



Annual Membership Meeting

April 6, 2019 at 9:00 a.m.

The Black Canyon Conference Center

9440 N. 25th Avenue

Phoenix, AZ 85021

This credit union is federally insured by the National Credit Union Administration.

Meeting Agenda

- CALL TO ORDER HAROLD KINCH
- QUORUM PRESENT HAROLD KINCH
- CLOSE BALLOT HAROLD KINCH
- MINUTES OF THE 2018 ANNUAL MEETING AS PRINTED
- CHAIRMAN'S REPORT AS PRINTED
- CREDIT MANAGER'S REPORT AS PRINTED
- SUPERVISORY COMMITTEE'S REPORT AS PRINTED
- CEO'S REMARKS ROBB SCOTT
- OLD BUSINESS HAROLD KINCH
- NEW BUSINESS HAROLD KINCH
- ELECTION RESULTS HAROLD KINCH
- ADJOURNMENT HAROLD KINCH
- DOOR PRIZES STAFF

Annual Meeting Minutes
March 24, 2018

Chairman Harold Kinch called the meeting to order at 8:50 a.m. on Saturday, March 24, 2018, at the Black Canyon Conference Center, Phoenix, AZ. Board members present were Chris Urness-Vice Chairman, Stephen Wolfe-Treasurer, Roger Zollinger-Director, Frank Martinson-Director, Melanie Merrill-Director, J.J. Petersen-Director, Janet Burgett Martin-Director, Dennis McDonald-Director. Supervisory Committee members present were Al DuBrowa and Harshad Desai.

Harold determined that a quorum was present and announced that the ballots were closed.

The minutes of the annual meeting on April 1, 2017, were approved as printed.

Harold welcomed the membership and thanked them for attending. He introduced members of the Board of Directors and Supervisory Committee and thanked them for their service over the past year. He referenced the written Chairman's report and announced the loss of a dear friend and credit union champion. He said, "Greg Miller, a longtime board member, was instrumental in leading our credit union for over a decade. His experience as a business owner and school administrator, combined with his passion for improving member service, served us especially well during the great recession. His outspoken support of our credit union and our members allowed our credit union to continue doing good work on behalf of our members during tough times. He will always be remembered and we are grateful for his service."

Harold referenced the written Credit Manager's and Supervisory Committee's reports located in the meeting packet. He thanked Al DuBrowa and Harshad Desai for their service on the committee and their work to ensure our credit union is operating in a safe and sound manner. He referenced the financial statements located in the meeting packet. The membership voted to approve Chairman's Report, Credit Manager's Report and the Supervisory Committee's Report.

Robb Scott, CEO, discussed DVCU's strong membership growth of 8.3% in 2017. He also mentioned that only one other credit union had better percentage growth. Membership shares increased 2.7% and loans increased 10.4% last year. Robb discussed some of the accomplishments in 2017 including:

- Anthem and Surprise branch remodel projects along with a short video.
- Creation of a first-time vehicle loan program that assisted 280 members.
- Small business member loan program.
- Small lines of credit to assist with members' emergency needs.
- Continued online and mobile banking enhancements.
- Shared branches are now ranked 2nd behind Wells Fargo Bank in terms of branches available to DVCU members across the country.
- Over 600 members have utilized our financial planners and have \$30 million under management.

Robb also discussed some of the 2018 initiatives including:

- Relocation of the Main branch to 2400 W. Bell Road to improve visibility and ease of access.
- First mortgage lending brought in-house with origination and processing by DVCU team members instead of an outsourced arrangement. DVCU assisted almost 40 members during the first two months of this new process.
- Continued online and mobile banking enhancements related to new members joining DVCU and mobile-based budgeting and account aggregation tools.
- New and improved website.

Robb highlighted the annual membership survey completed by 2,500 members.

Members responded that 83% of them were very satisfied and 15% were satisfied with DVCU. Also, 67% of members said that they were extremely likely to recommend friends and family to DVCU and an additional 25% were very likely to recommend our credit union.

