



## 2014 ANNUAL REPORT



## MESSAGE FROM THE CHAIRMAN OF THE BOARD



DR. ROBERT CHAPMAN  
Chairman of the Board

The year was 1950 and the beginning of the accelerated change that would be seen over the next several decades. The great depression was now a faint memory and families moved out to the suburbs. People gathered around 12 inch black and white TV sets and watched Howdy Doody, I Love Lucy and Ed Sullivan. The median family income was \$3,300 a year and milk was still delivered to the doorstep. The average cost of a new house was \$8,450 and the cost of a gallon of gas was 18 cents.

The year 1950 was also significant for DFCU Financial. In February of that year, seven Ford engineering employees pooled \$5 each to found what was first called the Ford Engineering Employees Federal Credit Union. Since that modest beginning, the credit union, like the times has changed significantly.

In 2003, our name became DFCU Financial as we continued to expand our branch network beyond Dearborn, Michigan. The growth and disbursement of our member base, plus the desire to make doing business with DFCU Financial easy, has continued to drive this branch expansion. As a result, we have members living all over Michigan and all over the globe.

We begin 2015 in celebration of this milestone 65th anniversary and in reflection of 2014 as another successful year. Solid financial results coupled with technological enhancements and investment in the communities we serve continues to set us apart.

Membership numbers have held steady amidst increased competition. Average deposits were

up five percent. Auto loans increased 36 percent from last January and mortgage application volume doubled over last year.

Our 2014 performance ranking among our peers was 6th in the nation and 4th in the region. This is driven by our member loyalty, DFCU's day in and day out good value, and extremely low cost operations.

Two new branch locations began to take shape in 2014 and are set to open in the second half of this year. Educational outreach and community engagement were key initiatives because we know that businesses, communities and government must work together.

To make your banking easier and more secure as well as to take advantage of the technological advances available to us, we launched online lending options for your new or used auto purchase. In order to measure back office operations, an Internal Shopper program was implemented to further improve our expert financial and highly personalized service for you, our loyal members.

As John F. Kennedy said, change is the law of life. Those who look only to the past or present are certain to miss the future. So we will look forward to a bright future with new opportunities to ensure your loyalty and exceed your expectations.

A handwritten signature in black ink that reads "Robert Chapman".

## HIGHLIGHTS OF 2014

- Ranked in the Top 10 for financial performance among peer credit unions across the nation for the 14th consecutive year
- Issued the ninth CASH BACK reward of \$24 million for a total of more than \$181 million given to members since 2006
- Achieved net income before CASH BACK of \$53.6 million
- Honored as a National Best and Brightest Company to Work For – a prestigious award given only to 113 companies across the country
- Named a West Michigan 101 Best and Brightest Companies to Work For for the third year in a row
- Recognized as a Detroit Free Press Top 100 Workplace for the seventh consecutive year. DFCU Financial is one of only 10 companies to be named a Top Workplace each year.

## BALANCE SHEET

### Consolidated Statements of Financial Condition

(In thousands)

Year ended December 31	2014 unaudited*	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 178,904	\$ 153,494
Investment securities	2,356,480	2,141,018
Loans	1,093,651	1,138,491
Allowance for loan losses	(10,835)	(12,448)
Net loans	1,082,816	1,126,043
Property, buildings and equipment	31,552	32,297
National Credit Union Share Insurance Fund deposit	29,479	28,050
Accrued income and other assets	63,835	56,633
<b>Total assets</b>	<b>\$ 3,743,066</b>	<b>\$ 3,537,535</b>
<b>Liabilities and equity</b>		
Deposits	\$ 3,257,225	\$ 3,091,881
Borrowed funds	—	—
Accrued expenses and other liabilities	59,513	63,009
Total liabilities	3,316,738	3,154,890
Retained earnings and regular reserve	433,623	404,227
Accumulated other comprehensive income	(7,295)	(21,582)
Total Members' equity	426,328	382,645
<b>Total liabilities and equity</b>	<b>\$ 3,743,066</b>	<b>\$ 3,537,535</b>

