



DCUSM
BANKING – THE DCU WAY

2008 annual report |

cover photo:
portland head lighthouse
by chris stern — remittance
processing team member



the DCU way

- people come first
- do the right thing
- make a difference

strong and committed

In this turbulent financial market, DCU is looking out for your financial health. We continue to remain financially strong and we are ready and able to serve your specific needs. We have the strength and ability to help you maintain balance in your financial life.

At DCU, we always have your best interests at heart. We are here for you when times are good and you want to invest or need a loan. But we are also here for you if you should encounter some type of financial challenge. Remember, you can depend on us in the good times and the hard times.

We are here to provide you superior overall value especially through professional service delivered by DCU people who truly care. We are also committed to bringing you easy-to-use, 24-hour access to financial services that simplify your financial life. Everyone on the DCU team thanks you and your fellow members for your continued confidence and trust.

service enhancements

Two New Branch Locations – DCU's Waltham, MA branch opened in January at 130 Lexington Street. DCU's Franklin branch opening occurred in August at 500 West Central Street (Rt. 140). Both branches are set up to accommodate both our traditional and business membership and both feature DCU Financial and DCU Realty offices.

PC Deposit – Members can now deposit checks with their computer and scanner through PC Branch for free. A similar fee-based service for businesses also began priced well below competitors. At the time of this publication, we have over 4,400 active users, and we anticipate doubling that number before 2010.

DCU Rewards – This year DCU began providing members more options for spending their *ScoreCard*[™] points. Members can redeem them for rate specials on auto loans and certificate accounts, money towards mortgage closing costs, fee waivers, Visa[®] gift cards, and charitable donations.

PayCycle Payroll Services – This easy to use online payroll service that automates the payroll process is now available at a discount through DCU.

Private Student Loans – For our members dealing with the costs of higher education, a new private student loan product was introduced, just as many larger student lenders pulled out of the loan market.

Fuel Assistance and Energy Efficiency Loans – To assist members who wanted to reduce or spread their rising energy costs, we introduced three loan programs.

- DCU's Fuel Assistance Loan is a one-year loan set up to help members spread the cost of home heating over a full year.
- DCU's Energy Efficiency Loan was set up to provide for energy-saving home improvements such as a furnace upgrade, pellet stoves, storm windows and doors.
- DCU's Energy Efficient Auto Loan provides a .25% discount for purchases of cars with EPA fuel economy ratings of 35mpg or higher.

Health Savings Checking Account – This product gives members with high deductible health insurance plans a tax-advantaged way to cover out-of-pocket expenses and deductibles.

FHA Mortgages – We began offering FHA loans that are federal assistance mortgage loans insured by the Federal Housing Administration. FHA loans are an ideal way to help first-time home buyers.

ShowMe Newsletter Goes Monthly – DCU's quarterly teen newsletter is now monthly serving members from 13 through 22 with an online version emailed to members in this age group signed up for eStatements.

service enhancements

Message Center – DCU can now deliver secure messages to members about their accounts and membership within PC Branch.

FinanceWorks™ – DCU's new online account management tool helps members get a complete snapshot of their finances located within PC Branch. Developed by Intuit, makers of Quicken.

DCU Realty

DCU Realty Listing Express Introduced – Members can do some of the work selling their home and save thousands in commissions. Prices start at \$329 to list in MA and NH with a 3.5% closing commission.

DCU Realty Foreclosure Tours – DCU Realty became the first realtor in the region to take interested buyers on a bus tour of the best foreclosed properties in the community. The tour included a rolling seminar on the special challenges of buying such properties.

DCU Insurance

DCU Insurance now provides expanded service so you can protect your auto, homeowners, boat, RV's, motorcycles, and ATV's. In 2008 DCU Insurance took advantage of new state regulations to sell a record number of new auto policies.

community outreach

Our Dedication to the Well-Being of Children

Children are the future and we all want to do our part in improving their lives and helping them become successful, healthy, well-rounded adults. We direct our charitable efforts toward child-focused non-profit organizations and causes in communities with DCU branches or large numbers of members.

Through Adopt-a-Classroom, we provide support to 52 individual classrooms (primarily special needs or special needs inclusion) in four states. We support a variety of nutritional, educational, recreational, cultural, and athletic programs each year. At several New England High Schools, we provide free, unbiased financial education.

Through DCU for Kids, our non-profit charitable foundation, we've provide meaningful support to many organizations since its inception in 2005. Over the last three years, DCU for Kids has made over \$2,000,000 in charitable donations to organizations including The Boomer Esiason Foundation for Cystic Fibrosis, Children's Hospital • Boston, Boys & Girls Clubs, Autism Speaks, and The Jimmy Fund.



