



2015 ANNUAL REPORT



MESSAGE FROM THE CHAIRMAN OF THE BOARD



DR. ROBERT CHAPMAN
Chairman of the Board

With spiraling oil prices, a rollercoaster stock market, China's economic slowdown and seemingly endless speculation about when the Federal Reserve would raise interest rates, 2015 left investors out of breath and the average consumer watchful, wondering what was next on the economic horizon.

Those major headwinds are expected to abate a bit in 2016, and Michigan's economic forecast looks positive with an estimated growth of 2.7%, according to the Senate Fiscal Agency report from December 2015. Employment is predicted to continue growing, increasing 1.2% during 2016, 1.0% in 2017, and 0.7% in 2018.

Solid financial results coupled with technological enhancements and investment in the communities we serve continue to set a positive course for DFCU Financial, as well.

Our 2015 performance ranking among our peers was sixth in the nation and fourth in the region. This is driven by our member loyalty, DFCU's day-in/day-out good value, and efficient operations. In fact, membership numbers increased by almost 3,000 and average deposits were up 6%.

Michigan remains concentrated in motor vehicle manufacturing with motor vehicle sales as one of the most competitive sectors of the economy. DFCU Financial experienced a whopping 57% increase in auto loans in 2015.

The state's housing market continued to improve in 2015. DFCU achieved tremendous results there as well, with a nearly 35% increase in mortgage application volume.

DFCU experienced additional growth in other key areas. May 2015 saw the launch of our new Business Banking initiative for business members. As of December 31, 2015, deposits totaled \$7.3 million.

The grand opening of our Plymouth Township branch in June was met with tremendous response from members new and current. For those who like to bank via a device, tools like our mobile app, upgrades to OnLine Banking, and mobile deposit offered members Anywhere Banking. This year, we'll be adding online account opening and a digital signature feature enabling members to close loans remotely.

Educational outreach – including the creation of a very successful Social Security Readiness seminar – and community engagement were additional initiatives because we know that businesses, communities and government must work together.

This year is shaping up to be just as exciting for DFCU and its membership. With four new branches in Clinton Township, Taylor, Birmingham and Pittsfield Township, we will be able to impact local communities both economically and charitably.

And, as always, we share our successes with you, our loyal and supportive members. In every transaction, in every way, we strive to be the expert, make it easy and make your day.

A handwritten signature in black ink, appearing to read "Robert Chapman".

HIGHLIGHTS OF 2015

- Ranked in the Top 10 for financial performance among peer credit unions across the nation for the 15th consecutive year
- Made upgrades to OnLine Banking
- Launched Business Banking to fill an area of need for the small business owners of Michigan
- Issued the 10th consecutive Cash Back reward for a total of \$206 million given to members since 2006
- Achieved net income of \$54 million
- Honored as a National Best and Brightest Company to Work For – a prestigious award given only to 113 companies across the country
- Named Detroit and West Michigan's 101 Best and Brightest Companies to Work For for the fourth year in a row
- Recognized as one of only 10 companies to be named a *Detroit Free Press* Top 100 Workplace for eight consecutive years

BALANCE SHEET

Consolidated Statements of Financial Condition

(In thousands)

Year ended December 31	2015 unaudited*	2014
Assets		
Cash and cash equivalents	\$ 216,385	\$ 178,904
Investment securities	2,612,404	2,363,906
Loans	1,069,833	1,093,651
Allowance for loan losses	(9,321)	(10,835)
Net loans	1,060,512	1,082,816
Property, buildings and equipment	39,468	31,552
National Credit Union Share Insurance Fund deposit	31,959	29,479
Accrued income and other assets	59,869	57,876
Total assets	\$ 4,020,597	\$ 3,744,533
Liabilities and equity		
Deposits	\$ 3,514,651	\$ 3,257,225
Accrued expenses and other liabilities	61,663	59,513
Total liabilities	3,576,314	3,316,738
Retained earnings and regular reserve	461,937	433,623
Accumulated other comprehensive income	(17,654)	(5,828)
Total Members' equity	444,283	427,795
Total liabilities and equity	\$ 4,020,597	\$ 3,744,533

* Crowe Horwath was retained to perform the 2015 audit procedures in the spring of 2016. Crowe issued an unqualified audit opinion on the 2014 financial statements.

