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ANNUAL

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REPORT



The Cash Back  
Credit Union

# DFCU Financial Annual Membership Meeting Agenda and Rules of Procedure and Conduct

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**MONDAY, MAY 17, 2021 (Virtual Meeting)**

## **AGENDA**

1. Determination of a Quorum
2. Approval of the Minutes from 2020 Meeting
3. Report of Chairman
4. Report of Financial Condition and Annual Comprehensive Audit
5. Unfinished Business
6. New Business Other Than Election
7. Election
8. Adjournment
9. Questions and Answers

## **RULES OF PROCEDURE AND CONDUCT OF THE ANNUAL MEETING**

The following rules of procedure and conduct have been adopted by the Board of Directors and will be used to assure that the annual meeting is fair, orderly, and conducted in a business-like fashion.

1. The meeting will be conducted in accordance with the Agenda set forth above and will be conducted as expeditiously as possible.
2. The Annual Membership Meeting shall be governed by these Rules of Procedure and the parliamentary procedures described in Democratic Rules of Order (Seventh Edition).
3. This presentation may not be recorded without the express written permission of DFCU Financial.
4. If you have specific questions not already submitted, please use the CHAT function and questions will be responded to.
5. In order to give everyone an opportunity to be heard, questions and comments should be brief.
6. The distribution of any marketing, advertising, soliciting, promotional, or other materials is strictly prohibited.
7. Any person found to be violating the foregoing Rules of Procedures and Conduct or otherwise being disruptive to this meeting may be removed from the meeting.
8. Meeting Business. In addition to the election of directors, matters to come before the annual meeting are limited to specific actions of members permitted under the law and DFCU Financial's bylaws. No action may be taken by the members at the annual meeting unless the entire membership has been notified prior to the annual meeting of the old or new business action to be considered.

## From the Chairman of the Board

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Dear Members,

Whenever we think about inspirational success stories, we are reminded how adversity brings people together. That is exactly what DFCU Financial experienced throughout 2020, as Covid-19 made its lifechanging impact on each of us.

For any of you who may have been affected by this disease, personally or through your nearest relations, we send you and yours our heartfelt well wishes for improved and continued health.

This crisis undoubtedly brought about changes in the ways we provided service. As your chairman, I was proud to see how smoothly we were able to meet the needs of our membership, while our team worked internally to support each other. We continue to be prepared for, and appropriately respond to, the unexpected.

DFCU, like almost all other businesses, experienced some challenges. When the stay-at-home order went into effect, our team had to quickly adapt everyday processes to accommodate.

We recognized the importance of keeping our branches open, as that is a crucial channel for interacting with you. We succeeded in maintaining an open branch presence throughout 2020, all the while taking necessary precautions to keep you and our staff safe.

As you might imagine, we received a large number of requests for mortgage relief. Procedures and processes were quickly developed to effectively support the CARES act, credit reporting, and proper file maintenance. Furthermore, loan extensions went from an average of seven per month to more than 400 requests in just a few days.

Despite the dramatic increase in hardship requests, we experienced substantial growth in mortgage lending due to record low interest rates. Many members took the opportunity to refinance and saved on monthly costs. Our title company also had a banner year.

Our members were saving more as well, resulting in significant deposit growth. And DFCU Financial Partners, our investment advisory business, saw very strong performance as the stock market was flooded with new investors during the pandemic.

Through it all, we ended up in the top 10 in the country for performance. These unique challenges led us to our goal in a different way than we expected, but we persevered.

The more things change, though, the more they stay the same. In January, for the 15th consecutive year, our members received Cash Back in their accounts. This year's payout was \$32 million, bringing the aggregate total to \$362 million since inception. We were happy to show our gratitude to you in this significant way, especially under such extraordinary circumstances.

The first part of 2021 has been challenging, as we anticipated. We expect households will be stressed to pay their bills once the stimulus payments slow down. And since much refinance business has already been conducted, we project declines with a shift toward new purchase business. However, we are hopeful travel and other restrictions will be relaxed, signaling an increase in consumer spending.

In closing, I express my thanks to each of you as part of our DFCU family. You are the reason that we will emerge from this crisis better and stronger.



Sincerely,

A handwritten signature in black ink that reads "James Cowper". The signature is written in a cursive, flowing style.

**Jim Cowper**

DFCU Financial Board Chairman

# Balance sheet & income statement

## BALANCE SHEET

### Consolidated Statements of Financial Condition (In thousands)

December 31                      2020                      2019  
unaudited\*

#### Assets

Cash and cash equivalents	268,777	239,473
Investment securities	4,483,131	3,502,120
Loans	923,517	1,027,648
Allowance for loan losses	(11,346)	(8,210)
Net loans	912,171	1,019,438
Property, buildings and equipment	39,909	41,697
National Credit Union Share Insurance Fund deposit	42,830	38,827
Accrued income and other assets	69,872	61,073
<b>Total assets</b>	<b>\$ 5,816,690</b>	<b>\$ 4,902,628</b>