9th Annual Golf Tournament sets a record

The DCU for Kids annual Golf Classic raised over \$310,000 for the Boomer Esiason Foundation for Cystic Fibrosis at Wedgewood Pines Country Club in Stow, MA.

DCU Commits Over \$200,000 to Local Charities and Organizations

In 2008, DCU partnered with 115 organizations to assist them in making a difference in the lives of so many. Some of the organizations that benefitted from DCU's support include:

Worcester County Food Bank
 NH JumpStart Coalition
 Newspapers in Education
 Rainbow Childhood Development Center
 Littleton Education Fund
 New Hampshire Food Bank
 UMASS Memorial Foundation

Project Smile
 NeighborWorks Homeownership Center
 Hugs Not Drugs Annual Campaign
 Franklin Education Foundation
 Merrimack Valley Food Bank
 The Salvation Army

scholarship winners

Memorial Scholarship Program

Each winter, college-bound DCU members graduating from high school in the coming spring compete for merit-based scholarships for their freshman year.

The 2008 recipients were:

\$2,500 DCU Memorial Scholarship Winners

Sharon Bushi - East Brunswick, NJ

Benjamin Campbell - Hollis, NH

Lauren Canova - Nashua, NH

Rafaella Cardoso - Marlborough, MA

Caileigh Grove - Franklin, MA

\$1,000 DCU Memorial Scholarship Winners

Jhalak Agarwal - Marlboro, NJ

Kelly Cakert - Sudbury, MA

Luke Coughlan - Westford, MA

Ethan Dow - Lexington, MA

Lauren Grotton - Topsham, ME

Katelyn Henmueller - Nashua, NH

Brianne Kumar - N. Andover, MA

Harmony Lu - N. Andover, MA

Alexander Morin - Mendon, MA

Jacob Newman - Salt Lake City, UT

Kevin Pidgeon - Bourne, MA

Gregory Shue - Ft. Myers, FL

Conor Walsh - Medfield, MA

Alyssa Wheeler - Windham, NH

Michael Wittman - Bedford, MA

raffle winners

Throughout 2008, DCU for Kids conducted five separate raffles with proceeds going directly to charities that make a difference in the communities that our members are a part of. We thank all members that participated and congratulate the following:

Dale B. from Douglas, MA

The winner of the 2008 Toyota Highlander SUV Raffle which raised \$65,000

P. Thakur from Livonia, MI

The winner of the 2008 Honda Pilot Raffle which raised \$65,000

Michael D. from Holliston, MA

The winner of the 1st \$20,000 Cash Raffle which raised \$37,000

Kathleen H. from Auburn, MA

The winner of the 2nd \$20,000 Cash Raffle which raised \$37,000

Thomas M. from Nashua, NH

The winner of the 3rd \$20,000 Cash Raffle which raised \$37,000

chairman and president's report

2008 in review

assets in millions

2005	\$3089
2006	\$3455
2007	\$3889
2008	\$ 4486

deposits in millions

2005	\$2760
2006	\$3196
2007	\$3272
2008	\$ 3494

membership in thousands

2005	270
2006	299
2007	331
2008	370

membership loans in millions

2005	\$3392
2006	\$3749
2007	\$4245
2008	\$ 4900

consolidated statements of financial condition

December 31,	2008	2007
ASSETS	{in thousands}	
Cash and cash equivalents	\$299,344	\$213,630
Investments		
Available-for-sale	0	0
Other	50,432	24,580
Loans held for sale	4,694	6,991
Loans to members, net	3,997,025	3,515,273
Accrued interest receivable	16,261	15,547
Property and equipment, net	62,839	62,373
National Credit Union Share	28,097	26,332
Insurance Fund deposit	27,999	24,955
Other assets		
	\$4,486,691	\$3,889,681

The accompanying notes are an integral part of these statements.
To view them, visit dcu.org and select **2008 Financial Statements**