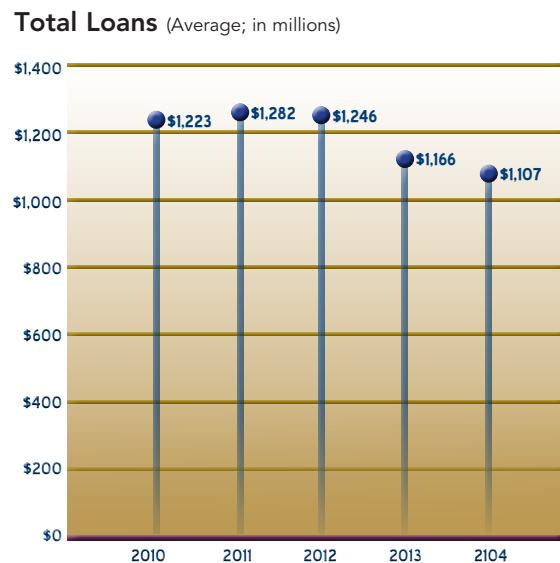
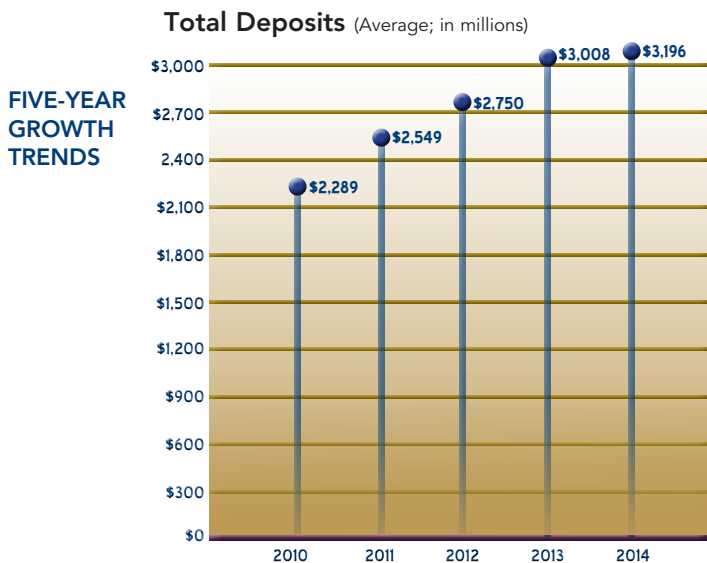
\* Crowe Horwath was retained to perform the 2014 audit procedures in the spring of 2015. Crowe issued an unqualified audit opinion on the 2013 financial statements.

## INCOME STATEMENT

### Consolidated Statements of Income

(In thousands)

Year ended December 31	2014 unaudited*	2013
<b>Net interest income</b>		
Interest income	\$ 88,475	\$ 89,955
Interest expense	6,561	7,100
Net interest income	81,914	82,855
Provision for losses on loans	1,129	(439)
Net interest income after provision for losses on loans	80,785	83,294
<b>Non-interest income</b>		
Fees and commissions	31,026	29,901
Other non-interest income	8,057	5,812
Total non-interest income	39,083	35,713
<b>Non-interest expense</b>		
Compensation and benefits	38,591	33,196
Office operations and occupancy	12,819	13,286
National Credit Union Share Insurance Fund expense - net	0	2,244
Other	14,821	14,581
Total non-interest expenses	66,231	63,307
Net income before CASH BACK Dividend	53,637	55,700
CASH BACK Dividend	24,241	23,071
<b>Net income</b>	<b>\$ 29,396</b>	<b>\$ 32,629</b>





## Minutes from the 2014 DFCU Financial Annual Membership Meeting The Henry Hotel, May 12, 2014

Members were welcomed to DFCU Financial's 2014 Membership Meeting by Board Chairman Dr. Robert Chapman. Chairman Chapman introduced the officials present at the meeting. They included: :

- Ryan Bewersdorf, director
- Bill Furtwangler, director
- John Sinelli, director
- Mark Shobe, president and chief executive officer
- Paul Conway, director and vice chairman of the board
- Matt Elsey, associate director
- Don Tomford, director
- Jim Cowper, director and treasurer of the board
- Laura Terzes, director and secretary of the board

Chairman Chapman noted that a quorum was present and called the 2014 Membership Meeting to order at 6:00 p.m. Approximately 48 members were in attendance. Chairman Chapman reviewed the agenda provided in the materials to all attendees.

### 2013 Minutes

These minutes were approved and made part of the official records.

