



## 2008 ANNUAL REPORT



The best kind of belonging

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## MESSAGE FROM THE CHAIRMAN OF THE BOARD



**DR. ROBERT CHAPMAN**  
Chairman  
of the Board

*"Good fortune is what happens when opportunity meets with planning."*

Thomas Alva Edison

As we close the door on an unprecedented year in the financial services industry, I can proudly tell you that DFCU Financial continues to stand tall and strong amidst this economic storm.

More than eight years ago, the leadership of DFCU Financial began planning for today. The best practices, operational efficiencies, expenditure policies and growth strategies were put in place and are now allowing us to successfully weather this economic downturn.

I am extremely pleased to report that in 2008, DFCU Financial achieved record earnings of \$33.2 million. This is an 11% gain in net income over 2007. This gain was fueled by an increase in deposits due to our special patronage dividend and prudent expense management, which is key to our success. DFCU Financial is known nationally as one of the most efficiently operated credit unions in the country, despite being in one of the most economically distressed markets. In addition, our total deposits at the end of the year were \$1.7 billion, which was up \$230 million (16%) from the end of last year. We also closed \$122.7 million in first mortgage loans, an

increase of 43% over 2007. Our continued strong financial performance has once again placed us first in the nation for Return on Assets and second in the nation for Return on Equity among peer credit unions.

As a result of our outstanding financial performance, DFCU Financial was able to issue its third consecutive special patronage dividend to members. Another \$17 million was distributed for a grand total of more than \$50 million over the last three years.

Our overall success as an organization has allowed us to earn distinct recognition this past year. In 2008, DFCU Financial was named one of the 101 Best and Brightest Companies to Work For for the fifth consecutive year. In addition, we were named to the Detroit Free Press "Top Workplaces" list, and we were identified as a Michigan Economic Bright Spot and a Best of Michigan Business by Corp! Magazine.

Though 2008 was an outstanding year, we are not standing still. We will continue to plan and implement strategies today that will keep the credit union strong for you and the rest of our membership for years to come.

Thank you for your continued support and loyal membership.

## HIGHLIGHTS OF 2008

- Issued the third consecutive special patronage dividend in excess of \$17 million to more than 125,000 members. To date, more than \$50 million has been distributed to members
- Named to the Detroit Free Press "Top Workplaces" list
- Named one of the 101 Best and Brightest Companies to Work For for the fifth consecutive year
- Named an Economic Bright Spot and a Best of Michigan Business by Corp! Magazine
- Approved more than \$2.2 million in no-payment, no-interest loans through the Career Transition Program, which helps people offset tuition costs to change careers or learn new skills
- Counseled more than 1,700 members on money management, credit management and how to build and retain wealth
- Ranked in the Top 10 in financial performance among peer credit unions across the nation for the eighth consecutive year

## BALANCE SHEET

### Consolidated Statements of Financial Condition

(In thousands)

December 31	2008*	2007
<b>Assets</b>		
Cash and cash equivalents	\$ 76,704	\$ 121,054
Investment securities	978,248	668,701
Loans (net of allowance for loan losses of \$10,306 and \$6,630 in 2008 and 2007 respectively)	1,009,073	1,008,973
Accrued interest receivable	8,524	8,122
Property, buildings and equipment (net of accumulated depreciation of \$30,261 and \$28,608 in 2008 and 2007 respectively)	23,864	24,876
National Credit Union Share Insurance Fund deposit	13,311	13,016
Other assets	27,800	22,944
<b>Total assets</b>	<b>\$2,137,524</b>	<b>\$1,867,686</b>
<b>Liabilities and equity</b>		
Deposits	\$ 1,704,287	\$1,472,773
Borrowed funds	101,940	96,449
Accrued expenses and liabilities	44,056	43,504
<b>Total liabilities</b>	<b>1,850,283</b>	<b>1,612,726</b>
Equity	287,241	254,960
<b>Total liabilities and equity</b>	<b>\$2,137,524</b>	<b>\$1,867,686</b>

## INCOME STATEMENT

### Consolidated Statements of Income

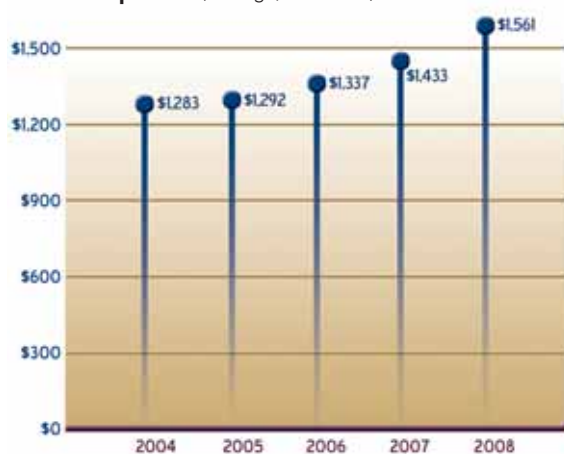
(In thousands)

