

DFCU FINANCIAL

2022 Annual Report



AGENDA - MONDAY, MAY 22, 2023

1. Determination of a Quorum
2. Approval of the Minutes from 2022 Meeting
3. Report of Chairman
4. Report of Financial Condition & Annual Comprehensive Audit
5. Unfinished Business
6. New Business Other Than Election
7. Election
8. Adjournment
9. Questions and Answers

RULES OF PROCEDURE AND CONDUCT OF THE ANNUAL MEETING

The following rules of procedure and conduct have been adopted by the Board of Directors and will be used to assure that the annual meeting is fair, orderly, and conducted in a business-like fashion.

1. The meeting will be conducted in accordance with the Agenda set forth above and will be conducted as expeditiously as possible.
2. The Annual Membership Meeting shall be governed by these Rules of Procedure and the parliamentary procedures described in Democratic Rules of Order (Seventh Edition).
3. This presentation may not be recorded without the express written permission of DFCU Financial.
4. If you have specific questions not already submitted, please use the CHAT function and questions will be responded to.
5. In order to give everyone an opportunity to be heard, questions and comments should be brief.
6. The distribution of any marketing, advertising, soliciting, promotional, or other materials is strictly prohibited.
7. Any person found to be violating the foregoing Rules of Procedure and Conduct or otherwise being disruptive to this meeting may be removed from the meeting.
8. Meeting Business. In addition to the election of directors, matters to come before the annual meeting are limited to specific actions of members permitted under the law and DFCU Financial's bylaws. No action may be taken by the members at the annual meeting unless the entire membership has been notified prior to the annual meeting of the old or new business action to be considered.

Dear Valued Members,

What an exciting year of growth and opportunity 2022 was for DFCU Financial. In March, we announced the appointment of Ryan Goldberg as our new President and CEO. Ryan seamlessly transitioned to this leadership role, connecting with other credit union industry leaders, visiting branches, hosting roundtable discussions, all while leading the initial merger efforts of DFCU with First Citrus Bank in Tampa, Florida.

By the end of 2022, these two strong financial institutions officially became one. The combined entity has approximately \$6 billion in assets and nearly \$800 million in capital across its Michigan and Florida footprint, with a total of 33 branch locations. This was the largest community bank acquired by a credit union in the country during 2022.

The First Citrus merger represents DFCU's initial expansion into Florida, and a significant increase in our commercial lending presence and expertise.

Upon completion of the transaction on December 31, 2022, the management team of FCB remained intact. John Barrett serves as Florida Market President and Chief Commercial Services Officer, and the remaining executives fill similar roles they held for the Florida operation. DFCU amended its bylaws to add six Florida counties to its field of membership and to add FCB customers as members. Additionally, we intend to keep all six Florida branches open.

DFCU Financial is widely known as one of the most efficiently operated credit unions in the country. Our continued strong execution has placed us in the top 10 among peer credit unions nationally in earnings performance for 21 consecutive years. For 2022, our pre-Cash Back Return on Assets (ROA) was 1.46% which is a measurement of the effectiveness of our operations.

This outstanding financial performance has allowed us to pay Cash Back to members each year since 2007, 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.

Forbes recognized DFCU as one of America's Best-in-State Credit Unions of 2022, making us the only Michigan credit union to have won this award all five years since its inception. We also were recognized with numerous workplace awards including Top Workplace by the *Detroit Free Press*, and West Michigan, Metro Detroit, and National Best & Brightest Place to Work.

We look ahead in 2023 to significant membership growth, the retention and seamless conversion of Florida members, enhanced commercial banking penetration, all the while providing a satisfying, highly rated member experience.

Thank you for your loyalty to DFCU and placing your trust in us.



Jim Cowper

Chairman of the Board
DFCU Financial

A handwritten signature in black ink that reads "James Cowper". The signature is written in a cursive, slightly slanted style.

