



2006 ANNUAL REPORT



The only financial relationship you need.

MESSAGE FROM THE CHAIRMAN OF THE BOARD



DR. ROBERT CHAPMAN
Chairman
of the Board

To describe DFCU Financial's last six years under the current leadership, I look to the visionary Henry Ford who aptly said, "Coming together is a beginning; keeping together is progress; working together is success."

As of 2006, the current team had worked together six years toward one goal – to ensure that DFCU Financial members could reap more benefits from their loyal patronage. Success came in many forms in 2006 and the culmination was issuing the largest patronage dividend in the history of credit unions. 2006 was the first year we were able to issue a patronage dividend with reasonable assurance that it can be continued.

We ended the year on this high moment but leading to it were many other success stories. In the fall of 2006, the Board of Directors dedicated \$10 million dollars to the Career Transition Program. This program provides financial assistance to members who are desirous of developing new skills to regain employment or to change careers. This was truly an opportunity to advance our social mission and help members in need.

Quality service is what makes DFCU Financial different from other financial services providers. To that end, another success was our third quarter number-one ranking among peers in all service categories. In addition, members' satisfaction with DFCU Financial was confirmed through our 2006 member survey. Of all members surveyed, 90% reported that they were very likely to choose DFCU Financial if they had the opportunity to do so again.

Our success is achieved because of your loyal patronage. As DFCU Financial moves forward, we will continue to work diligently to ensure that you, your fellow members and our communities are well-served. To us, success is best measured beyond numbers and percents – yet the numbers and percents must first be attained so there are resources available to give back.

Thank you for your membership and your trust.

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

HIGHLIGHTS OF 2006

- Issued the largest patronage dividend in the history of credit unions and the first for DFCU Financial members in more than 20 years
- Eased educational financial costs for members through the \$10 million Career Transition Program
- Named one of the 101 Best and Brightest Companies to Work For for the third consecutive year
- Opened a branch in Riverview to serve members in the downriver area. Members now have access to 11 DFCU Financial branches across our area
- Helped more than 6,000 members through both seminars and private budget and credit management counseling
- Ranked in the Top 10 for six consecutive years in financial performance among peer credit unions

BALANCE SHEET

Consolidated Statements of Financial Condition

(In thousands)

December 31	2006*	2005
Assets		
Cash and cash equivalents	\$ 119,372	\$ 79,836
Investment securities	534,821	616,706
Loans (net of allowance for loan losses of \$5,939 and \$6,572 in 2006 and 2005 respectively)	1,040,534	1,035,655
Accrued interest receivable	7,946	7,624
Property, buildings and equipment (net of accumulated depreciation of \$26,139 and \$24,331 in 2006 and 2005 respectively)	24,849	24,259
National Credit Union Share Insurance Fund deposit	12,345	11,807
Other assets	26,472	28,151
Total assets	\$1,766,339	\$1,804,038
Liabilities and equity		
Deposits	\$1,385,517	\$1,361,252
Borrowed funds	107,829	202,095
Accrued expenses and liabilities	42,197	24,717
Total liabilities	1,535,543	1,588,064
Equity	230,796	215,974
Total liabilities and equity	\$1,766,339	\$1,804,038

INCOME STATEMENT

Consolidated Statements of Income

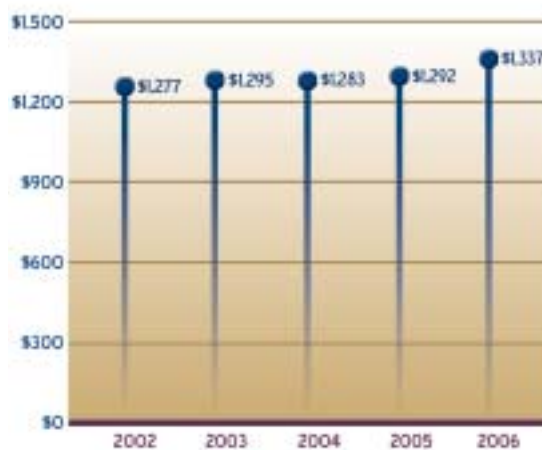
(In thousands)