INCOME STATEMENT

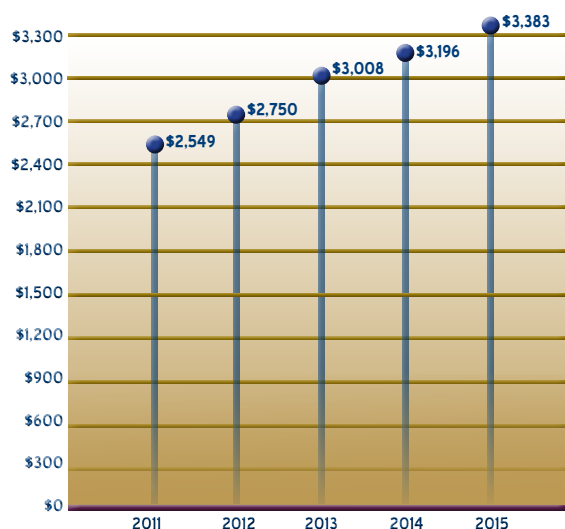
Consolidated Statements of Income

(In thousands)

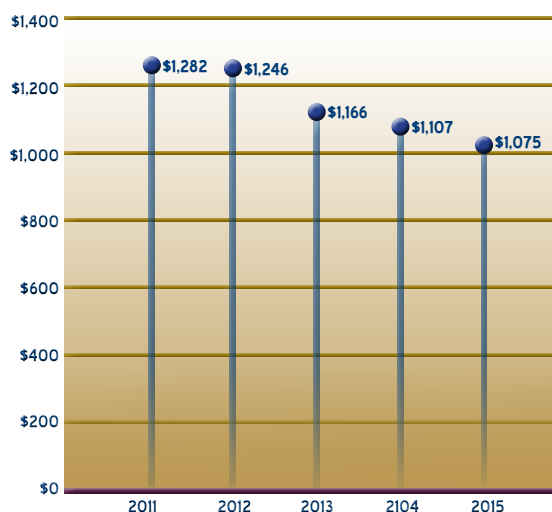
Year ended December 31	2015 unaudited*	2014
Net interest income		
Interest income	\$ 86,570	\$ 88,475
Interest expense	6,606	6,561
Net interest income	79,964	81,914
Provision for losses on loans	515	1,129
Net interest income after provision for losses on loans	79,449	80,785
Non-interest income		
Fees and commissions	32,136	31,026
Other non-interest income	8,132	8,057
Total non-interest income	40,268	39,083
Non-interest expense		
Compensation and benefits	35,608	38,591
Office operations and occupancy	13,638	12,819
Other	16,593	14,821
Total non-interest expenses	65,839	66,231
Net income before special patronage dividend	53,878	53,637
Special patronage dividend	25,564	24,241
Net income	\$ 28,314	\$ 29,396

FIVE-YEAR GROWTH TRENDS

Total Deposits (Average; in millions)



Total Loans (Average; in millions)





Minutes from the 2015 DFCU Financial Annual Membership Meeting The Henry Hotel, Dearborn, Michigan, May 11, 2015

Members were welcomed to DFCU Financial's 2015 Membership Meeting by Board Chairman Dr. Robert Chapman. Chairman Chapman introduced the officials present at the meeting. They included:

- Ryan Bewersdorf, director
- Paul Conway, vice chairman of the board
- Jim Cowper, treasurer
- Keith Moss, director
- John Sinelli, director
- Mark Shobe, president and CEO
- Don Tomford, director
- Laura Terzes, secretary of the board
- Shirley Ghanam, associate director
- Harold Lowman, associate director

Chairman Chapman noted that a quorum was present and called the 2015 Membership Meeting to order at 6:04 p.m. Approximately 24 members were in attendance. Chairman Chapman reviewed the agenda provided in the materials to all attendees.

2014 Minutes

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

Report of the Directors

Treasurer Jim Cowper and Vice Chairman Paul Conway gave the Report of the Directors. The Treasurer began with a look back at general history during the 1950s and specifically DFCU's history preceding our 65th year anniversary.