December 31,	2008	2007
LIABILITIES AND MEMBERS' EQUITY {in thousands}		
Liabilities		
Members' shares	\$3,494,310	\$3,272,170
Borrowed funds	693,310	325,000
Accrued expenses and other liabilities	38,413	41,411
Total liabilities	\$4,226,033	\$3,638,581
COMMITMENTS AND CONTINGENT LIABILITIES		
Members' Equity		
Retained earnings, substantially restricted	263,777	252,211
Accumulated other comprehensive loss	(3,119)	(1,111)
Total members' equity	260,685	251,100
	\$4,226,033	\$3,889,681

consolidated statements of Income

December 31,	2008	2007
INTEREST INCOME {in thousands}		
Interest on loans to members	\$238,192	\$213,087
Interest on investments and cash equivalents	4,355	5,784
	\$242,547	\$218,871
INTEREST EXPENSE		
Dividends on members' shares	87,279	112,027
Interest on borrowed funds	24,371	4,383
	111,650	116,410
NET INTEREST INCOME	130,897	102,461
PROVISION FOR LOAN LOSSES	55,775	22,250
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	\$75,112	\$80,211
NON INTEREST INCOME		
Service charges and other fees	17,882	16,904
Interchange income	14,680	14,805
Net gains on sales of loans	314	1,668
Loan servicing fees	909	1,034
Other non-interest income	5,883	1,700
	39,668	36,111
	\$114,790	\$116,322
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and Benefits	47,705	44,689
Operations	41,851	38,598
Occupancy	13,668	10,689
	103,244	93,976
NET INCOME	\$11,566	\$22,346

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chairman and president's report

Carlo Cestra retires from DCU

In December of 2008, the DCU Board of Directors announced the retirement of President/CEO Carlo Cestra and the selection of Jim Regan, DCU's long-time Chief Financial Officer (CFO), as his successor.

A 40-year veteran of the credit union movement, Cestra has been CEO at DCU since April 1995 and lead DCU through more than 10 years as the fastest-growing large credit union in America, according to Callahan & Associate, a credit union consulting firm. The majority of that growth was driven by satisfied members who referred their friends and family to DCU. Membership grew from 67,000 in 1995 to more than 373,000 in 2008.

Frank Branca, chairman of DCU's board of directors, praised Cestra's accomplishments on behalf of DCU's members. "Throughout Carlo's career with DCU, he has been an extraordinary leader who has taken the credit union to new heights in all areas."

The board selected Jim Regan after a year-long search that considered more than 700 candidates. Regan began his career at DCU in 1991 as an internal auditor and became vice president of finance in 1995, then senior vice president/CFO in 1996.

"Jim has the proven leadership skill set, financial knowledge, background, and vision that will be pivotal in continuing DCU's extraordinary growth and success while exceeding the expectations of all DCU members," Branca noted after the announcement.

the year ahead

For DCU to help you achieve all your financial goals, we rely on your input. We regularly survey members, listen to your comments, and read your letters and emails to learn what it takes to be your first choice. Based on your suggestions, we've planned a number of enhancements for 2009. Upcoming *Network* and *Members' Monthly* newsletters, our web site, and DCU eNEWS will keep you informed.

On behalf of the Board of Directors, volunteers, management, and staff, we thank you for using DCU for your financial needs. Our strength and success come from you. We encourage you to let our team know how we can improve DCU and what new services you may need. Your business belongs at DCU – the financial institution you own. Thank you for letting us work for you.

Sincerely,



Frank S. Branca
Chairman, Board of Directors



Jim Regan
President/CEO

board of directors

Frank Branca chairman	Steven Eddleston treasurer	Karyn Brown
Kathleen Nearing vice chairman	David Garrod secretary	Kim Hom
		William Kilgore

supervisory committee

Kathleen Larsen chairperson	Phillip Gransewicz secretary	Ellen Frank
		Kathleen Nearing

management

James Regan President Chief Executive Officer	Kris VanBeek Sr. Vice President Information Systems & Risk Management	Steve Myers Vice President DCU Insurance
Thomas Ryan Executive Vice President Chief Operating Officer	Peter Bohush Vice President DCU Realty	Diane Richard Vice President Consumer Lending
Tim Garner Sr. Vice President Marketing/Strategic Planning	Eileen Galligan Vice President Mortgage Lending	Don Thompson Vice President IS Security
Carol Raposa Sr. Vice President Branch Services	Richard Hayward, Jr. Vice President Finance	Mike Winter President/CEO FIVision
Craig Roy Sr. Vice President Support Services	Steve Mackowitz Vice President Commercial Lending	Marianne Zawacki Director DCU Financial
Donna Russo Sr. Vice President Human Resources		

products and services

Personal Banking

Loans

Apply online or by phone 24-hours a day

- Auto, Boat, Recreational Vehicle, Motorcycle, Personal Aircraft, and more
- Mortgages, Home Equity Loans and Lines
- Visa® Platinum, Gold, Classic, and Secured Credit Cards
- Personal, Consolidation, Savings, Certificate, and Stock-Secured Loans
- Private Student Loans

