%, a record year in four specific categories.
- Direct Auto Loans originated more than \$182 million, a result of several successful marketing campaigns.
- Indirect Lending increased loans by originating \$438 million.
- Mortgage Lending saw a milestone year by helping members purchase or refinance their homes totaling \$485 million.
- Commercial Lending had the largest year in history, increasing their loan portfolio to over \$183 million.

VISION

This committee consists of Veridian employees and two liaisons from the Board of Directors. Nominations are reviewed for employees who exceeded members' expectations and displayed the credit union philosophy. The team selects Employee of the Month and Visionary of the Year recipients.

Board Liaisons:

Pam Ayres

David R. Schultz

Accomplishments in 2016:

- 102 Employee of the Month nominations were reviewed.
- Three Employee of the Month winners received a Visionary of the Year award.

CONGRATULATIONS TO OUR VISIONARY OF THE YEAR RECIPIENTS

ANN

DOLAN

Consumer Loan Representative
Waterloo, IA



HILLARY

RYAN

Receptionist
Ankeny, IA



KARLA

CASTRO

Loan Officer
Des Moines, IA



200,000

MEMBERS & COUNTING

We grew to 200,000 members strong and celebrated the milestone in conjunction with International Credit Union Day in October. Please read about how we're impacting members' lives at veridiancu.org/stories.

2016

A YEAR TO REMEMBER

\$3 BILLION

SURPASSED
IN ASSETS

We continued our strong upward trend as we exceeded \$3 billion in assets. The last three decades have seen unprecedented growth, as we had a modest \$200 million in assets as recently as 1990.

Hello, Council Bluffs and Omaha

We held a couple of ribbon-cutting ceremonies, unveiling full-service branches in the greater Omaha area. First, we opened our West Broadway location in Council Bluffs in April, then followed that up by opening our West Maple location in Omaha eight months later.



CHIP CARDS

We gave your wallet a makeover in 2016 with a redesign and rollout of new chip-enabled debit and credit cards.

Altogether, we issued more than 237,000 debit and credit chip cards.

BRANCH UPGRADES

In an effort to keep our branches modern and welcoming, our Cedar Heights and Oelwein locations received makeovers.

In fact, the Oelwein branch was relocated before it was remodeled, and its floor space more than doubled to 5,050 feet.

Awards and Accolades in 2016

Named a Top Workplace in Iowa

For the second straight year, the Des Moines Register named us a Top Workplace in Iowa. The Top Workplace list is determined based solely on surveys completed by the employees at eligible businesses.

Business of the Year

Des Moines Downtown Chamber

Best Local Credit Union

Des Moines Cityview

Best Credit Union

Des Moines Business Record

**Cooldest Places to Work
7th Place**

Corridor Business Journal

Best Credit Union

Waterloo-Cedar Falls Courier

**Best Bank Teller
Alissa Ericson (HM)**

Waterloo-Cedar Falls Courier

Best Financial Investments (HM)

Waterloo-Cedar Falls Courier

FINANCIAL

STATEMENTS

Consolidated Statements of Financial Condition

Years Ended December 31, 2016 & 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 101,294,459	\$ 241,295,112
Certificates of deposit	94,255,462	125,440,404
Investment securities available for sale	275,649,445	347,141,686
Loans held for sale	4,725,096	3,202,450
Loans receivable, net of allowance for loan losses	2,525,328,246	2,140,523,581
Accrued interest receivable	7,583,134	7,445,899
Property and equipment		
Land and land improvements	12,652,881	10,241,873
Buildings and improvements	43,844,340	37,090,850
Furniture and equipment	25,847,442	22,926,422
Total property and equipment	82,344,663	70,259,145
Less accumulated depreciation	31,859,946	28,566,832
Net property and equipment	50,484,717	41,692,313
National Credit Union Share Insurance Fund (NCUSIF) deposit	23,604,560	21,985,456
Other assets	18,973,001	24,684,006
Total assets	3,101,898,120	2,953,410,907
Liabilities		
Members' shares	2,747,429,311	2,550,062,134
Accrued interest payable	4,441,846	4,107,798
Borrowed funds	–	75,000,000
Accrued expenses and other liabilities	41,590,850	35,882,800
Total liabilities	2,793,462,007	2,665,052,732
Members' equity		
Appropriated	304,661,983	276,050,196
Unappropriated	9,589,810	19,417,796
Accumulated other comprehensive (loss)	(5,815,680)	(7,109,817)
Total members' equity	308,436,113	288,358,175
Total liabilities and members' equity	3,101,898,120	2,953,410,907

