



## 2013 ANNUAL REPORT



## MESSAGE FROM THE CHAIRMAN OF THE BOARD



DR. ROBERT CHAPMAN  
Chairman of the Board

*"Coming together is a beginning; keeping together is progress; working together is success."*

—HENRY FORD

With a reported 220,000 new private sector jobs, increased home sales, a growing population and rising per-capita income, there's no doubt about it – Michigan continues on the comeback trail! Nationally, employment has increased by 6.7%, new businesses are being launched and the stock market continues to experience swift gains.

DFCU Financial is pleased to report another great year of outstanding financial results coupled with technological enhancements and continued investment in the communities that we serve. You can be confident that we are always looking for opportunities to serve our membership and build on our financial strength.

When you, the member, put your financial trust in us, we are able to grow stronger together. Our membership numbers have held steady amidst increased competition in the marketplace. Like the state picture, our view is also positive, with average deposits up 9%. In addition, we originated more loans while delinquencies and losses decreased, which is another indicator that our state's economy is on the right track.

As the largest credit union in the state, we also continue to operate as one of the most efficient. Our ranking among our peers is 6th in the nation, up from 8th and we are ranked 3rd in the region, up from 9th.

We opened a fifth branch location in Ann Arbor and are constantly researching other areas for potential sites to better serve our members and invest in our communities. Educational outreach is a key initiative around the state because

we know that businesses, communities and government must work together to keep our public education system strong for the sake of our children.

Many non-profits now allow for their employees to hire registered investment advisors to counsel them on their employer retirement plans. Due to our high concentration of University of Michigan employees in our Ann Arbor market, we've launched an advisory service in that area in March of 2013. U of M employees have now transitioned over \$15 million in retirement plan assets for this advisory service.

We've launched mobile and text banking options to make it easier for you to manage your accounts and view alerts using your preferred device of choice. With over 33,000 new users and over \$35 million in mobile deposits, you have shown your appreciation for these options. We added a new telephone banking system and an email preference tool to provide you with up-to-date information on our products and services. We will continue to research and expand other technological offerings to provide additional member-friendly online services.

And we will make every effort to further improve our expert and highly personalized service for you, our loyal members.

After all, it's about working together to achieve success.

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

### HIGHLIGHTS OF 2013

- Ranked in the Top 10 for financial performance among peer credit unions across the nation for the 13th consecutive year
- Issued the eighth CASH BACK rewards of \$23 million for a total of more than \$157 million given to members since 2006
- Achieved record net income of \$55.7 million
- Honored as a National Best and Brightest Company to Work For – a prestigious award given to only 113 companies across the country
- Named a West Michigan 101 Best and Brightest Companies to Work For for the second year in a row
- Recognized as a Detroit Free Press Top 100 Workplace for the sixth consecutive year, DFCU Financial is one of only 10 companies to be named a Top Workplace this year.

## BALANCE SHEET

### Consolidated Statements of Financial Condition

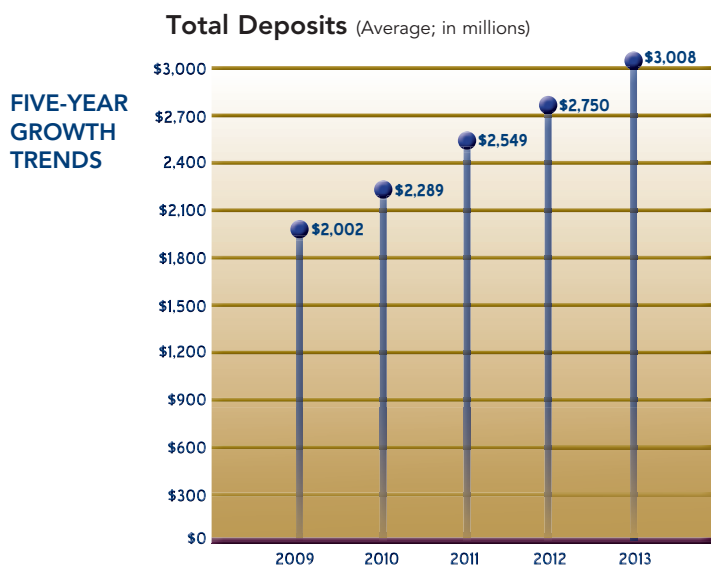
(In thousands)

Year ended December 31	2013 unaudited*	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 153,494	\$ 157,481
Investment securities	2,141,018	1,890,204
Loans	1,138,491	1,219,256
Allowance for loan losses	(12,448)	(18,265)
Net loans	1,126,043	1,200,991
Property, buildings and equipment	32,297	32,219
National Credit Union Share Insurance Fund deposit	28,050	26,304
Accrued income and other assets	56,633	56,674
<b>Total assets</b>	<b>\$ 3,537,535</b>	<b>\$ 3,363,873</b>

### Liabilities and equity

Deposits	\$ 3,091,881	\$ 2,900,637
Borrowed funds	—	150
Accrued expenses and other liabilities	63,009	62,166
<b>Total liabilities</b>	<b>3,154,890</b>	<b>2,962,953</b>
Retained earnings and regular reserve	404,227	371,598
Accumulated other comprehensive income	(21,582)	29,322
<b>Total Members' equity</b>	<b>382,645</b>	<b>400,920</b>
<b>Total liabilities and equity</b>	<b>\$ 3,537,535</b>	<b>\$ 3,363,873</b>

\* Crowe Horwath was retained to perform the 2013 audit procedures in the spring of 2014. Crowe issued an unqualified audit opinion on the 2012 financial statements.



