



DFCU FINANCIAL

2023 Annual Report

PHONE CONFERENCE - MAY 16, 2023

Members were welcomed to the 2023 DFCU Financial Membership Meeting by Board Chairman Jim Cowper. Because this meeting was a conference call format, he directed the members to the website for the annual report, financials, and meeting agenda which were all previously made available for review.

CALL TO ORDER

Reminder: the meeting rules of conduct, the 2022 Annual Report, last year's meeting minutes, and the agenda for today are available online at dfcufinancial.com/annualmeeting23.

RULES OF CONDUCT

J. Cowper reviewed the Rules of Conduct for the virtual meeting including:

- This presentation may not be recorded without express permission of DFCU Financial.
- All participants except those speaking will be muted.
- If you have specific questions not already submitted, please use the Chat function.
- Questions will be responded to immediately following the meeting.

Chairman Cowper then introduced the officials present at the meeting:

Keith Moss, Vice Chair
Don Tomford, Secretary
Matt Elsey, Treasurer
Shirley Ghannam, Director
Annetta May, Director
Carna Cureton, Associate Director
Kathleen Yaremchuk, Associate Director
Ryan Goldberg, President & CEO

DETERMINATION OF A QUORUM

Approximately 19 members were in attendance. Chairman Cowper noted that a quorum was present and called the 2023 meeting to order at 6:16 pm.

APPROVAL OF MINUTES FROM THE 2022 MEETING

The first order of business on the agenda was acceptance of the minutes from the 2022 Annual Membership Meeting. The minutes were approved and made part of the official records. The next agenda item was the Report of the Chairman by Jim Cowper.

2022 IN REVIEW

- DFCU Financial surpassed 2022 Net Income target.
- We retained top 10 Return on Assets as measured by our peers for nearly two decades.
- We surpassed revenue targets by contributions and referrals across all teams:
 - Branch goals for consumer loans \$228 million vs plan of \$144 million.
 - Team effort to retain deposits in a challenging rate environment.
 - Michigan Commercial Banking team exceeded targets.
 - Mortgage Bankers adapted to rising rate environment by focusing on ARM products.
 - Card fee income surpassed \$1 million every month of 2022.
 - Investment & Brokerage teams held steady revenue in 2022 in an unpredictable market.

2022 REVENUE VS. EXPENSES

These next slides give an overview of revenue in millions vs. expenses for 2022.

- With revenue numbers at \$175.9 million, expenses of \$84 million, and provision or reserve allowance for potential future charge off of loans at \$0.7 million, we reached a net income of \$91.2 million.
- DFCU operated at a high efficiency level of 48%, meaning that it takes 48 cents of expense to produce \$1.00 of revenue.
- Our earnings before Cash Back are 1.46% of full year average assets.

It's quite remarkable that we are able to and committed to give back 42% of our earnings directly to members in the form of Cash Back.

Here you see the makeup of our balance sheet composition. First mortgages make up almost half of our lending, with vehicle and home equity loans at 25% and 21% respectively. Card usage continues to increase.

Insured money markets are 43% of our deposits with regular savings accounts making up a quarter and interest checking at 21% (combined 9% checking and 12% interest checking).

Though I presented an overview of the credit union's financial condition, the full Balance Sheet and Income Statement are included in the Annual Report. We invite you to review these at your leisure.

OTHER 2022 ACCOMPLISHMENTS

Cash Back

The payout continues to increase each year, and \$38.3 million was paid this January. This is the largest special dividend in the history of the credit union industry. To date, more than \$430 million has been given back to members.

Acquisition

Our merger with First Citrus Bank represents DFCU's initial expansion into Florida and a significant increase in commercial lending presence and expertise. Contributions from employees across both states helped achieve merger approval by year end, while maintaining superior member service.

OTHER 2022 ACCOMPLISHMENTS

- Implementation of Zelle in February 2022—a fast an easy app to send and receive money via your phone.
- Bill Pay conversion from PSCU to Fiserv in June.
- Launch of Eltropy text solution which sends text messages & engages our members with this two-way short message service (SMS).
- Implementation of Commercial Lockbox Service which ensures timely updating of accounts receivable.