Robb opened the floor to questions and/or comments from the membership including:

- 1) Member mentioned that the Arrowhead Branch address is incorrect in the packet.
- 2) Members complimented the Arrowhead Branch and the Anthem Branch for excellent service.
- 3) Member asked about Saturday hours. Robb said that the credit union conducted an extensive cost/benefit analysis and determined that resources were better used for online and mobile banking enhancements.
- 4) Member asked if we plan on having a full-time drive-thru teller at the new Main branch. Robb mentioned that the tellers will be closer to the drive thru window at the new location.
- 5) Member thanked Debbie, Anthem branch manager, for helping them when their identification was stolen.
- 6) Member asked when the new Main branch would be open. Robb said that next January or February is the latest estimate.
- 7) Member asked when we are going to increase our deposit rates. Robb said that share certificate rates were increased last week and we will continue to maintain a competitive return on our deposits. He also mentioned that some institutions are offering higher rates to raise liquidity. DVCU is currently in a strong liquidity position.

Harold said there was no old business to discuss.

Under new business, Harold referred members to the annual meeting packet that contained a red-lined version of our bylaws. The paragraph with changes was also shown on the screens. The Board approved the bylaw changes on January 17, 2018. The Arizona Department of Financial Institutions also approved these changes. He said that the credit union is asking the membership to approve allowing electronic ballots for elections in the future. The Board is still in the process of deciding the best approach to this new voting process. In general, providing the option of electronic ballots allows more members to participate in the democratic process. It also allows our credit union to further inform and educate members about their ownership in the credit union. After a motion and a second to ratify the

bylaw changes, the members unanimously approved the motion. There were approximately 200 members in attendance.

Harold announced the results of the election. The board members elected were:

Roger Zollinger

Melanie Merrill

Harold Kinch

Harold thanked the membership for attending and encouraged members to contact the credit union with any comments or concerns and adjourned the meeting at 9:42 a.m.

Respectfully submitted,

Ed Frick

Edward Frick, Secretary

Approved by,

Harold Kinch

Harold Kinch, Chairman

Chairman's Report

Deer Valley Credit Union serves almost 19,000 members in Arizona, across the country and many parts of the world. We thank our members for their support and trust they place in our credit union. It is our mission to support our members' dreams through financial services that put their interests first. That's our not-for-profit, cooperative spirit, and it's what drives us to be our members' best financial partner every day.

We are pleased to provide a summary report highlighting the growth we experienced and progress we made this past year. I express my sincere gratitude to my fellow Board and Committee Members, Management Team, and to our Staff for their dedicated service and attention to our members' needs.

During 2018, membership grew by almost 6% compared to our peer group average of 2.5%. Just over 2,800 new members joined the credit union last year. Members increased deposits by over \$19 million in 2018 for a 9% growth rate. Members continued to rely on our credit union for their borrowing needs. Loan balances grew by over \$22.0 million or 13% in 2018 (see Credit Manager's Report for more loan details).

We continue to invest in products, services, training and tools to offer the best financial solutions for our members including:

- New Main branch at 2400 W. Bell Road in Phoenix (June 2019).
- New mobile and online banking enhancements including: quick balance, login with fingerprint or facial recognition, person to person payments, loan applications, account alert messaging and other express money transfer options.
 - Ability to turn off debit card in mobile app in event of a lost or stolen card.
 - Rapid growth in mobile banking usage.
 - Online videos to assist members with electronic services.
 - Higher rate member share certificate specials.
 - Member financial education materials, training and workshops.
 - We have put a number of systems/processes in place to combat fraud with little negative impact on legitimate transactions.
 - Debit card Tap to pay (coming soon).

We had over 2,600 members provide their feedback during our annual survey. 97% of members said that they were satisfied with the service provided by DVCU. 69% of members (highest ever) said that they were "Extremely Likely" to recommend DVCU to family and friends. We look forward to continued success in 2019 and beyond.

