

Providing Financial Advantages

2016 Financial Condition Reporting of Advia Credit Union

advia
credit union

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Message from our Board Chair, **Marty Doorn**

As I complete my first year as board chair in 2016, I am grateful and proud of our board of directors who provide leadership, guidance and oversight of Advia, which now holds nearly \$1.35 Billion in assets. For example, our recent successful acquisition of Mid America Bank positions us for continued growth in our multi-state regions, provides economic diversity in new communities, and provides financial advantages to an expanding membership.

This annual report of Advia's 2016 financial performance is a testament of our commitment to living our mission and core values. Our credit union continues to exhibit outstanding financial soundness, with notable metrics including Return on Average Assets of 0.91% and net equity of 11.83%. Our total assets have grown by nearly 13.80%, now positioning us within the top 200 credit unions nationally in terms of total assets!

The safety and security of your financial information remains a top priority, and aside from economic growth, in 2016 we dedicated ourselves to cybersecurity and fraud prevention. By employing the best talent, security technology, and product enhancements, we remain vigilant in our quest to protect our members' financial assets. To this end, we introduced our EMV chip enabled Visa Debit cards which provided an added layer of security against fraud. Looking ahead, we remain steadfast in our commitment to giving back to you and our communities - through greater technology, security, and easy access to meet your financial needs.



Message from our President & CEO, **Cheryl A. DeBoer**

I am very happy to report that 2016 was a year dedicated to driving progress and expanding upon Advia's mission of providing financial advantages for our members. Topping our list of achievements was the official acquisition of Mid America Bank, a Wisconsin based bank with branches in Janesville, Williams Bay, Waukesha, and Madison. We were especially excited to welcome new staff to our team, broaden our field of membership to additional counties in Wisconsin, and grow our commercial lending portfolio, allowing us to compete with greater success in the financial services industry. With our expansion in this region, we are now at 26 locations and continuing to grow!

In 2016 we saved members over \$11 Million in loan interest payments by helping them consolidate debt! We continue to offer easy access and competitive rates for both our lending and deposit options. In addition to outstanding loan growth, we increased member deposits by 13.52%. This balance is important as it allows us to continue funding member borrowing needs. We are equally driven in our commitment to giving back to our local communities. Our team volunteered over 1,100 hours locally and in combination with our Advia Foundation, we provided over \$100,000 in the form of youth scholarships and community support. Perhaps one of our greatest celebrations was being recognized as one of the 101 Best Places to Work in 2016!

Looking ahead to 2017, we will be introducing even more innovative financial solutions, including new and convenient ways to access your accounts online. Our Value Proposition - to proactively seek out the quickest and easiest solutions available for members to maximize the financial value we provide them - remains our top priority!

Supervisory Committee Report, **Jim Bouma**



The mission of Advia Credit Union's volunteer Supervisory Committee is to protect the assets and interest of the membership by ensuring that financial and operational activities are performed accurately and in compliance with State and Federal regulations. To accomplish this mission, the Supervisory Committee meets and consults with our external auditors, federal examiners, internal auditors and members of both management and Board of Directors.

As indicated by the Statements of Financial Condition, included within this annual report, 2016 was a strong year for our credit union. We achieved continued growth in loan balances, share deposits and total assets. This continued strong performance equates to greater services and better rates for our members.

On behalf the committee, I am proud to report that Advia Credit Union is a financially thriving cooperative, dedicated to serving its members while maintaining strong financial and operational practices. During the year the credit union's operations and financial results were audited by Doeren Mayhew, Certified Public Accountants, and by our own internal Audit team, who report to our Committee.

Report of the Search Committee – **Julie Birman**

In accordance with the Board Nomination Policy, the following incumbents were nominated for Board of Director positions within Advia Credit Union. No petitions were received. Each individual was therefore approved by acclamation:

Julie Birman – Julie has served as a Board Director since 1998, and is the current Vice Chair. Julie is a 30-year employee of RiverRun Press in Parchment, Michigan, where she is an Account Executive.

Danielle Streed – Danielle has served as a Board Director since 2004. Danielle is our Board Treasurer, and is an Estate Planning Attorney with Danielle Streed and Associates.

Donna Kalmeta – Donna has served as a Board Director since 2008. Donna owns and operates Prime Office Innovations and lives in Marine City, MI.

In addition, the Search Committee was successful in recruiting two new individuals to Advia's Supervisory Committee. I'm pleased to announce that in 2017, Danielle Taurence and Joel van Rensburg are now Supervisory Committee members, representing the diverse geographic makeup of our membership.

All members of Advia Credit Union's Board of Directors are volunteer representatives of our membership and serve without compensation.

Volunteer Board of Directors

Marty Doorn, Board Chair
Julie Birman, Vice Chair
Danielle Streed, Treasurer
Nicole Kalmbach, Secretary
Donna Kalmeta, Director
Rich Seim, Director
Mike Segal, Director

Supervisory Committee Members

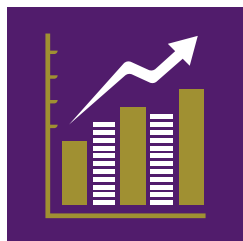
Jim Bouma, Chair
Mike Segal, Interim Committee Member
Carter Hitesman, Secretary

In 2017, we welcome Danielle Taurence and Joel van Rensburg as new Supervisory Committee members.