Balance Sheet & Income Statement (in thousands)

BALANCE SHEET

Consolidated Statements of Financial Condition

December 31	2022 unaudited*	2021
Assets		
Cash and cash equivalents	\$ 286,303	\$ 276,842
Investment securities	4,473,254	5,101,474
Loans	1,087,305	932,817
Allowance for loan losses	(5,551)	(5,511)
Net loans	1,081,754	927,306
Property, buildings and equipment	46,082	37,393
National Credit Union Share Insurance Fund deposit	52,057	48,974
Accrued income and other assets	62,292	63,392
Total assets	\$ 6,001,742	\$ 6,455,381
Liabilities and equity		
Deposits	5,681,410	5,637,174
Accrued expenses and other liabilities	87,203	76,272
Total liabilities	5,768,613	5,713,446
Retained earnings and regular reserve	802,981	753,943
Accumulated other comprehensive income	(569,852)	(12,008)
Members' equity	233,129	741,935
Total liabilities and equity	\$ 6,001,742	\$ 6,455,381

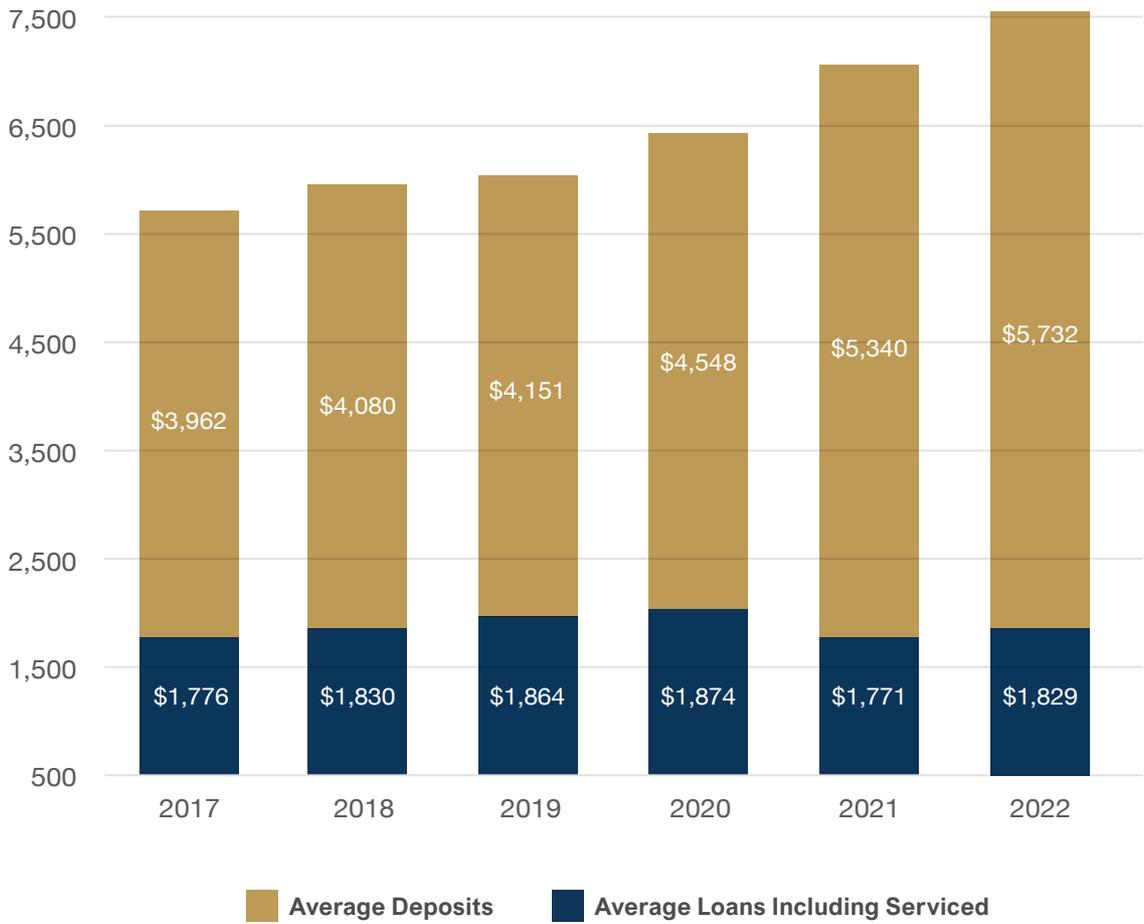
INCOME STATEMENT

Consolidated Statements of Income

December 31	2022 unaudited*	2021
Net interest income		
Interest income	\$ 129,584	\$ 115,512
Interest expense	4,039	5,474
Net interest income	125,545	110,038
Provision for losses on loans	707	(5,264)
Net interest income after provision for losses on loans	124,838	115,302
Non-interest income		
Fees and commissions	47,846	54,597
Other non-interest income	2,533	11,175
Total non-interest income	50,379	65,772
Non-interest expense		
Compensation and benefits	53,374	49,569
Office operations and occupancy	16,079	15,897
Other	18,451	14,890
Total non-interest expenses	87,904	80,356
Net income before Cash Back dividend	87,313	100,718
Cash Back dividend	38,275	36,142
Net income	\$ 49,038	\$ 64,576

*Crowe, LLP was retained to perform the 2022 audit procedures in the Spring of 2023.
Crowe, LLP issued an unqualified opinion on the 2021 financial statements.

Six-year Trend (in millions)





We were honored to be recognized in 2022 as one of Forbes' Best-in-State Credit Unions. DFCU is the only CU in Michigan to have won this award all five years it's been given. Employee surveys helped us achieve National Best & Brightest for the ninth time, Metro Detroit Best & Brightest for the 15th consecutive year, West Michigan Best & Brightest for the 11th year in a row, and *Detroit Free Press* Top Workplace for the 15th year running.



In 2022, DFCU Financial was proud to make significant contributions to organizations that offered creative learning opportunities and enhanced community engagement. Unique sponsored programs included:

