

mortgages. Education planning. Consumer loans. Investments. Home equity loans. Retirement



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**The only financial relationship you need.**



## Message from the President and the Chairman of the Board.



**MARK SHOBE**  
President and  
Chief Executive Officer

2004 was another year of outstanding financial performance for DFCU Financial. For both return on equity and return on assets, we attained the position of ranking third among the 50 largest credit unions in the nation.

While we are very pleased with our financial performance, at DFCU Financial, there is another way we measure our success.

A measurement that is not typically included with the financial data in an annual report. We value how our members feel about us.

We'd like to share a few of the many comments we received from our members over the course of 2004.

The comments above are consistent with data we've collected through another program in which members are asked to formally report on their experience when



**HAROLD LOWMAN**  
Chairman  
of the Board

conducting business at DFCU Financial. Our staff received perfect scores in the majority of their member interactions. And, in the fourth quarter of 2004, we ranked 1<sup>st</sup> in overall service compared to the dozens of financial institutions that participate in the same service evaluation program across the country.

Our financial reports, service scores and member feedback have told us what any company and its stakeholders want to hear: we're meeting your needs and giving you the service that you really want! We attribute this success to our outstanding staff and to the confidence that you have placed in us as your financial institution.

Going forward, we will remain focused on ensuring that we continue to deliver excellent financial performance and a positive experience when you conduct business with us.

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### A few of the many comments we received from our members over the course of 2004...

*"Robin really had **compassion**, which made me feel comfortable."*

*"I've been a member since the 1960s and you're still **my one and only bank**."*

*"Brandy is **worth** every penny you*

*pay her. You might loan her to (the bank down the road) to train their staff."*

*"Linda rates an **A+**."*

*"Theresa **went out of her way** to help me."*

*"This is a **wonderful** place to do business."*

*"Henry **handled** my problem like it was his own."*

*"The best bank in town; **it's the people** who make it that way."*

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**2004 Key accomplishments.** Opened DFCU Canton branch. 🌱 Implemented new technology to approve and process loans more efficiently of members with choosing the savings and loan products that best meet their individual situations. 🌱 Introduced innovative training and a

**2005 Key initiatives.** Expand branch network into new communities including Visteon Village in Van Buren Township, and locations in Com Review long-term savings and investment products that could be offered to give members more sophisticated financial management options





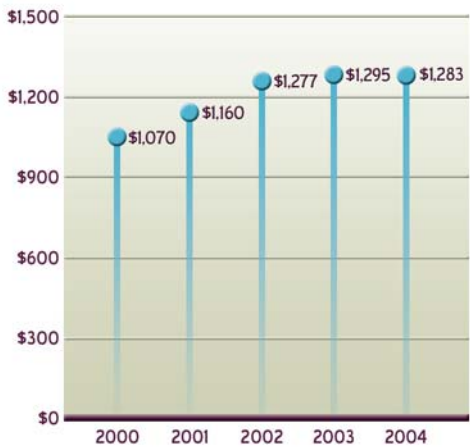
## 2004 Annual report.

### Five-year growth trends.

**Total loans.** (Average; in millions)



**Total deposits.** (Average; in millions)



### Balance sheet.

**Consolidated statements of financial condition.** (In thousands)

December 31	2004*	2003
<b>Assets</b>		
Cash and cash equivalents	\$ 48,188	\$ 68,714
Investment securities	644,886	670,612
Loans (net of allowance for loan losses of \$6,679 and \$6,321 in 2004 and 2003 respectively)	958,585	846,182
Accrued interest receivable	6,931	7,500
Property, buildings and equipment (net of accumulated depreciation of \$22,181 and \$22,397 in 2004 and 2003 respectively)	19,072	16,806
National Credit Union Share Insurance Fund deposit	11,903	12,190
Other assets	21,511	14,155
<b>Total assets</b>	<b>\$1,711,076</b>	<b>\$1,636,159</b>
<b>Liabilities and equity</b>		
Deposits	\$1,291,686	\$1,298,642
Borrowed funds	201,166	147,500
Accrued expenses and other liabilities	25,703	22,022
<b>Total liabilities</b>	<b>1,518,555</b>	<b>1,468,164</b>
Equity	192,521	167,995
<b>Total liabilities and equity</b>	<b>\$1,711,076</b>	<b>\$1,636,159</b>

Provided financial expertise to assist thousands in advancement programs to attract and retain knowledgeable, motivated staff members. Enhanced website to enable members to access internet commerce Township and Riverview. Launch online statements and electronic check retrieval for members' convenience. Introduce new check services.