Executive Team

Cheryl A. DeBoer
President & CEO
Jeff Fielder
EVP of Finance
Kristin Marschner
EVP of Risk Management
Ray Black
EVP of Sales & Marketing

Treasurer's Report, **Danielle Streed**



Advia Credit Union is financially strong, positioned within the top 10 credit unions in Michigan, and, when measured by total assets, within the top 3% of credit unions in the United States. Total assets increased by over \$163 Million in 2016, which equates to nearly 13.80% annual growth. By year end, our assets were near to \$1.35 Billion.

For the year, we recorded a Return on Average Assets (ROAA) of 0.91%. At year end, our regulatory net worth ratio was 11.83%, which is well above the 7.00% amount required to be classified as "Well Capitalized".

We continue to remain focused on providing the best possible return to our members in the form of competitive deposits, low personal and business loan rates, soundness and integrity in our financial operations, and with a commitment to future growth to maintain sustainability within our regions.

Statement of Income for the Years Ended: **December 31, 2016 and 2015**

| INTEREST INCOME | 2016 | 2015 |
|--|---------------------|---------------------|
| Interest on Loans | \$45,189,627 | \$37,174,522 |
| Interest on Investments and Cash Equivalents | 4,322,709 | 5,204,453 |
| Total Interest Income | \$49,512,336 | \$42,378,975 |

| INTEREST EXPENSE | 2016 | 2015 |
|--|---------------------|---------------------|
| Dividends Paid | \$5,983,287 | \$5,402,008 |
| Interest on Borrowed Money | 495,484 | 91,638 |
| Total Interest Expense | \$6,478,771 | \$5,493,646 |
| Net Interest Income | \$43,033,565 | \$36,885,329 |
| Provision for Loan Losses | 6,675,734 | 6,072,060 |
| Net Interest Income After Loan Loss Provision | \$36,357,831 | \$30,813,269 |
| Other Non-Interest and Fee Income | 23,297,515 | 21,864,917 |
| TOTAL NET INTEREST AND FEE INCOME | \$59,655,346 | \$52,678,186 |

| GENERAL AND ADMINISTRATIVE EXPENSES | 2016 | 2015 |
|--|---------------------|---------------------|
| Compensation and Benefits | \$24,636,366 | \$21,650,828 |
| Office Operations | 20,961,774 | 17,424,123 |
| Office Occupancy | 3,494,919 | 3,219,762 |
| Total Operating Expenses | \$49,093,059 | \$42,294,713 |
| Net Income From Operations | \$10,562,287 | \$10,383,473 |
| Non-Operating Gain (Loss) | 980,233 | 599,378 |
| TOTAL NET INCOME | \$11,542,520 | \$10,982,851 |

Statement of Financial Condition: **December 31, 2016 and 2015**

| ASSETS | 2016 | 2015 |
|--|------------------------|------------------------|
| Cash and Cash Equivalents | \$35,070,275 | \$56,832,884 |
| Investments | 191,256,771 | 284,051,634 |
| Loans, Net of Loan Loss Allowance | 1,063,240,775 | 794,793,174 |
| Accrued Interest Receivable | 3,598,595 | 2,823,382 |
| Property & Equipment, Net of Depreciation | 22,727,036 | 21,385,994 |
| National Credit Union Share Insurance Fund Deposit | 9,442,539 | 9,073,179 |
| Other Assets | 22,355,770 | 15,114,806 |
| TOTAL ASSETS | \$1,347,691,761 | \$1,184,075,053 |

| LIABILITIES, MEMBERS' SHARES & MEMBERS' EQUITY | 2016 | 2015 |
|---|------------------------|------------------------|
| Accounts Payable | \$7,172,712 | \$6,607,891 |
| Dividends Payable | 1,275 | 3,900 |
| Accrued Expenses | 3,489,922 | 2,822,086 |
| Borrowings | 60,000,000 | 42,000,000 |
| Other Liabilities | 3,202,185 | 3,800,114 |
| Total Liabilities | \$73,866,094 | \$55,233,991 |
| Members' Shares | | |
| Shares | \$898,755,538 | \$807,569,924 |
| Certificates | 224,642,961 | 182,027,361 |
| Total Members' Shares | \$1,123,398,499 | \$989,597,285 |
| Members' Equity | | |
| Undivided Earnings | \$107,183,433 | \$95,640,913 |
| Regular Reserves and Capital Acquired in Mergers | 43,985,830 | 43,985,830 |
| Other Comprehensive Income | (742,095) | (382,966) |
| Total Members' Equity | \$150,427,168 | \$139,243,777 |
| TOTAL LIABILITIES & EQUITY | \$1,347,691,761 | \$1,184,075,053 |

Regulatory Capital Adequacy - **December 31, 2016**

| GENERAL CAPITAL REQUIREMENTS | AMOUNT | RATIO |
|--|----------------------|---------------|
| Amount Required to Be Classified as "Adequately Capitalized" | \$80,861,506 | 6.00% |
| ACTUAL REGULATORY NET WORTH | \$159,391,632 | 11.83% |

| OTHER RATIOS | RATIO |
|---------------------|--------------|
| Delinquency Ratio | 1.17% |

Contact Information

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www.adviacu.org

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