**FIVE-YEAR  
GROWTH  
TRENDS**

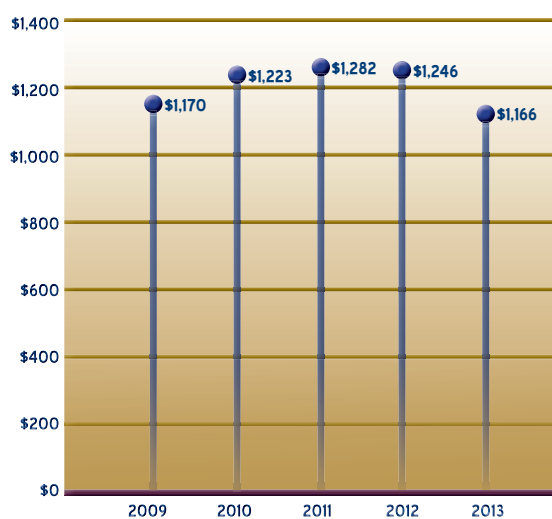
## INCOME STATEMENT

### Consolidated Statements of Income

(In thousands)

Year ended December 31	2013 unaudited*	2012
<b>Net interest income</b>		
Interest income	\$ 89,955	\$ 90,682
Interest expense	7,100	7,750
Net interest income	82,855	82,932
Provision for losses on loans	(439)	6,752
Net interest income after provision for losses on loans	83,294	76,180
<b>Non-interest income</b>		
Fees and commissions	29,901	28,032
Other non-interest income	5,812	6,667
Total non-interest income	35,713	34,699
<b>Non-interest expense</b>		
Compensation and benefits	33,196	31,118
Office operations and occupancy	13,286	13,360
National Credit Union Share Insurance Fund expense - net	2,244	2,499
Other	14,581	14,495
Total non-interest expenses	63,307	61,472
Net income before Special Patronage Dividend	55,700	49,407
Special Patronage Dividend	23,071	22,003
<b>Net income</b>	<b>\$ 32,629</b>	<b>\$ 27,404</b>

### Total Loans

 (Average; in millions)




## Minutes from the 2013 DFCU Financial Annual Membership Meeting The Henry Hotel, May 8, 2013

Members were welcomed to DFCU Financial's 2013 Membership Meeting by Board Chairman Dr. Robert Chapman. Chairman Chapman introduced the officials present at the meeting. They included:

- Don Lawrence, director
- Bill Furtwangler, director
- Mark Shobe, president and chief executive officer
- Paul Conway, director and vice chairman of the board
- Beth Cafaro, director
- Don Tomford, director
- Keith Moss, 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 2013 Membership Meeting to order at 6:00 p.m. Approximately 56 members were in attendance. Chairman Chapman reviewed the agenda provided in the materials to all attendees.

### 2012 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 the sixth fastest growing state in terms of economic growth; the auto industry is profitable with 14 billion units sold; and tourism increased by more than a half-billion dollars. The state added more than 177,000 jobs, experienced a nearly 10% increase in home sales and more than a 5% increase in home prices.

DFCU Financial also had many accomplishments in 2012 which contributed to another good year financially:

- DFCU Financial ranked eighth among national and regional peers for Return on Assets
- We are the fifth most efficient credit union out of the 50 largest credit unions in the nation
- We remain the largest credit union in Michigan with \$3.4 billion in Assets

- Core Net Operating Revenue was \$113.3 million, down from \$121.1 million in 2011
- Deposits increased more than 8% to \$2.75 billion
- We experienced our third best year for loan originations since 2000
- We serviced \$1.1 billion in mortgages
- Loan delinquency rate was 0.27% down from 0.40% in 2011
- Regulatory capital ratios remained strong at 10.8%
- We ended the year with \$49 million in Net Income

In addition to outstanding financial performance, DFCU Financial also issued its seventh Special Patronage Dividend of \$21.8 million. Since 2006, we've paid over \$130 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.

2012 was a busy year at DFCU Financial. On average the team managed more than 100 new and recurring projects.

We launched Debt Protection and Debt Protection Plus, loan payment protection programs. If an unplanned financial situation impacts a member and they are a protected borrower, DFCU Financial may cancel or reduce repayment of loan debt.

We monitor advances in technology to provide members with the appropriate tools to manage budgets and more easily attain financial goals. We are proud to have launched Mobile and Text Banking in 2012. As of April 9, 2013, 15,863 new users were enrolled.

And we remain busy serving our growing membership. We processed 191,663 teller transactions and answered 486,382 calls into the Member Service Center. We also processed over 32.8 million transactions through alternative channels such as ACH, online, ATM and point of sale and we conducted more than 1,300 closings 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.

DFCU Financial continued to educate our members and communities through our financial literacy efforts. We held 51 educational seminars for adults attended by nearly 1,000 people. We educated more than 900 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 fifth consecutive year. Other honors included Metropolitan Detroit and West Michigan 101 Best and Brightest Companies to Work For; and for the first time, DFCU Financial was named a National Best and Brightest Company to Work For.

Branch expansion continues with the opening of our Plymouth Road Branch in Ann Arbor on Monday, May 13, 2013.

Mr. Conway offered an update on the Enterprise Content Management System and our three-year phased project to improve our document management process and reduce the amount of paper that moves across the credit union.

He concluded the presentation with the new Special Patronage Dividend Member Testimonial video campaign.

### 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

Paul Conway, Don Lawrence and Keith Moss 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 6:20 p.m.

### Question and Answer Session

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



P.O. Box 6048 Dearborn, MI 48121-6048; Phone: 888.336.2700; Web: [www.dfcufinancial.com](http://www.dfcufinancial.com)

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.