## Income statement.

### Consolidated statements of income. (In thousands)

Year ended December 31	2004*	2003
<b>Net interest income</b>		
Interest and fees on loans	\$ 50,014	\$ 49,046
Interest on investments	21,634	22,821
Total interest income	71,648	71,867
Deposits	12,234	15,711
Borrowed funds	6,772	5,739
Total interest expense	19,006	21,450
Net interest income	52,642	50,417
Provision for losses on loans	2,901	2,058
Net interest income after provision for losses on loans	49,741	48,359
<b>Noninterest income</b>	21,620	22,373
<b>Noninterest expense</b>		
Compensation and benefits	22,633	22,690
Office operations and occupancy	8,871	10,987
Other	10,874	10,243
Total noninterest expense	42,378	43,920
Net income	\$ 28,983	\$ 26,812

\*2004 figures are unaudited; Ernst & Young LLP has been retained to perform 2004 audit procedures in the spring of 2005.

## Highlights.

### December 31, 2004

Return on equity. 16.15 %

Net interest margin. 3.29 %

Average equity to assets. 10.77 %

Membership. 159,458

### December 31, 2003

Return on equity. 17.28 %

Net interest margin. 3.28 %

Average equity to assets. 9.63 %

Membership. 163,819

Internet banking directly from the homepage and provide more product information and financial calculators.

Offering new products to give members more options. Evaluate new insurance products that could be offered to meet members' needs.



## Credit committee report.

We are pleased to report that 2004 was another solid year in terms of lending services provided to DFCU Financial members. Our total loan portfolio increased to \$965 million from \$852 million in 2003.

To help our members fulfill their dreams of owning a home, DFCU Financial added several innovative options to our selection of mortgage loan products. Working with our team of experts to choose the right loans for their situations, members borrowed \$226 million in first mortgages in 2004.

Our members continued to use the equity in their homes to finance renovations or other major purchases. Notably, members benefited from our attractive interest-only home equity line of credit option by borrowing a record \$130 million.

Members also borrowed more than \$100 million to purchase new and used vehicles in 2004. This includes \$31 million in loans to members who conveniently financed their vehicles at participating dealerships through our indirect lending program.

Hundreds of members appreciated the opportunity to attend DFCU Financial's free seminars where experts shared tips on how to manage personal finances. Further illustrating the responsible manner in which our members meet their financial obligations, in 2004, DFCU Financial maintained a low loan delinquency rate that is well below the industry average.

In 2005, we will continue to make technology upgrades that will shorten the time needed to approve consumer loan applications. And, as always, you can count on DFCU Financial to offer competitive rates on all of the financial products you need to manage your personal finances.

### CREDIT COMMITTEE

Mike Kruczek, Chairman  
Jerry Brandman  
Jim Byington



## Board of directors.



### BOARD OF DIRECTORS from left

#### Standing

Harold Lowman, Chairman  
Thomas France, Financial Officer

#### Seated

Laura Terzes  
Len Tedesco  
Shane Bumgarner  
Suzanne M. Smulsky  
Mark B. Lewis  
Dr. Robert Chapman, Vice Chairman

#### Not pictured

J. Paul Conway, Secretary

## Supervisory committee report.

The Supervisory Committee is responsible for monitoring and evaluating DFCU Financial Federal Credit Union's financial condition, internal controls, and compliance with regulations and laws.

During 2004, our own internal auditors conducted audits of the credit union's records and systems of internal control. Also, the certified public accounting firm of Ernst & Young LLP conducted an audit and issued an unqualified opinion on the 2003 financial statements. Ernst & Young LLP has been retained to perform 2004 audit procedures in the spring of 2005.

The federal examiners from the National Credit Union Administration (NCUA) also conducted their annual examination.

Our findings, those of the NCUA, and the accompanying financial statements, confirm that DFCU Financial Federal Credit Union continues to be in sound financial condition.



### SUPERVISORY COMMITTEE

Suzanne M. Smulsky, Chair  
Jim Cowper

#### Not pictured

Jim Reed





[www.dfcufinancial.com](http://www.dfcufinancial.com)

Home mortgages. Consumer loans. Investments. Home equity loans. Retirement funds. Home



**NCUA** Your savings are federally insured to \$100,000 by the National Credit Union Administration, a U.S. government agency.



DFCU Financial Federal Credit Union is an equal opportunity lender.