### Report of the Directors

Treasurer Jim Cowper and Vice Chairman Paul Conway gave the Report of the Directors. The Treasurer began with an overview of the economic climate in Michigan which continues to improve. Michigan is seventh in the nation for growth and personal income; the auto industry production is at its highest since 2005. The state added more than 221,000 jobs, experienced a nearly 13% increase in home sales. Michigan made the largest investment in preschool education in the US.

DFCU Financial also had many accomplishments in 2013 which contributed to another good year financially:

- DFCU Financial ranked sixth among national and regional peers for Return on Assets
- We are the third most efficient credit union based on the 50 largest credit unions in the nation
- We remain the largest credit union in Michigan with \$3.5 billion in Assets
- Core Net Operating Revenue was \$115.3 million, up from \$113.3 million in 2012
- Deposits increased more than 9% to \$3 billion
- We experienced our third best year for loan originations since 2000

- We serviced \$1.1 billion in mortgages
- Managed \$1.1 billion in investment service assets
- Regulatory capital ratios remained strong at 11.2%
- We ended the year with \$55.7 million in Net Income

In addition to outstanding financial performance, DFCU Financial also issued its seventh Special Patronage Dividend of \$23 million. Since 2006, we've paid over \$157 million to members. It was the largest payout in the history of credit unions at inception and still is unmatched by any other credit union.

Mr. Conway presented major projects, corporate accolades and 2014 initiatives. 2013 was a busy year at DFCU Financial. On average the team managed more than 100 new and recurring projects.

We remain busy serving our growing membership. We processed 2,154,533 teller transactions, answered 454,970 calls into the Member Service Center. We also processed over 36 million transactions through alternative channels such as ACH, online, ATM and point of sale and we conducted more than 1,214 closings and 875 title searches through our Title Agency. Once again, for the last three out of four Quarters, we ranked #1 for Overall Service among peers in the Mystery Shopper Program.

We continue to monitor advances in technology to provide you with the tools to help manage your money and achieve your financial goals.

We launched mobile and text banking with 33,196 users as of December 2013; 91,613 mobile deposits totaling \$35,132,754. We implemented a new preference center tool so members can have the option to receive information on select products and services. We also launched a new telephone banking system.

This was the second year of a three-year phased project to improve document management process and reduce paper that moves across the credit union. We expanded eStatements to eDocuments which include loan bills, daily notices and tax documents.

Branch expansion continued with the opening of our Plymouth Road Branch in Ann Arbor on Monday, May 13, 2013. Grand opening celebration donated \$5,000 to Ann Arbor schools, with an additional donation of

\$3,000 through our School and You.

We are now in the 13th year of the advisor-based Financial Partners channel and experiencing continued growth. Record year over 2012 with revenue up by 32%. 2013 marked crossing the \$1 billion mark of assets under management and we closed the year at \$1.1 billion. We now have 10 financial consultants in our branch system up from 4 in 2001. Pension Alternatives Review program was met with great enthusiasm, helping hundreds evaluate the transfer or retention of their pensions.

DFCU Financial continued to educate our members and communities through our financial literacy efforts. We held 60 educational seminars for adults attended by nearly 1,143 people. We educated 1,085 youths through seminars, school and community presentations.

The credit union highly values its employees and was recognized as a Detroit Free Press Top Workplace for the sixth consecutive year. Other honors included West Michigan 101 Best and Brightest Companies to Work For; and for the first time, a National Best and Brightest Company to Work For.

He concluded the presentation with 2014 initiative details regarding the new CASH BACK name, AutoSMART and new partners Harland Clarke and TruStage.

### Report of Financial Condition and Annual Comprehensive Audit

Chairman Chapman referenced the Report of Financial Condition contained in the annual report and noted that members could review it further at their leisure.

### Unfinished Business

There was none.

### New Business

There was none.

### Elections

Matt Elsey, John Sinelli and Laura Terzes were up for 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.

### Adjournment of Meeting

The meeting adjourned at 6:22 p.m.

### Question and Answer Session

Chairman Chapman invited questions from the membership. A question and answer period followed.



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NCUA Your savings are federally insured to \$250,000 by the National Credit Union Administration, a U.S. government agency.



DFCU Financial Federal Credit Union is an equal opportunity lender.