

A horizontal banner at the top of the page featuring a series of black silhouettes of diverse people, including individuals, families, and groups, walking or standing. The banner is set against a light blue background and is framed by a dark blue border.

2012 ANNUAL REPORT



MESSAGE FROM THE CHAIRMAN OF THE BOARD



DR. ROBERT CHAPMAN
Chairman of the Board

"The secret of success is constancy of purpose."

- BENJAMIN DISRAELI

DFCU Financial had another great year with the launch of several new products and services, and outstanding financial results. We continued to seek ways to serve our membership and build on our financial strength. The credit union is well positioned to undertake any future challenges we may encounter in the short or long term.

And there is more good news. It appears the worst of the economic challenges that have plagued our state for the last several years are behind us. As reported in Governor Rick Snyder's State of the State Address, Michigan is the sixth fastest growing state in the nation. That's wonderful news for all of us who call our great state home.

While our state's economy grew, so did our deposits by 7.5%. In addition, our loans increased while delinquencies and losses decreased, which is another indicator that our state's economy is on the right track.

When members turn to DFCU Financial with their financial needs, we are able to grow stronger. From our position of financial strength, we continually seek to improve our products and services to make members' lives easier. Here are a few of our accomplishments in 2012.

The DFCU Financial team worked diligently to develop mobile banking to meet members' needs. With free DFCU Mobile Banking, members can now easily access accounts, pay bills, transfer funds or deposit checks from their mobile device.

And when Ford Motor Company announced that they would offer lump-sum pension payments, the Financial Consultants at DFCU Financial Partners, licensed through CUSO Financial Services, L.P. (CFS)*, helped current Ford employees and retirees evaluate their options so they could make informed decisions.

In 2012, we introduced two new loan protection programs called Debt Protection and Debt Protection-PLUS, which are voluntary loan payment protection programs. If something happens to you and you're a protected borrower or co-borrower on a loan, DFCU Financial will cancel or reduce repayment of your loan debt. As a credit union, providing you with low-cost insurance options is important so you can protect your assets.

As we look forward, our expansion efforts continue with the opening of the Plymouth Road branch in Ann Arbor in May. And later this year, we will begin construction on another branch in Ann Arbor to serve members in this growing area.

However our technology may change, or our branch network expands, our promise to you will remain the same: to provide financial expertise and highly personalized service. Serving you properly goes beyond handling a transaction efficiently and with a smile. It's about forming a lasting relationship and serving your financial needs at various stages of your life. It's about being there for you when you need us.

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

HIGHLIGHTS OF 2012

- Ranked in the Top 10 for financial performance among peer credit unions across the nation for the 12th consecutive year
- Issued the seventh Special Patronage Dividend of \$21.8 million for a total of more than \$130 million given to members since 2006
- Achieved record net income of \$49 million
- Introduced Mobile Banking and Mobile Deposit to increase service to members
- Honored as a National Best and Brightest Company to Work For – a prestigious award given only to 113 companies across the nation
- Named a Metro Detroit 101 Best and Brightest Companies to Work For for the eighth consecutive year
- Named a West Michigan 101 Best and Brightest Companies to Work For for the first time
- Named a *Detroit Free Press* Top 100 Workplace for the fifth consecutive year. DFCU Financial is one of only 10 companies to be named a Top Workplace each year since the award was first given in 2008

*Investment services at DFCU Financial are offered through CUSO Financial Services, L.P., member FINRA/SIPC.

BALANCE SHEET

Consolidated Statements of Financial Condition

(In thousands)

Year ended December 31	2012 unaudited*	2011
Assets		
Cash and cash equivalents	\$ 157,481	\$ 129,537
Investment securities	1,890,204	1,574,755
Loans	1,219,256	1,265,747
Allowance for loan losses	(18,265)	(20,644)
Net loans	1,200,991	1,245,103
Property, buildings and equipment	32,219	31,932
National Credit Union Share Insurance Fund deposit	26,304	24,098
Accrued income and other assets	56,674	64,438
Total assets	\$ 3,363,873	\$ 3,069,863
Liabilities and equity		
Deposits	\$ 2,900,637	\$ 2,613,909
Borrowed funds	150	300
Accrued expenses and other liabilities	62,166	80,321
Total liabilities	2,962,953	2,694,530
Equity	400,920	375,333
Total liabilities and equity	\$ 3,363,873	\$ 3,069,863

* Crowe Horwath was retained to perform 2012 audit procedures in the spring of 2013. Crowe issued an unqualified audit opinion on the 2011 financial statements.

INCOME STATEMENT

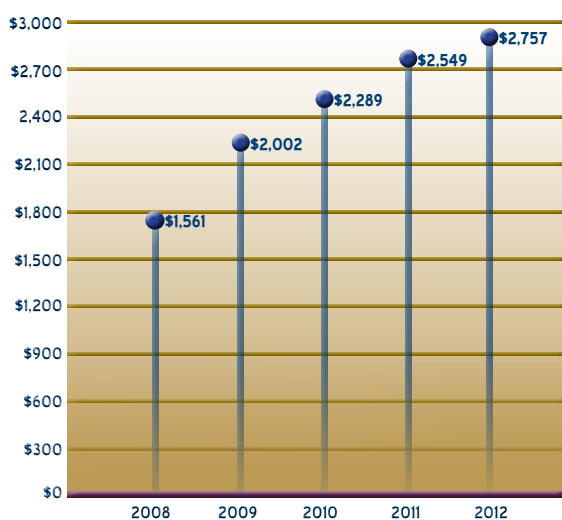
Consolidated Statements of Income

(In thousands)