DFCU Financial had many accomplishments in 2014 which contributed to another good year financially:

- DFCU Financial ranked sixth among national and regional peers for Return on Assets
- We are in the top five most efficient credit unions based on the 50 largest credit unions in the nation
- We remain the largest credit union in Michigan with \$3.7 billion in Assets
- Core Net Operating Revenue was \$115.4 million, up slightly from \$115.3 million in 2013
- Deposits increased more than 5% to \$3.3 billion
- We serviced \$1.6 billion in mortgages
- Managed investment service assets increased more than 8% to \$1.2 billion
- Regulatory capital ratios remained strong at 11.4%
- We ended the year with \$53.6 million in Net Income (before Cash Back)

In addition to outstanding financial performance, DFCU Financial also issued its eighth Cash Back of \$24 million. Since 2006, we've paid over \$181 million to members. It was the largest payout in the history of credit unions at inception and still is unmatched by any other credit union.

Mr. Conway presented major projects, corporate accolades and 2015 initiatives.

2014 was a busy year at DFCU Financial. On average the team managed more than 100 new and recurring projects.

We remain busy serving our growing membership. We processed 2,154,533 teller transactions and answered 474,166 calls into the Member Service Center. We also processed over 36.5 million transactions through alternative channels such as ACH, online, ATM and point of sale and conducted more than 680 closings and 1,921 title searches through our Title Agency. Once again, for four out of four Quarters, we ranked #1 for Overall Service among peers in the Mystery Shopper Program.

We continue to monitor advances in technology to provide you with the tools to help manage your money and achieve your financial goals. As of December 31, 2014, we had 100,198 DFCU OnLine users, 46.74% of these also use mobile banking. In December 2014, over 7,000 users made an average of 2.2 mobile deposits with an average deposit amount of just under \$400.

Mobile loan application on our website means members receive an immediate online loan decision. AutoSMART partnership with 88 dealers offers web-based opportunity to find, shop and finance your next auto online. We've received 1,096 applications from these dealer partners.

Branch expansion continued with construction begun at our new Main Street (Plymouth) location. New Pittsfield Township and Clinton Township sites are in the approval process.

We are now in the 14th year of the advisor-based Financial Partners channel and experiencing continued growth. It was a record year with revenue up by 2.4% over 2013. Assets under management were up 9.9% over 2013 and we closed the year at \$1.2 billion. We have 10 financial consultants in our branch system. We now advise over 80 U of M employees on

their retirement plans (about \$440 million in assets) since merging with Midwest Financial Credit Union in Ann Arbor.

DFCU Financial continued to educate our members and communities through our financial literacy efforts. We held 60 educational seminars for adults attended by 1,086 people. We donated \$42,500 to education foundations in Dearborn, Garden City, Livonia, Plymouth/Canton, Riverview, Walled Lake and Ypsilanti. We partnered with several local community organizations including the Big Read, U of M – Dearborn Business School, Young Entrepreneurs Academy, the Potter Park Zoo, Greenfield Village/Henry Ford Museum and chambers around the state.

The credit union highly values its employees and was recognized as a *Detroit Free Press* Top Workplace for the seventh consecutive year. Other honors included West Michigan's 101 Best and Brightest Companies to Work For, and for the second time, a National Best and Brightest Company to Work For.

Mr. Conway concluded the presentation with 2015 initiative details including the launch of Business Banking for small businesses with annual revenues of \$5 million or less. This offering was shaped in collaboration with other Michigan entrepreneurs and DFCU members.

Report of Financial Condition and Annual Comprehensive Audit

Chairman Chapman referenced the Report of Financial Condition contained in the annual report and noted that members could review it further at their leisure.

Unfinished Business

There was none.

New Business

There was none.

Elections

Dr. Robert Chapman, chairman, Jim Cowper, treasurer, and Don Tomford, director, were up for re-election. 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.

Adjournment of Meeting

The meeting adjourned at 6:24 p.m.

Question-and-Answer Session

Chairman Chapman invited questions from the membership. A question-and-answer period followed.



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DFCU Financial Federal Credit Union is an equal opportunity lender.