



## CREDIT COMMITTEE REPORT

2007 will be remembered as a very challenging year in lending services, especially in Michigan. Our one-state recession, largely due to manufacturing job loss, has caused unemployment to increase and housing values to decrease. As such, our average loan portfolio remained relatively flat in 2007 at \$1,022 million, compared to overall mortgage lending, which was down 15% nationally from 2006.

In summary, we serviced 7,000 first mortgages in 2007 and also closed 8,000 consumer loans. Though home equity loans were down, home equity fixed-term loans were up 9% over 2006.

This past year, many members in our area were able to turn to DFCU Financial for help through the Career Transition Program. This landmark program introduced in 2006 provides deferred interest and payment loans to members who want to enhance their job skills to obtain new or alternative employment opportunities. Because members do not have to pay interest or make payments for the first two years of the loan, they are able to concentrate on launching their new careers. DFCU Financial distributed more than \$1.2 million through the Career Transition Program in 2007.

As Michigan continues to face an economic downturn, now, more than ever, members rely on DFCU Financial's experts to advise them. In 2007, DFCU Financial's Credit Adjustment counselors helped and advised members, and mortgage loan officers waged a calling campaign to those who have adjustable-rate mortgages that will reset in 2008. This was done to remind members that their mortgages will reset and to invite them in to discuss the mortgage and their financial situation.

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



In 2007, DFCU Financial also experienced an increase in the number of members seeking budget and credit counseling. To date, more than 6,200 members have attended these free seminars. Due to demand, we increased the number of seminars offered in 2007 and added two additional seminars: Wealth Builder and Estate Planning. Additional seminars on budgeting, home refinancing and retirement planning will be available in 2008 to help members navigate through these turbulent times.

## 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 2007, DFCU Financial's internal auditors conducted a systematic review of the credit union's records, processes, and systems of internal control. Also, the certified public accounting firm of Crowe Chizek and Company, LLC, conducted an audit and issued an unqualified opinion on the 2006 financial

statements. Crowe Chizek and Company, LLC, has been retained to perform 2007 audit procedures in the spring of 2008. The federal examiners from the National Credit Union Association (NCUA) also conducted their annual examination.

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


SUPERVISORY COMMITTEE: William Furtwangler, chairman; Tom France; Harold Lowman; Charles McQueen; John Sinelli

## 2007 ANNUAL REPORT



P.O. Box 6048 Dearborn, MI 48121-6048; phone: 313.336.2700; web: [www.dfcufinancial.com](http://www.dfcufinancial.com)

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.

The only financial relationship you need.

## MESSAGE FROM THE CHAIRMAN OF THE BOARD



DR. ROBERT CHAPMAN  
Chairman  
of the Board

"Alone we can do so little; together we can do so much." Helen Keller

At DFCU Financial, 2007 will be remembered as the year that the hard work by our team over the last seven years reaped great benefits. Though we are experiencing a recession in Michigan, DFCU Financial was able to issue its second consecutive patronage dividend in excess of \$17 million. How were we able to do this? Through hard work and the skillful care of our current leadership.

Over the last seven years, we've been able to save millions of dollars each year by operating the credit union very efficiently. In fact, for the last seven consecutive years, DFCU Financial has ranked in the Top 10 in financial performance among peer credit unions across the nation. It's because of this outstanding financial performance and the loyalty of our membership that we are able to sustain this special patronage dividend and maintain our success.

In 2007, while other financial institutions announced their move out of Michigan, we opened our 12th branch in Madison Heights. And while organizations across the state were laying off employees, DFCU Financial was named one of Metropolitan Detroit's 101 Best and Brightest Companies To Work For for the fourth consecutive year.

Members truly were part of DFCU Financial's success in 2007. Through the Member Referral Program, more than 1,500 eligible new members were referred to the credit union. As a thank you for participating in the program, DFCU Financial gave away more than \$56,000 and a 2008 Ford Edge.

This past year, we rolled out a number of initiatives to benefit the membership. One of the largest was the upgrade of our entire core computer system that handles all of the credit union's daily operations. This was no easy task, but a necessary endeavor that will enable us to provide outstanding product delivery and service to you for years to come.

We also modified the basic checking account, which no longer requires a minimum balance or direct deposit to waive fall-below fees. At the same time, we also made online bill payment free to the membership. These were issues that were important to you, so we responded.