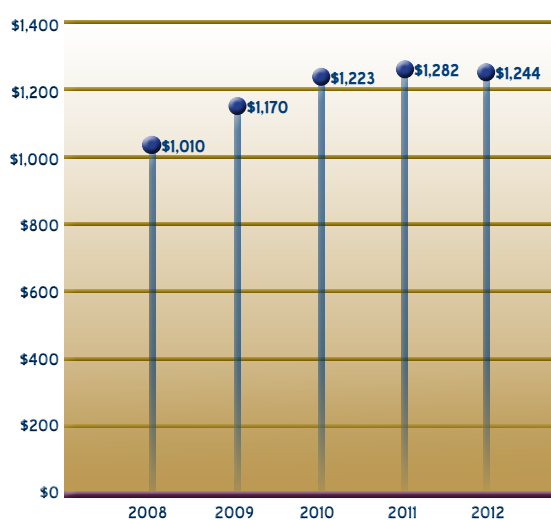
Year ended December 31	2012 unaudited*	2011
Net interest income		
Interest income	\$ 90,682	\$ 102,839
Interest expense	7,750	10,230
Net interest income	82,932	92,609
Provision for losses on loans	6,752	9,968
Net interest income after provision for losses on loans	76,180	82,641
Non-interest income		
Fees and commissions	28,032	27,173
Other non-interest income	6,667	1,512
Total non-interest income	34,699	28,685
Non-interest expense		
Compensation and benefits	31,118	31,649
Office operations and occupancy	13,360	14,059
National Credit Union Share Insurance Fund expense - net	2,499	6,024
Other	14,495	18,077
Total non-interest expenses	61,472	69,809
Net income before Special Patronage Dividend	49,407	41,517
Special Patronage Dividend	22,003	21,077
Net income	\$ 27,404	\$ 20,440

FIVE-YEAR GROWTH TRENDS

Total Deposits (Average; in millions)



Total Loans (Average; in millions)





2013 DFCU Financial Annual Membership Meeting Agenda The Henry Hotel, May 8, 2013

- Determination of a Quorum
- Approval of the Minutes from 2012 Meeting
- Report of Financial Condition and Annual Comprehensive Audit
- Report of the Directors
- Unfinished Business
- New Business Other Than Election
- Election
- Adjournment
- Questions and Answers

Minutes from the 2012 DFCU Financial Annual Membership Meeting The Henry Hotel, May 21, 2012

Members were welcomed to DFCU Financial's 2012 Membership Meeting by Board Chairman Dr. Robert Chapman. Chairman Chapman introduced the officials present at the meeting. They included:

Paul Conway, director and vice chairman of the board

Jim Cowper, director and treasurer of the board

Laura Terzes, director and secretary of the board

Mark Shobe, president and chief executive officer

Beth Cafaro, director

Bill Furtwangler, director

Don Lawrence, director

Keith Moss, director

Don Tomford, director

Chairman Chapman noted that a quorum was present and called the 2012 Membership Meeting to order at 6:01 p.m. Approximately 55 members were in attendance for the meeting. Chairman Chapman reviewed the agenda which was provided in the materials given to all meeting attendees.

2011 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 an overview of the economic climate in Michigan, which had slowly improved. In our state, unemployment declined, though was still above the national average. And unfortunately, housing values were still underwater. The good news is that 63,000

new jobs were added and sales were up in the auto industry for 2011.

Despite our still-challenged economy, DFCU Financial had many accomplishments in 2011, which contributed to another great year financially:

- DFCU Financial ranked sixth among national and regional peers for Return on Assets
- We are the eighth most-efficient credit union in the nation, based on the 50 largest credit unions in the nation
- Core Net Operating Revenue rose to \$121.1 million
- Member loans increased to \$1.28 billion
- Average Deposits increased to \$2.55 billion

In addition to the outstanding financial performance, DFCU Financial also issued its sixth consecutive Special Patronage Dividend of more than \$21 million.

We finished construction of our Novi branch, which opened in early 2012 and is off to a great start with more than \$6 million in new deposits and 354 new memberships as of May 2012.

In 2011, DFCU Financial celebrated a milestone – the 10th anniversary of DFCU Financial Partners, the investment division of DFCU Financial. Since its inception in 2001, DFCU Financial Partners has grown to serve more than 10,000 households and manage more than \$800 million in assets. DFCU Financial capped off a stellar year by being named the CUSO Financial Services Program of the Year for 2011.

The credit union received more accolades in 2011 by being named a Metropolitan Detroit 101 Best and Brightest Companies to Work For for the seventh time; a *Corp!* Magazine Michigan Economic Bright Spot for the third time; and a *Detroit Free Press* Top 100 Workplace for the fourth time.

Mr. Conway concluded the presentation by explaining that 2012 is proving to be a challenging year with the economic recovery still slow and interest rate margins still contracted. Consumers continue to act cautiously, choosing to pare down debt, which creates low demand for loans.

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, Jim Cowper and Don Tomford were up for election. Each candidate was introduced and background information was provided to the members present. Since the three candidates were running unopposed for three vacancies, a unanimous ballot was cast.

Adjournment of Meeting

The meeting adjourned at 6:31 p.m.

Question and Answer Session

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



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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.