Thank you for your membership!

Chris Urness, Vice Chairman

Steve Wolfe, Director

Melanie Merrill, Director

Roger Zollinger, Treasurer

Ed Frick, Director

JJ Petersen, Director

Janet Burgett Martin, Secretary

Frank Martinson, Director

Dennis McDonald, Director

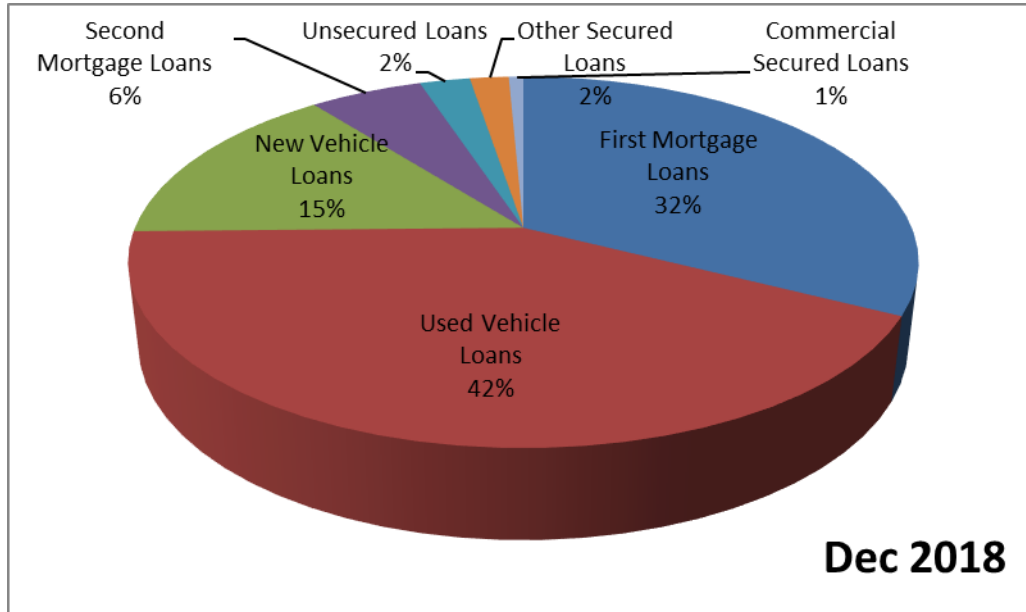
Harold Kinch

Harold Kinch

Chairman

Credit Manager's Report

The credit union experienced strong loan demand from its members in 2018. Members borrowed over \$93.4 million for homes, vehicles and other purposes. Total loan balances increased \$21.8 million in 2018 for a 13% increase. At the end of 2018, the loan portfolio was comprised of 57% vehicle loans, 38% mortgage-related loans and 5% all other loans.