In addition, we increased communication with the membership through our new online Web site poll and through the new electronic newsletter eNotes. With your feedback, we will continue to find ways to help members and to provide outstanding products and services for years to come.

Thank you for your membership and your loyalty.

## HIGHLIGHTS OF 2007

- Issued the second consecutive special patronage dividend in excess of \$17 million to more than 134,000 members. Both the 2006 and 2007 dividends represent the largest in the history of the credit union industry
- Distributed more than \$1.2 million in two-year payment- and interest-free loans through the Career Transition Program, which helps people with the educational costs to change careers
- Named one of the 101 Best and Brightest Companies to Work For for the fourth consecutive year
- Opened our 12th branch in Madison Heights to serve members on the east side of the Metro Detroit area
- Upgraded our entire computer system that handles all of the credit union's daily operations. This will enable us to provide outstanding product delivery and service for years to come
- Helped 1,400 members through both seminars and private budget and credit management counseling
- Ranked in the Top 10 for seven consecutive years in financial performance among peer credit unions

## BALANCE SHEET

### Consolidated Statements of Financial Condition

(In thousands)

December 31	2007*	2006
<b>Assets</b>		
Cash and cash equivalents	\$ 121,054	\$ 119,372
Investment securities	668,701	534,821
Loans (net of allowance for loan losses of \$5,939 and \$6,630 in 2006 and 2007 respectively)	1,008,973	1,040,534
Accrued interest receivable	8,122	7,946
Property, buildings and equipment (net of accumulated depreciation of \$26,139 and \$28,608 in 2006 and 2007 respectively)	24,876	24,849
National Credit Union Share Insurance Fund deposit	13,016	12,345
Other assets	22,944	26,472
<b>Total assets</b>	<b>\$1,867,686</b>	<b>\$1,766,339</b>
<b>Liabilities and equity</b>		
Deposits	\$ 1,472,773	\$1,385,517
Borrowed funds	96,449	107,829
Accrued expenses and liabilities	43,504	42,197
<b>Total liabilities</b>	<b>1,612,726</b>	<b>1,535,543</b>
Equity	254,960	230,796
<b>Total liabilities and equity</b>	<b>\$1,867,686</b>	<b>\$1,766,339</b>

## INCOME STATEMENT

### Consolidated Statements of Income

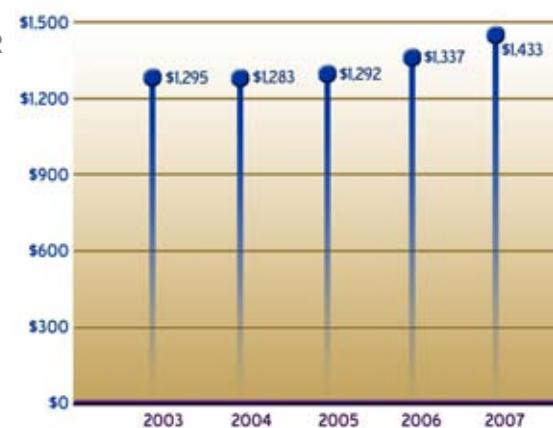
(In thousands)

Year ended December 31	2007*	2006
<b>Net interest income</b>		
Loans	\$ 63,827	\$ 63,813
Investments	31,607	24,396
<b>Total interest income</b>	<b>95,434</b>	<b>88,209</b>
Deposits	35,489	27,874
Borrowed funds	3,638	5,899
<b>Total interest expense</b>	<b>39,127</b>	<b>33,773</b>
<b>Net interest income</b>	<b>56,307</b>	<b>54,436</b>
Provision for losses on loans	4,807	2,075
<b>Net interest income after provision for losses on loans</b>	<b>51,500</b>	<b>52,361</b>
<b>Non-interest income</b>	<b>22,205</b>	<b>22,955</b>
<b>Non-interest expense</b>		
Compensation and benefits	24,206	23,891
Office operations and occupancy	10,399	10,114
Other	9,215	12,125
<b>Total non-interest expense</b>	<b>43,820</b>	<b>46,130</b>
Special patronage dividend	17,328	17,466
<b>Net income</b>	<b>\$ 12,557</b>	<b>\$ 11,720</b>

\*2007 figures are unaudited; Crowe Chizek and Company LLC has been retained to perform 2007 audit procedures in the spring of 2008.

Total Deposits (Average; in millions)

FIVE-YEAR GROWTH TRENDS



Total Loans (Average; in millions)