Year ended December 31	2006*	2005
Net interest income		
Loans	\$ 63,813	\$ 56,571
Investments	24,396	23,930
Total interest income	88,209	80,501
Deposits	27,874	17,511
Borrowed funds	5,899	7,991
Total interest expense	33,773	25,502
Net interest income	54,436	54,999
Provision for losses on loans	2,075	3,311
Net interest income after provision for losses on loans	52,361	51,688
Non-interest income	22,955	23,892
Non-interest expense		
Compensation and benefits	23,891	22,502
Office operations and occupancy	10,114	10,450
Other	12,125	10,050
Total non-interest expense	46,130	43,002
Special patronage dividend	17,466	0
Net income	\$ 11,720	\$ 32,578

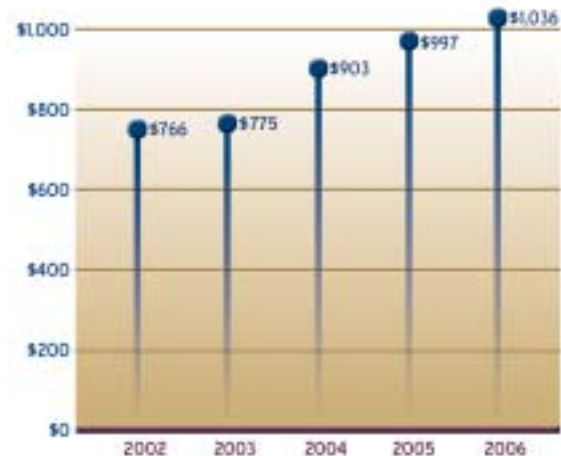
*2006 figures are unaudited; Crowe Chizek and Company LLC has been retained to perform 2006 audit procedures in the spring of 2007.

Total Deposits (Average; in millions)

FIVE-YEAR
GROWTH
TRENDS



Total Loans (Average; in millions)





CREDIT COMMITTEE REPORT

We are pleased to report that in 2006, DFCU Financial increased lending services to members. Our loan portfolio increased to \$1,046 million from \$1,042 in 2005, which is an achievement given the state of our local economy.

Because 2006 was financially stressful to many of our members, DFCU Financial introduced the Career Transition Program, a landmark program that provides deferred interest and payment loans to members who want to enhance their job skills to obtain new or alternative employment opportunities. DFCU Financial has committed \$10 million to help members through this program. We are a proud partner with the Michigan Credit Union League to help extend this program to other credit unions and their members across our state.

When the real estate market faces a downturn as it did in 2006, more than ever, members rely on DFCU Financial's mortgage experts to advise them and find the best financing options for their particular situation. We now service more than 6,900 first mortgages for a total of \$866 million.

Though the real estate market might have been down, home equity loans were up. Members borrowed \$112 million in various home equity options. In fact, our home equity fixed loan portfolio increased 52% over 2005.

Members also took advantage of various other consumer loan options. From vehicles to boats, DFCU Financial processed more than 22,000 applications and booked more than \$150 million in loans.

Since educating and providing expert advice is the core of what we do at DFCU Financial, it's no wonder that so many members participated in our free education seminars in 2006.

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

2006 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 2006, our own internal auditors conducted audits of the credit union's records and systems of internal control. Also, the certified public accounting firm of Crowe Chizek and Company, LLP conducted an audit and issued an unqualified opinion on

SUPERVISORY COMMITTEE: Bill Furtwangler, chair; Harold Lowman; Charles McQueen; Douglas Welday



To date, more than 5,000 members have attended our budgeting, credit management and home-buyers seminars. Due to demand, we increased the number of seminars offered in 2006 and will introduce other topics in 2007, always in an effort to provide members with the expertise and know-how to best manage their personal finances.

the 2005 financial statements. Crowe Chizek and Company, LLP has been retained to perform 2006 audit procedures in the spring of 2007.

Our findings, and those of the Crowe Chizek and Company, LLP as shown in the accompanying financial statements, confirm that DFCU Financial Federal Credit Union continues to be in sound financial condition.



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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.