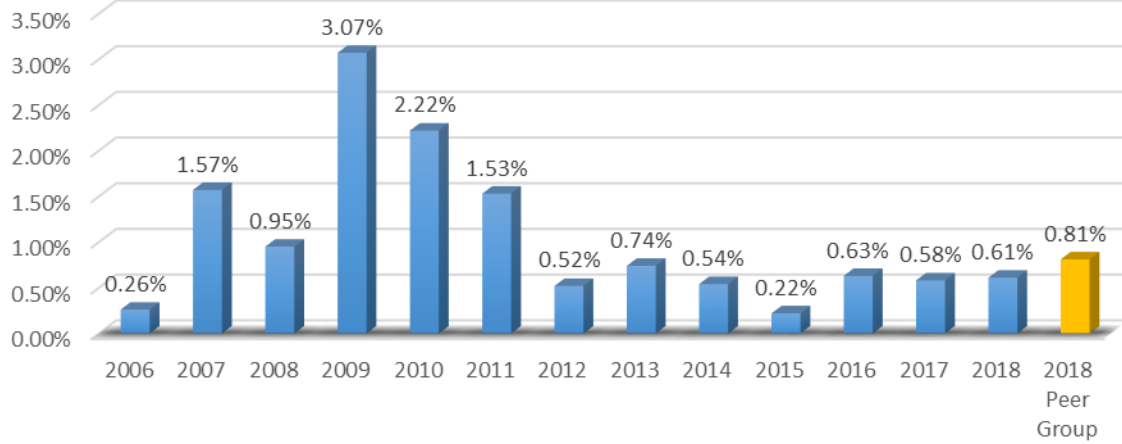


During 2018, we continued to assist members with their borrowing needs by:

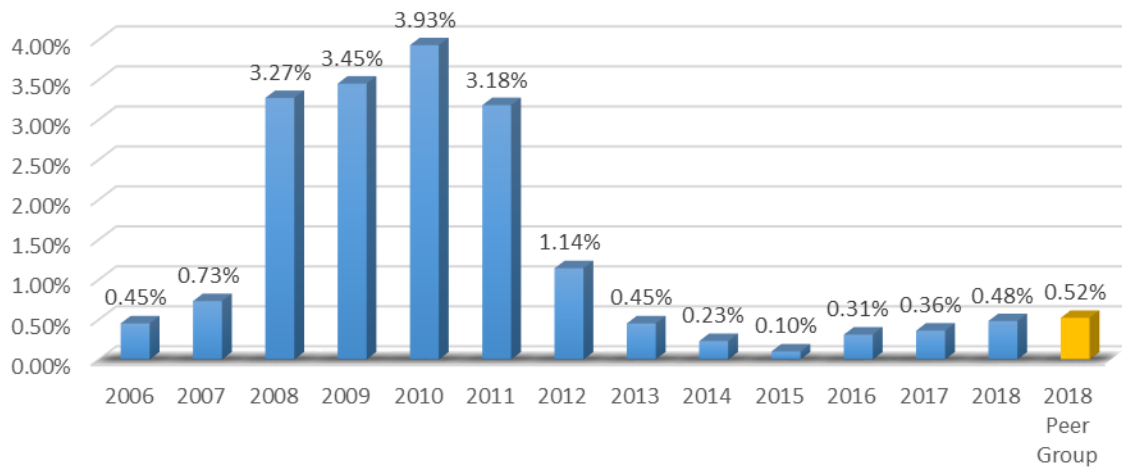
- Working with local dealerships to assist with member financing through DVCU.
- Originating, funding and servicing first and second mortgage loans.
- Assisting member-owned small businesses with business purpose vehicle, property and line of credit loans.
- Providing loan discounts to members with active Participation Checking Accounts.
- Providing 1% cash back incentives to members who refinance their vehicle loans from another financial institution.
- Assisting first-time vehicle buyers with affordable and responsible loan options.
- Improved the in branch loan closing process with electronic signatures and delivery of executed loan documents.
- Implemented a consumer loan application system providing members with quicker responses to loan requests.
- Created an online mortgage application, allowing members to apply for a mortgage 24/7.

The quality of the loan portfolio is measured by the amount of delinquent loans and loan charge offs or losses. At the end of 2018, we had \$1.17 million in loan balances that were delinquent more than 60 days for a delinquent loan to total loan ratio of 0.61%. In other words, 99.39% of loans are paying as agreed. Delinquency has been within the "normal" range for the past five years and continues to be lower than our peer credit unions. Loan losses for the year were \$819K or 0.48% of loan balances and continue to be lower than our peer credit unions. The credit union has reserved almost \$1.5 million in allowance for future loan losses.

Loan Delinquency



Loan Losses



We look forward to serving more members with their lending needs in 2019.

Greg Reiley
Greg Reiley
Credit Manager

Supervisory Committee's Report

During 2018, the Supervisory Committee continued its active involvement in monitoring the credit union's operating practices and financial results, in keeping with its mission to safeguard both DVCU and member assets.