Consolidated Statements of Income

Years Ended December 31, 2016 & 2015

	2016	2015
Interest income		
Interest and fees on loans	\$ 91,870,895	\$ 83,672,925
Interest on investment securities	5,206,575	6,799,398
Interest on certificates of deposit and other investments	2,120,305	2,092,725
Total interest income	99,197,775	92,565,048
Interest expense		
Members' shares	21,828,510	18,780,672
Borrowed funds	80,300	80,856
Total interest expense	21,908,810	18,861,528
Net interest income	77,288,965	73,703,520
Provision for loan losses	8,259,739	8,192,427
Net interest income after provision for loan losses	69,029,226	65,511,093
Other income		
Service charges	14,173,246	12,254,221
Credit card interchange fees	18,505,144	16,901,506
Other income	7,549,422	8,738,600
Total other income	40,227,812	37,894,327
Operating expenses		
Salaries and employee benefits	50,624,837	43,903,668
Other operating expenses	39,848,400	32,100,761
Total operating expenses	90,473,237	76,004,429
Net income	18,783,801	27,400,991

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2016 & 2015

	2016	2015
Net income	\$ 18,783,801	\$ 27,400,991
Other comprehensive income (loss):		
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the year	823,765	(1,759,146)
Less reclassification adjustment for (gains) included in net income	(411,363)	(564,964)
Post-retirement benefit obligation	881,735	611,412
Other comprehensive gain (loss)	1,294,137	(1,712,698)
Comprehensive income	20,077,938	25,688,293

FINANCIAL

STATEMENTS

Consolidated Statements of Changes in Members' Equity

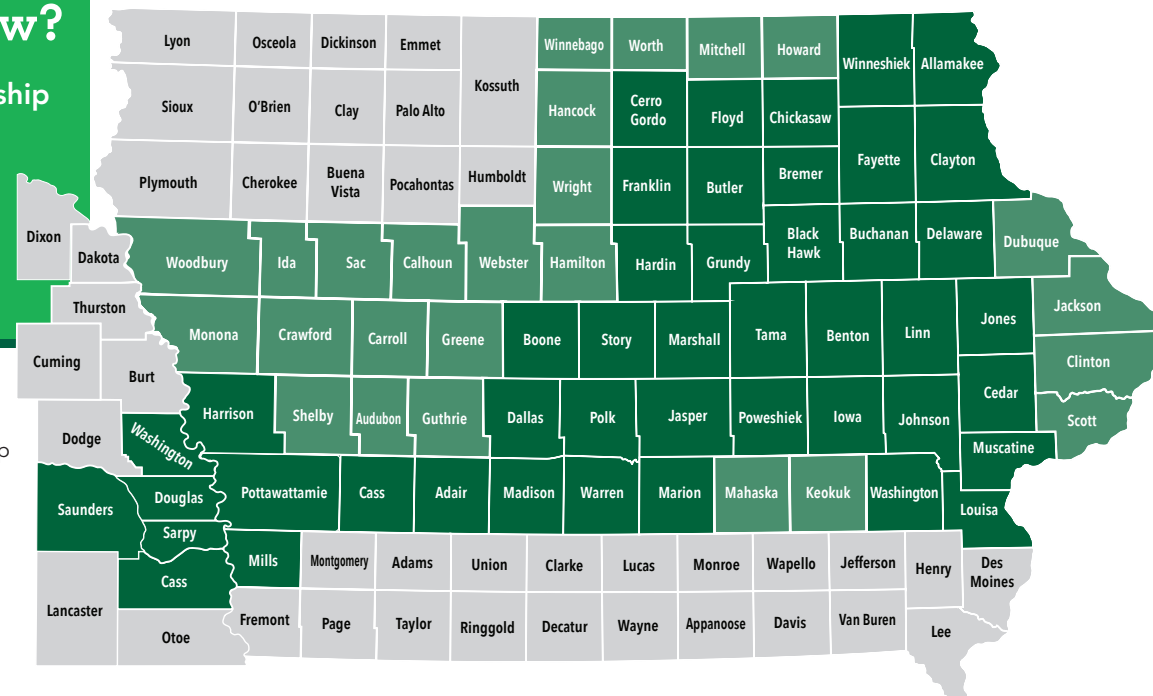
Years Ended December 31, 2016 & 2015

	Appropriated			Unappropriated		
	Legal reserve for loan losses	Capital reserve	Total	Undivided earnings	Accumulated other comprehensive (loss)	Total
Balance, December 31, 2014	\$ 80,383,798	\$ 169,219,225	\$ 249,603,023	\$ 18,463,978	\$ (5,397,119)	\$ 262,669,882
Comprehensive income:						
Net income	-	-	-	27,400,991	-	27,400,991
Other comprehensive (loss)	-	-	-	-	(1,712,698)	(1,712,698)
Transfers, net	8,011,992	18,435,181	26,447,173	(26,447,173)	-	-
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)	-	-
Balance, December 31, 2016	\$ 97,618,577	\$ 207,043,406	\$ 304,661,983	\$ 9,589,810	\$ (5,815,680)	\$ 308,436,113

Did you know?