Savings

Account opening and access online
24-hours a day

- Savings, Checking, Money Market, and Certificates
- Ltd Savings Account
- Individual Retirement Accounts
- Holiday Club and Member Described Accounts
- Trust and UTMA Accounts

Special Programs

- First-Time Homebuyer
- Reverse Mortgage
- CashPak
- Mobility Vehicle and Access Loans
- Financial Wellness & Recovery Program
- Skip-A-Payment

Access and Miscellaneous Services

- PC Branch with Bill Payer
- *Wireless* PC Branch
- DCU Visa Check Card and ATMs
- Direct Deposit
- Easy Touch Telephone Teller
- DCU Visa Gift Cards
- CashEdge Funds Transfer Service
- CompleteView Account Aggregation
- Money Orders and Travelers Cheques
- FinanceWorks™

- Notary, Signature Guarantee, Bank by Mail
- Domestic and International Money Wires
- DCU Classified

Education and Information

- DCU eNEWS
- *StreetWise* Consumer Education Program
- *Members' Monthly* Newsletter
- *Show Me* Web Site and Newsletter
- *FoolProof* for Parents
- Auto-Buying Research Services
- Online Calculators

Business Banking

Loans

- Lines of Credit and Term Loans
- Investment Property Equity Lines and Loans
- Commercial Mortgages
- Construction Mortgages
- Auto, Business Vehicle, and Business Equipment
- Visa Business Platinum
- SBA Loans

Savings

- Free and Premier Business Checking
- Savings, Money Market, Certificates, and Ltd Savings Account
- SEP and SIMPLE IRAs

Account Access and Other Services

- PC Branch
- Business DCU Visa Check Card
- Online Federal Tax Payments (EFTPS)
- Merchant Credit Card Referral Services
- Payroll Services

DCU Financial

- Financial Planning – retirement, college, estate and wealth transfer, trust services, and asset management
- Investing Services – 401(k) and IRA rollovers, professional money management, mutual funds and annuities, stocks and bonds, unit investment trusts
- Insurance – long-term care, term and universal life, and accidental death

Investments are: NOT NCUSIF INSURED, NOT CREDIT UNION GUARANTEED, AND MAY LOSE VALUE.	NOT A DEPOSIT. NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY
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Securities, Insurance, and Advisory services offered by Financial Network Investment Corporation, Member SIPC. Digital Federal Credit Union (DCU) and DCU Financial are not affiliated with Financial Network.

DCU Insurance

Direct independent agency services in CO, CT, GA, ME, MA, and NH. Policies in other states available through direct affinity programs of national insurance carriers.

- | | |
|-------------------------------------|-----------------------------------|
| • Personal Automobile | • Motor Homes and Travel Trailers |
| • Homeowners/Condo Owners | • Boats and Personal Watercraft |
| • Renters, Dwelling Fire, and Flood | • Motorcycles and Snowmobiles |
| • Umbrella Liability | • All-Terrain Vehicles |

Property and casualty insurance provided by DCU Insurance (DCU Financial Insurance Services, LLC), a subsidiary of DCU. Business conducted with DCU Insurance is separate and distinct from any business conducted with the credit union. Remember that any insurance required as a condition of the extension of credit by the credit union need not be purchased from DCU Insurance but may, without affecting the approval of the application for credit, be purchased from an agent or insurance company of the member's choice. Insurance products are not deposits of Digital Federal Credit Union (DCU) and are not protected by the NCUA. They are not an obligation of or guaranteed by the credit union and may be subject to risk. Any questions or concerns regarding this relationship may be addressed to the Office of Consumer Affairs.

DCU Realty

Full-service realty specialists to help you buy or sell a home or condo. List "By Owner" homes for sale nationwide on dcuhomes.com, or in the Massachusetts and New Hampshire multiple listing services. Our relocation service helps members in all 50 states.

community branches & hours of operation

Acton, MA

Littleton, MA

Hudson, NH

Andover, MA

Marlborough, MA*

Merrimack, NH

Burlington, MA

Tyngsborough, MA

Nashua, NH

Framingham, MA

Waltham, MA

Alpharetta, GA

Franklin, MA

Westborough, MA

Colorado Springs, CO

Leominster, MA

Worcester, MA*

* Multiple branch locations

branch hours

monday — wednesday
9:00 a.m. — 5:00 p.m.

thursday — friday
9:00 a.m. — 7:00 p.m.

saturday
9:00 a.m. — 3:00 p.m.

information center hours

monday — friday
9:00 a.m. — 9:00 p.m.

saturday
9:00 a.m. — 3:00 p.m.

don't see a DCU Branch in your community? try a CU Service Center® location.

you can find CU Service Center locations on our web site at dcu.org.