#### Liabilities and equity

Deposits	4,931,760	4,172,943
Accrued expenses and other liabilities	76,408	69,367
Total liabilities	5,008,168	4,242,310
Retained earnings and regular reserve	689,367	633,762
Accumulated other comprehensive income	119,155	26,556
Members' equity	808,522	660,318
<b>Total liabilities and equity</b>	<b>\$ 5,816,690</b>	<b>\$ 4,902,628</b>

## INCOME STATEMENT

### Consolidated Statements of Income (In thousands)

December 31                      2020                      2019  
unaudited\*

#### Net interest income

Interest income	\$ 125,814	\$ 130,124
Interest expense	8,803	13,475
Net interest income	117,011	116,649
Provision for losses on loans	4,793	3,108
Net interest income after provision for losses on loans	112,218	113,541

#### Non-interest income

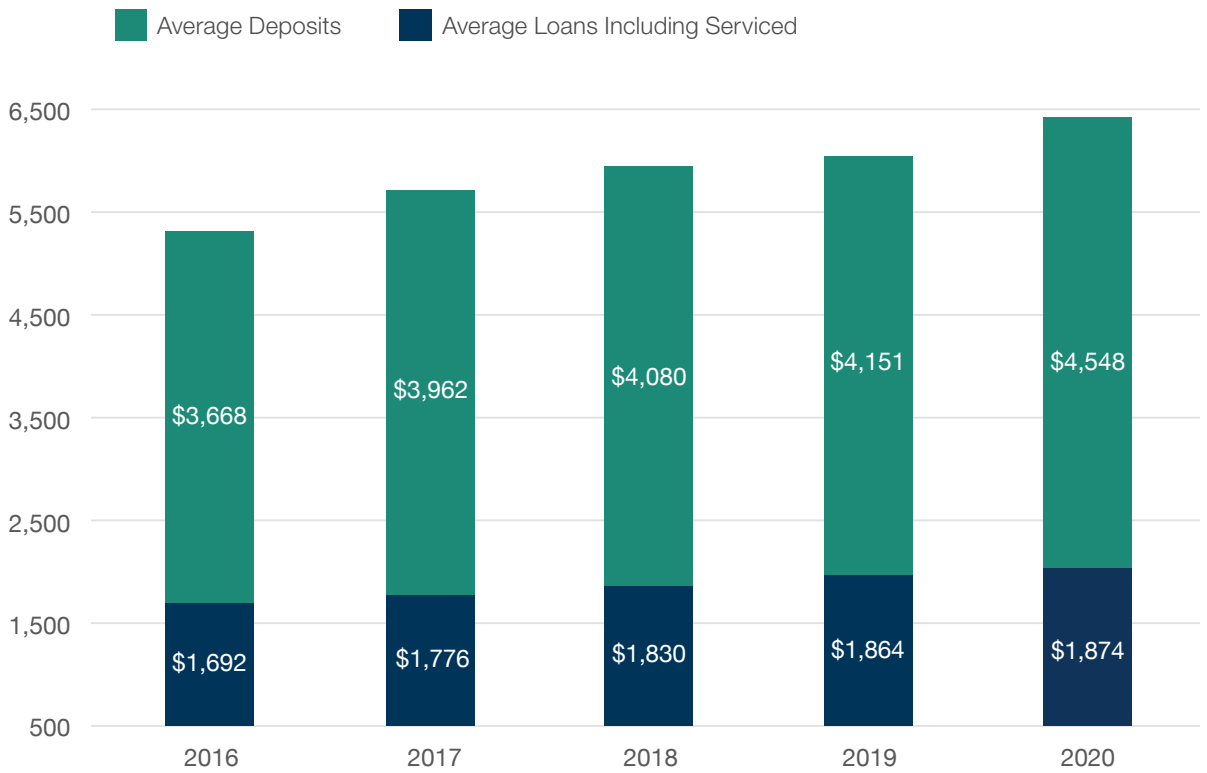
Fees and commissions	50,978	45,625
Other non-interest income	3,119	4,159
Total non-interest income	54,097	49,784

#### Non-interest expense

Compensation and benefits	46,109	44,654
Office operations and occupancy	16,491	15,960
Other	15,335	17,286
Total non-interest expenses	77,935	77,900
Net income before special patronage dividend	88,380	85,425
Special patronage dividend	32,775	30,643
<b>Net income</b>	<b>\$ 55,605</b>	<b>\$ 54,782</b>

\*Crowe LLP was retained to perform the 2020 audit procedures in the Spring of 2021. Crowe issued an unqualified opinion on the 2019 financial statements

## Five-year growth trends ( in millions )



## DFCU EARNs IMPORTANT ACCOLADES

To assess yearly performance, DFCU Financial is measured against a peer group of the top 50 largest CUs in the nation. In addition to finishing at number four in 2020, we are the only credit union to finish in the top 10 for 19 straight years. We were honored to be recognized this year as Forbes Best-in-State Credit Union. Employee surveys helped us achieve National Best & Brightest for the eighth time, Metro Detroit Best & Brightest for the 13th consecutive year, West Michigan Best & Brightest for the ninth year in a row, and Detroit Free Press Top Workplace for the 13th year running.