DFCU continues to be deeply involved in its communities and actively provides financial education free of charge to members. A list of just a few of the great programs we were able to support with pride was shared.



AWARDS IN 2022

- Forbes Magazine rated DFCU one of the “Best Credit Unions in Michigan” (and we’re the only credit union in Michigan to win the award all four times it’s been given!).
- DFCU has also continued to be recognized as one of the top workplaces and was presented with several preferred employer awards.

2023 INITIATIVES

As we move into 2023, a few of our top initiatives include:

- First Citrus Bank integration including system conversion and online banking platform.
- Manage cost of funds in a challenging rising rate environment.
- Grow new memberships through increased marketing efforts.
- Opened Rochester Branch in January 2023.
- Expand consumer lending and investment services in Michigan and Florida by adding new programs such as construction mortgage lending and a pre-approval loan program.
- Adding mortgage loan officers, commercial loan officers, and investment representatives.

I will now move on to the next two items on the agenda, which are unfinished business and new business.

UNFINISHED OR NEW BUSINESS

Secretary Tomford has reported that there are no items of unfinished business nor new business.

ELECTION

Margaret Dimond, Matt Elsey, and John Sinelli were up for re-election. Each candidate was introduced, and background information was provided to the members present. Since the candidates were running unopposed for three vacancies, a unanimous ballot was cast. Thanks to the nomination committee led by Don Tomford.

ADJOURNMENT OF MEETING

The meeting adjourned at 6:27 p.m.

Q & A

Members presented a few questions ahead of time and at the meeting that related to DFCU’s safety and soundness, our financial strength, deposit pricing, and how Cash Back is calculated. John Chapel-Pearch and Ryan Goldberg provided detailed answers.

Q & A ended at 6:56 p.m.



Dear Valued Members,

As we reflect on 2023, we are proud of the significant strides we've made at DFCU Financial for our membership. This year was marked by our unwavering commitment to growth, innovation, and the enrichment of our members' financial lives. Our strategic initiatives are centered around being an effective and efficient credit union built within a framework of managing risk. We are proud to have yielded significant achievements, enhancing our position as a leader in the financial sector.

Key Accomplishments in 2023

First Citrus Bank Integration: As we began 2023, we celebrated our first entry into the high-growth market of the Tampa Bay region in Florida through our acquisition of First Citrus Bank. This transaction strengthens our commercial line of business, diversifying our balance sheet and providing a growth opportunity for our credit union.

Strengthening Our Presence: In the fall of 2023, we entered into an agreement to purchase the Naples and Fort Myers, Florida, operations of MidWestOne Bank, further expanding our Florida footprint. This will enable us to service local residents, and also the thousands of Michigan members who reside or winter along the Gulf Coast. In addition, we opened a new branch in Rochester, Michigan, demonstrating our focus on expanding market reach and increasing accessibility for members.

Member Enhancements: We continue to invest in our products and services offered to our membership. In 2023, we introduced the Consumer Loan Preapproval Program, a construction loan product for residential mortgages, launched digital debit card instant issuance, and expanded the suite of online services for commercial banking members.

Recognized Excellence: DFCU is committed to being a top workplace for our employees which was validated externally through numerous awards including National Best & Brightest Company to Work

For, Metro Detroit and West Michigan Best & Brightest, and Detroit Free Press Top Workplace. We received a few new awards, as well: the AM&AA's Deal of the Year award, the Inaugural Inman Best of Finance Award, and the S&P Global Market Intelligence Best Performing Credit Union in the US, highlighting our commitment to innovative financial solutions and achieving excellence.

From a financial perspective, 2023 was a year of solid achievement. We reached core earnings of \$92.4 million, and maintained a strong balance sheet enabling our credit union to fund over \$750 million in new consumer, mortgage, and business loans for our member base. We achieved this while maintaining our disciplined approach to expense control. DFCU welcomed 13,000 new members in 2023, bringing our total membership to more than 240,000. These figures not only represent our financial health and operational efficiency, but also reinforce our commitment to fiscal responsibility and the well-being of our members.

Looking ahead to 2024, DFCU remains dedicated to continuous improvement and strategic expansion. We'll leverage technology and innovation to meet the continuously evolving needs of our members and extend our reach to serve even more communities and a wider range of members. By investing in our people and refining processes, we aim to remain at the forefront of the financial services industry.