Year ended December 31	2008*	2007
<b>Net interest income</b>		
Loans	\$ 59,332	\$ 63,827
Investments	39,731	31,607
<b>Total interest income</b>	<b>99,063</b>	<b>95,434</b>
Deposits	30,886	35,489
Borrowed funds	3,985	3,638
<b>Total interest expense</b>	<b>34,871</b>	<b>39,127</b>
<b>Net interest income</b>	<b>64,192</b>	<b>56,307</b>
Provision for losses on loans	10,905	4,807
<b>Net interest income after provision for losses on loans</b>	<b>53,287</b>	<b>51,500</b>
<b>Non-interest income</b>	<b>25,468</b>	<b>22,205</b>
<b>Non-interest expense</b>		
Compensation and benefits	24,340	24,206
Office operations and occupancy	10,731	10,399
Other	10,514	9,215
<b>Total non-interest expense</b>	<b>45,585</b>	<b>43,820</b>
Special patronage dividend	17,463	17,328
<b>Net income</b>	<b>\$ 15,707</b>	<b>\$ 12,557</b>

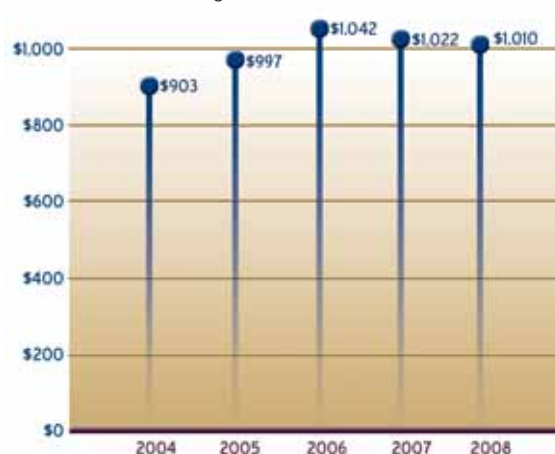
\*2008 figures are unaudited; Crowe Horwath LLP has been retained to perform 2008 audit procedures in the spring of 2009.

**Total Deposits** (Average; in millions)

**FIVE-YEAR  
GROWTH  
TRENDS**



**Total Loans** (Average; in millions)





## CREDIT COMMITTEE REPORT

Though 2008 will always be recalled as the year of the mortgage meltdown, at DFCU Financial, we are fortunate to have weathered the events of last year due to our prudent lending practices. As such, our loan losses are relatively minimal and in fact, our mortgage loans increased. We closed \$122.7 million in first mortgages, which is an increase of 43% over 2007.

In addition, we closed \$105 million in consumer loans. Our biggest increase was in used automobile loans, which increased \$4.4 million in 2008.

Our Career Transition Program remains a popular option for those looking to go back to school to launch a new career or enhance their existing job skills to obtain new or alternative employment opportunities. The Career Transition Program features no-interest and no-payments for the first two years of the loan so members can concentrate on launching their new careers. At the end of 2008, DFCU Financial had approved more than \$2.2 million in loans through the Career Transition Program.

As we continued to face economic challenges, both nationally and locally, more and more members relied on DFCU Financial's experts to advise them during 2008. Our mortgage loan officers proactively contacted members about their balloon and adjustable rate mortgages to discuss options. We will continue to contact and help members when we can with their mortgages and other credit issues.

**CREDIT COMMITTEE:** Mike Kruczek, chairman; Jerry Brandman; Nancy Urbin

## 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 2008, DFCU Financial's internal auditors conducted a systematic review of the credit union's records, processes and systems of internal control. The certified public accounting firm of Crowe Horwath LLP also conducted an audit and issued an unqualified opinion on the 2007 financial statements.

**SUPERVISORY COMMITTEE:** Bill Furtwangler, chairman; Tom France; Harold Lowman; Charley McQueen; John Sinelli



In 2008, we also experienced an increase in the number of members needing budget and credit counseling. During last year, more than 1,700 members attended our free financial seminars or participated in private financial counseling. Due to demand, we increased the number of seminars offered in 2008. DFCU Financial will continue to participate in and offer a variety of seminars in 2009 to help people manage their financial lives.



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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.