Banzai Interactive Financial Literacy Courses were provided by DFCU to four high schools and one middle school. The course teaches skills like budgeting, saving, understanding debt, using the internet safely, and more with experience-based online games. Virtual badges keep students motivated as they master diverse financial topics.

Virtual Financial Reality Fairs called Bite of Reality. This hands-on experience presented by DFCU staff helped students learn to manage their wants and needs to live on their own. After the students navigated nine components of independent living, they balanced their budget and evaluated what they'd learned.

DFCU Financial supported Career & Technical Education (CTE) opportunities for school districts around the state, including the Lansing School District on behalf of **Lansing Pathways and the Educational Advancement Foundation.**

The **Novi Educational Foundation** Environmental Literacy Grant, made possible in part by DFCU Financial, has helped almost 150 students do hands-on environmental science experiments in the Village Oaks Elementary Community.

PHONE CONFERENCE - MAY 16, 2022

Members were welcomed to the 2022 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 2021 Annual Report, last year's meeting minutes, and the agenda for today are available online at dfcufinancial.com/annualmeeting22.

RULES OF CONDUCT

Chairman 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**
- **Ryan Bewersdorf, Director**
- **Shirley Ghannam, Director**
- **Annetta May, Director**
- **Jim Bazner, Associate Director**
- **Carna Cureton, Associate Director**
- **Kathleen Yaremchuck, Associate Director**
- **Ryan Goldberg, President & CEO**

AGENDA:

DETERMINATION OF A QUORUM

Approximately 18 members were in attendance. Chairman Cowper noted that a quorum was present and called the 2021 meeting to order at 6:00 p.m.

APPROVAL OF MINUTES FROM THE 2021 MEETING

The first order of business on the agenda was acceptance of the minutes from the 2021 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.

2021: MEMBERSHIP GROWTH & SERVICE

- DFCU Financial added 1,330 new members, bringing our total member base to just over 232,000.
- We added more than 10,000 new members over the last five years, the majority of whom are millennial or younger.
- Member acquisition strategies will continue to focus on digital marketing and improving the online account opening experience.