Your loyalty and trust in DFCU Financial are the foundation of our continued success. Together, we look forward to a year filled with opportunity, growth, and prosperity.

Thank you for being a part of our journey.



Jim Cowper
Chairman of the Board
DFCU Financial

James Cowper

Balance Sheet & Income Statement

(in thousands)

BALANCE SHEET

Consolidated Statements of Financial Condition

December 31	2023 unaudited*	2022
Assets		
Cash and cash equivalents	\$ 325,481	\$ 286,303
Investment securities	3,890,696	4,473,254
Loans	1,805,343	1,087,305
Allowance for loan losses	(8,800)	(5,551)
Net loans	1,796,543	1,081,754
Property, buildings and equipment	49,090	38,469
National Credit Union Share Insurance Fund deposit	53,043	52,057
Accrued income and other assets	146,742	69,905
Total assets	\$6,261,595	\$6,001,742
Liabilities and equity		
Deposits	\$5,784,946	\$5,681,410
Accrued expenses and other liabilities	98,611	87,203
Total liabilities	5,883,557	5,768,613
Retained earnings and regular reserve	849,651	802,981
Accumulated other comprehensive income	(471,613)	(569,852)
Members' equity	378,038	233,129
Total liabilities and equity	\$6,261,595	\$6,001,742