Our field of membership increased in 2016.

We diversified our field of membership to include an additional 25 counties in Iowa.



Consolidated Statements of Cash Flows

Years Ended December 31, 2016 & 2015

	2016	2015
Cash flows from operating activities		
Net income	\$ 18,783,801	\$ 27,400,991
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,454,679	2,939,011
Provision for loan losses	8,259,739	8,192,427
Proceeds from sale of loans sold	254,107,096	160,941,763
Originations of loans held for sale	(255,619,854)	(161,738,906)
(Gains) from the sale of loans	(9,888)	(8,654)
Net (gains) on sales of available for sale investment securities	(411,363)	(564,964)
(Gain) on sale of property and equipment	-	(17,499)
Net amortization of premiums on available for sale investment securities	2,827,153	3,142,707
Net change in:		
Accrued interest receivable	(137,235)	(146,123)
Other assets	3,085,605	(885,345)
Accrued interest payable	334,048	(1,793,792)
Accrued expenses and other liabilities	6,589,784	3,339,272
Net cash provided by operating activities	41,263,565	40,800,888
Cash flows from investing activities		
Proceeds from maturities of certificates of deposit investments	42,588,101	49,947,263
Purchase of certificates of deposit investments	(11,404,015)	(19,057,066)
Proceeds from sales of investment securities available for sale	53,389,833	64,182,803
Purchase of investment securities available for sale	(91,642,377)	(221,029,882)
Proceeds from maturities of investment securities available for sale	107,742,254	115,617,770
Purchase of Federal Home Loan Bank stock	(2,556,600)	(8,788,100)
Proceeds from sale of Federal Home Loan Bank stock	5,182,000	5,540,000
Net change in loans receivable	(393,064,404)	(231,411,859)
Purchases of property and equipment	(12,247,083)	(8,491,284)
Proceeds from disposal of property and equipment	-	11,800
Net increase in National Credit Union Share Insurance Fund deposit	(1,619,104)	(1,831,306)
Net cash (used in) investing activities	(303,631,395)	(255,309,861)
Cash flows from financing activities		
Proceeds (payments) from borrowed funds	(75,000,000)	75,000,000
Net increase in members' shares	197,367,177	210,920,951
Net cash provided by financing activities	122,367,177	285,920,951
Increase (decrease) in cash and cash equivalents	(140,000,653)	71,411,978
Cash and cash equivalents at beginning of year	241,295,112	169,883,134
Cash and cash equivalents at end of year	101,294,459	241,295,112
Supplemental disclosures of cash flow information, cash payments for:		
Interest paid to members	21,494,462	19,280,861
Interest paid on borrowed funds	80,300	80,856
Supplemental schedule of noncash investment and financing activities:		
Change in accumulated other comprehensive income:		
Unrealized gains (losses) on securities available for sale, net	823,765	(1,759,146)
Post-retirement benefit obligation	881,735	611,412
Transfers from loans to foreclosed real estate	1,068,245	1,366,311

BOARD

OF DIRECTORS

COMMITTEES

Board Governance
Credit



SCOTT
ANDERSON

COMMITTEES

Executive (Secretary)
Vision



PAM
AYRES

COMMITTEES

Executive (Chair)
Strategic Planning



BILL
BOEVERS

COMMITTEES

Board Governance
Nominating
The Veridian Group Board



ELIZABETH
CAVEN

COMMITTEES

Audit



THOMAS
DE LONG

COMMITTEES

Credit
Nominating (Chair)



PAUL
GENGLER

COMMITTEES

Executive (2nd Vice Chair)
Strategic Planning (Chair)



JAMES
KACHER

COMMITTEES

Credit
Political Involvement



BOB
KRESSIG

COMMITTEES

Audit (Chair)
Board Governance (Chair)
Nominating



TRACI
MCBEE

COMMITTEES

Board Governance
Credit (Chair)
Vision



DAVID R.
SCHULTZ

COMMITTEES

Credit (Secretary)
Strategic Planning



GINGER
SHIRLEY

COMMITTEES

Board Governance
The Veridian Group Board



DENNY
SKELTON

COMMITTEES

Executive (Treasurer)



CRESTON L.
VAN WEY

COMMITTEES

Executive (1st Vice Chair)
Strategic Planning



NICK
WATERS

COMMITTEES

Audit Committee (Secretary)
Strategic Planning



GAYLEN D.
WITZEL

Did you know?

Our Board of Directors consists of unpaid volunteers.

The Board of Directors volunteers more than 2,700 hours each year to serving their fellow members.