2021: CARD USAGE

- Efforts to bring our debit and credit cards to the top of our members' wallets were visible in 2021, with debit cards swiped 27.9 million times for total sales of \$1.31 billion, up 14.0% and 15.6% respectively from 2020.
- Credit cards had strong usage as well with 2.2 million swipes for sales of \$129 million, also annual increases of 8.2% and 12.4% respectively.
- In 2021 we also added a new app offering more card fraud controls and security.

2021: LENDING GROWTH

- We experienced sustained growth in lending in 2021.
- Loan portfolio credit quality is excellent, with very low delinquencies and charge-offs. Despite the anticipated drop in demand for mortgages from 2020, we closed \$375M, \$100M ahead of plan.
- Consumer lending also saw significant growth, closing \$243M, \$75M more than 2020.
- Commercial loans outstanding increased 14.1% to \$21.8 million by the end of 2021. Department staff was upgraded after turnover during the year.
- Credit Adjustment kept delinquencies at near historic lows and we also had a nice gain due to recovery efforts.

2021: FINANCIAL PARTNERS

- Financial Partners had a record year in revenue at \$13.5M (119% of the 2021 goal) and assets under management grew to a record \$2.4B.
- The plan for 2022 is moderate growth in recurring revenue (based on moderate growth in the markets after two robust years) and moderate growth in new business (based on lower investor enthusiasm). Our goal is to achieve \$14.4M in annual revenue.

2021: FINANCIAL OVERVIEW - DEPOSITS, LOANS, AND INVESTMENTS

Moving on to the Report of Financial Condition, here are some specific numbers:

Average deposits in 2021 increased 17% over 2020 and totaled \$5.3 billion.

Average loan balances (including serviced loans) were down slightly (5%) in 2021 and totaled \$1.8 billion.

Average assets under management (by DFCU Financial Partners) increased 18% in 2021 and totaled \$2.4 billion.

DFCU's Return on Assets reached 1.63% during a record year of net income, tied for 10th in our peer group. This marks 21 consecutive years finishing in the top 10 of our national peer group.

Efficiency ratio for 2021 was 4th in our national peer group due to higher revenue and expense management.

Chairman Cowper invited members to review the full Balance Sheet and Income Statement within the Annual Report at their leisure.

OTHER 2021 ACCOMPLISHMENTS

The Cash Back payout continues to increase each year, and \$36.1 million was paid this January. This is the largest special dividend in the history of the credit union industry. To date, more than \$392.8 million has been given back to members.

REACHING OUT TO COMMUNITIES

- Gleaners Food Bank donation and food packing events
- Financial Webinars - bigger & better than ever
- Ed Foundation & other sponsorships including:
 - Technology and robotics grants
 - Climate change student education
 - Support of peer reading groups through Book Pals
 - Adopted 32 children for holidays through Operation Good Cheer
 - Financial Literacy Fairs for high schools
 - Funding for Grand Rapids Elementary efforts to help children K-5 to get back on track after COVID
 - Community gardens

AWARDS

DFCU received several awards in 2021:

- Forbes – Best-in-State Credit Union for the fourth consecutive year
- National Best & Brightest for the 10th time
- Metro Detroit Best & Brightest for the 14th consecutive year
- West Michigan Best & Brightest for 10th year
- *Detroit Free Press* Top Workplace for the 14th year



2022 INITIATIVES

As we move into 2022, Chairman Cowper detailed a few top initiatives:

- Engage the commercial market as businesses recover
- Launch Zelle®
- Expand into the Rochester community
- Implement new accounting and collection systems
- Shift mortgage production to new home purchases
- Enhance our digital experience to improve member self-service



UNFINISHED OR NEW BUSINESS

There was none.



ELECTION

Ryan Bewersdorf, Annetta May, and Keith Moss 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 6:16 p.m.

Q & A

There were no questions.



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