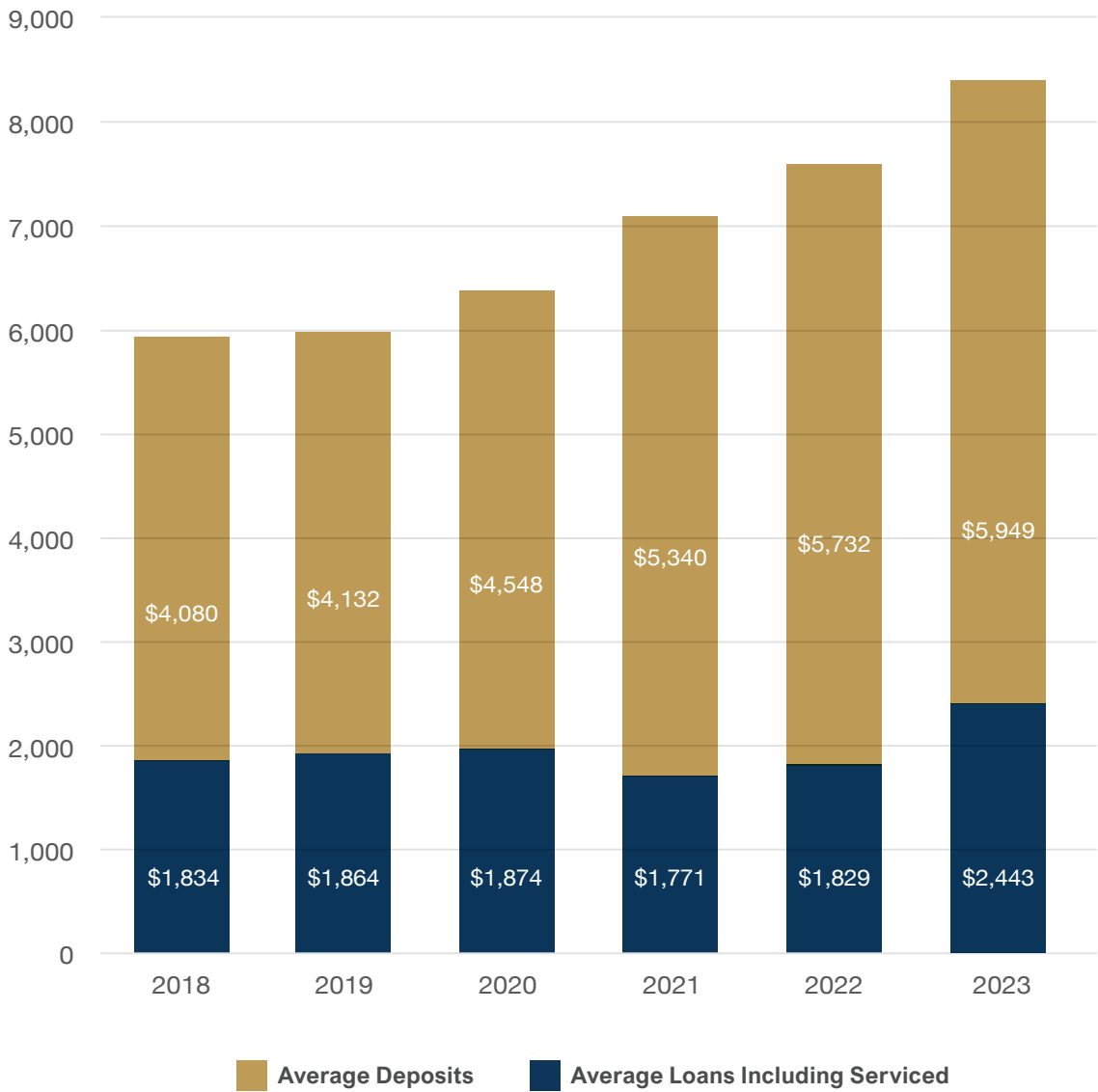
INCOME STATEMENT

Consolidated Statements of Income

December 31	2023 unaudited*	2022
Net interest income		
Interest income	\$183,656	\$129,584
Interest expense	34,751	3,892
Net interest income	148,905	125,692
Provision for losses on loans	2,598	707
Net interest income after provision for losses on loans	146,307	124,985
Non-interest income		
Fees and commissions	50,634	47,846
Other non-interest income	3,449	2,533
Total non-interest income	54,083	50,379
Non-interest expense		
Compensation and benefits	63,801	53,374
Office operations and occupancy	20,024	16,079
Other	26,716	18,598
Total non-interest expenses	110,541	88,051
Net income before special patronage dividend	89,849	87,313
Special patronage dividend	40,931	38,275
Net income	\$48,918	\$49,038

*Crowe, LLP was retained to perform the 2023 audit procedures in the Spring of 2024. Crowe, LLP issued an unqualified opinion on the 2022 financial statements.

Six-year Trend (in millions)
Includes Florida





We were honored to be recognized in 2023 as one of S&P Global's Top 100 Credit Unions, and to receive the inaugural Inman Best in Finance award, and AM&AA's Deal of the Year award. Employee surveys helped us achieve National Best & Brightest for the 10th time, Metro Detroit Best & Brightest for the 16th consecutive year, West Michigan Best & Brightest for the 12th year in a row, and Detroit Free Press Top Workplace for the 16th year running.



In 2023, DFCU Financial continued its tradition of enriching communities and empowering individuals through meaningful contributions and partnerships. Highlights of its community engagement efforts included:

Michigan Medicine Little Victors Wagon Initiative: DFCU Financial supported this wonderful program aimed at enhancing the hospital experience for pediatric patients and their families, providing resources and comfort during their stays.

Bess the Book Bus Collaboration: Partnering with this mobile literacy program, DFCU Financial helped distribute thousands of books to children in underserved communities, fostering a love for reading and promoting early literacy skills.

Gleaners Food Bank and Feeding Tampa Bay Donation & Volunteer Events: Employees from DFCU Financial dedicated their time to support these food banks, helping with the sorting, packing, and distribution of food to those facing hunger, demonstrating a deep commitment to addressing food insecurity. In addition, DFCU and Mastercard partnered on a donation-matching program, ultimately awarding \$20,000 to each of these great organizations.

Pack the Pantries Food Collection Drive: This campaign encouraged the community to donate non-perishable food items, significantly increasing the supplies in local food pantries and ensuring that families in need had access to essential nutritional support.

Children's Literacy Network Partnership: DFCU Financial's collaboration with the Children's Literacy Network underscored its commitment to enhancing literacy and educational opportunities for children, providing them with the tools and resources needed to succeed academically.

Banzai Financial Literacy Partnership: Continuing its investment in financial education, DFCU Financial sponsored Banzai Financial Literacy programs, offering interactive and engaging financial courses to schools, thereby equipping them with the content they needed to teach students vital skills for managing their finances wisely.

These efforts reflect DFCU Financial's ongoing dedication to making a positive impact in the communities it serves, through initiatives that support education, health, and well-being.



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