The committee contracted with Nearman, Maynard, Vallez, CPAs to perform an annual audit of the 3/31/2018 financial statements, in accordance with auditing standards generally accepted in the United States of America. The audit report did not address any areas of concern. Nearman, Maynard, Vallez, CPAs conducted member account verifications, as required by the National Credit Union Administration. All inquiries and responses were researched and resolved. The next audit will be as of 3/31/2019.

An internal audit program, which is conducted by an outside firm and reviewed by the committee quarterly, is aimed at verifying that the credit union continues to operate in a safe and sound manner. In addition to conducting its own audits of various areas of the credit union, the committee meets with credit union regulators, reviews their exam reports and ensures that management complies with examiner recommendations.

After careful review of all audit reports, the Supervisory Committee concludes that the credit union is financially sound and has complied with all Generally Accepted Accounting Principles and applicable federal and state regulations in a manner consistent with sound credit union practices and procedures.

Thank you to my fellow committee member, Harshad Desai, for his volunteer work over the past several years.

Al DuBrowa

Al DuBrowa
Chairman, Supervisory Committee

Statement of Financial Condition (Unaudited)

in \$000's

| | 2017 | 2018 |
|---|-------------------|-------------------|
| Cash and Cash Equivalents | \$ 12,290 | \$ 13,176 |
| Investments | 40,516 | 36,312 |
| Loans to Members (Net of Allowance for Loan Loss) | 159,707 | 181,478 |
| Foreclosed and Repossessed Assets | 87 | 75 |
| Premises and Equipment (Net) | 13,329 | 13,670 |
| NCUSIF Deposit | 2,037 | 2,092 |
| Interest Receivable | 463 | 515 |
| Other Assets | 893 | 1,064 |
| Total Assets | \$ 229,322 | \$ 248,382 |
| | | |
| Dividends Payable | 11 | 28 |
| Accounts Payable and Other Liabilities | 3,011 | 2,318 |
| Shares | 206,183 | 225,034 |
| Reserves and Undivided Earnings (Net) | 20,117 | 21,002 |
| Total Liabilities and Members' Equity | \$ 229,322 | \$ 248,382 |

Statement of Income (Unaudited)

in \$000's

| | 2017 | 2018 |
|---|---------------|-----------------|
| Net Interest Income | \$ 7,291 | \$ 8,067 |
| Provision for Loan Losses | (590) | (880) |
| Net Interest Income after Provision for Loan Losses | \$ 6,701 | \$ 7,187 |
| Non-Interest Income | 2,746 | 3,443 |
| Non-Interest Expense | (8,682) | (9,444) |
| Net Income | \$ 765 | \$ 1,186 |

Contact Information

Branches

Hours

Main Branch
16215 N. 28th Avenue
Phoenix, AZ 85053

Monday-Thursday 9:00 a.m. – 5:00 p.m.
Friday 9:00 a.m. – 6:00 p.m.

Anthem Branch
3428 W. Anthem Way
Anthem, AZ 85086

Monday-Thursday 9:00 a.m. – 5:00 p.m.
Friday 9:00 a.m. – 6:00 p.m.

Arrowhead Branch
18559 N. 59th Avenue
Glendale, AZ 85308

Monday-Thursday 9:00 a.m. – 5:00 p.m.
Friday 9:00 a.m. – 6:00 p.m.

Surprise Branch
15613 W. Bell Road
Surprise, AZ 85374

Monday-Thursday 9:00 a.m. – 5:00 p.m.
Friday 9:00 am – 6:00 pm

eBranch
(602)375.7300
800.579.5051

Monday-Thursday 9:00 a.m. – 5:00 p.m.
Friday 9:00 a.m. – 6:00 p.m.

Email: info@dvcu.org

Website: www.deervalleycu.org

Credit Union Shared Branches worldwide: co-opcreditunions.org/locator or linked on our website

Surcharge-free ATM network worldwide: www.allpointnetwork.com or linked on our website