## DFCU FINANCIAL GIVES BACK

Even during a pandemic, DFCU gave back to communities in a big way:

- Game on Cancer Kids Club art packages, meals
- Gleaners Food Bank donation
- Detroit Education Foundation Hope Park donation
- Car cruise for first responders
- Virtual Financial Seminars...  
+ Bigger and better than ever
- Other Ed Foundation sponsorships including:
  - + Community gardens
  - + Welcome kit for Kindergartners
  - + Shop small business giveaways
  - + Technology and robotics grants



**GAME ON  
CANCER**





# Minutes from the 2020 DFCU Financial Annual Membership Meeting

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## Phone Conference

MAY 18, 2020

Members were welcomed to the DFCU Financial's 2020 Membership Meeting by Board Chairman Jim Cowper. Because this meeting was a conference call format, he directed the members to the website for the annual report, financials, and the meeting agenda. He reminded members that the call could not be taped and that any person taping the call would be in violation of the Rules of Procedure and may be removed. Chairman Cowper then introduced the officials present at the meeting.

- Keith Moss, Vice Chair
- Don Tomford, Secretary
- Matt Elsey, Treasurer
- Ryan Bewersdorf, Director
- Margaret Dimond, Director
- Shirley Ghannam, Director
- Annetta May, Director
- John Sinelli, Director
- Jim Bazner, Associate Director
- Carna Cureton, Associate Director
- Mark Shobe, President & CEO

### DETERMINATION OF A QUORUM

Chairman Cowper noted that a quorum was present and called the 2020 meeting to order at 4:01 pm.

### APPROVAL OF MINUTES FROM 2019 MEETING

The first order of business on the agenda is acceptance of the minutes from the 2019 Annual Membership Meeting. Member Richard Schulke sent via email the following correction proceeding the meeting: The "2019 Minutes" of May 13, 2019 contains an erroneous reference to "Chairman Chapman" in the 3rd paragraph instead of "Chairman Cowper."

The minutes were approved and made part of the official records.

### REPORT OF THE DIRECTORS AND REPORT OF FINANCIAL CONDITION

The next two agenda items were the Report of the Directors and the Report of Financial Condition and Annual Comprehensive Audit made by Chairman Cowper.

#### **Report of the Directors, a review of key accomplishments from 2019:**

- 1.** We introduced DFCUPerks, an account that offers mobile phone insurance, health savings, roadside assistance, and more than 400,000 merchant deals through a mobile app for a small monthly fee.
- 2.** Virtual hold technology was implemented, allowing members to request a call back rather than wait on hold.
- 3.** DFCU made numerous enhancements to its digital banking and card functionality for members.
- 4.** Forbes Magazine rated DFCU the "Best Credit Union in Michigan."
- 5.** The Company received numerous preferred employer recognition awards.
- 6.** DFCU continues to be deeply involved in its communities and actively provides financial education free of charge.

#### **Additionally, here some things to look for in 2020:**

- 1.** We opened our new Midtown branch one week ago near the campus of Wayne State University.
- 2.** Many other initiatives are being deferred as we manage through the Covid-19 pandemic. Our focus has been on continuing to meet our members' financial needs while minimizing the threat to our employees' and members' health.
- 3.** Chairman Cowper assured members that DFCU is a pillar of financial strength. We are very well

capitalized, very liquid, have a low-risk balance sheet, and are a high performer. Just as we did during the Great Recession of 2008-09 DFCU will weather the storm.

### **Report of Financial Condition:**

- 1.** Member deposits increased 1.2% over the prior year reaching \$4.1 billion.
- 2.** Loans outstanding and serviced increased 1.7% and totaled \$1.9 billion.
- 3.** Members personal investments with our financial advisors totaled \$1.8 billion up 8.7% over 2018.
- 4.** DFCU's Return on Assets reached 1.80% during a record year of net income and achieved the 4th highest of the Top 50 credit unions in the country.
- 5.** Management is careful to control costs resulting in an efficient operation ranked 2nd nationally.

Chairman Cowper directed members to review full Balance Sheet and Income Statement within the Annual Report. We invite you to review these at your leisure.

### **UNFINISHED BUSINESS AND NEW BUSINESS**

Chairman Cowper then moved on to the next two items on the agenda, which are Unfinished Business and New Business.

Secretary Tomford reported that there are no items of Unfinished Business nor New Business.

### **ELECTION**

In August 2019, a Nominating Committee of three Board members was appointed to select director candidates from among qualified individuals best able to fulfill the current and future needs of DFCU Financial.

After the committee files its report, nomination information is then included in the quarterly statements sent to members. On behalf of the Nominating Committee, 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 for:

- Margaret Dimond
- Matt Elsey
- John Sinelli

Chairman Cowper thanked Shirley Ghannam (Chair), Ryan Bewersdorf, and Annetta May for serving on this year's Nominating Committee.



### **ADJOURNMENT OF MEETING**

The meeting adjourned at 4:08 pm.

### **Q & A**

Mark Shobe read previously submitted questions from the membership and answered these. He directed members with further questions to contact the executive team. A question and answer period followed and ended at 4:12 pm.



The Cash Back  
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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 is an equal opportunity lender.