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# letter from the chairman



What an eventful, challenging, rewarding year.

You will remember we saw a significant increase in new memberships entering into 2012. Consumers began turning to credit unions to avoid new and rising fees at many of the large national and regional banks. These banks levied higher fees to offset declining revenue caused by the historically low interest rates on loans in the marketplace as well as new regulations that limit the amount financial institutions earn to process debit card transactions for merchants.

Basically, the banks moved to pass these items onto consumers in order to protect the profits they provide to shareholders. Credit unions, of course, responded differently. Because of our not-for-profit, consumer-oriented structure, we focused instead on maintaining the value we offer to members. And, our pricing and personalized service grew more attractive in comparison.

We expected this heightened interest to subside during the first few months. But, it didn't. Credit unions continued to enjoy positive publicity and momentum throughout the year. Our Credit Union added a record 42,000 new members, which drove our total membership count to 271,000 and equated to an astounding annual increase of 13%.

We are obviously excited by the sustained attention. But, we have struggled somewhat to accommodate all of the new members since the majority are only opening deposit accounts today.

Their business is coming at a time when loan demand is down and we have few opportunities to invest the added deposits. We think the tradeoffs are worthwhile, though. These members will strengthen our Credit Union over the long term as we earn their loyalty and deepen our relationship with them.

Rick Foley, our chief executive officer for the past eight years, retired at the end of 2012. The Board of Directors appointed Hank Halter as interim CEO while it conducts a thorough search for a permanent successor. The Credit Union is well positioned for careful growth, and we want to find a candidate who can deliver on this potential while carrying on the dedicated service we have provided to members for 73 years. Hank is doing a terrific job and is committed to serving as long as needed. For those who may not be aware, Hank has been an active member of the Credit Union's Board for seven years and previously worked as Delta Air Lines' chief financial officer.

I want to thank the members and employees for such a successful year. I am also particularly grateful to my fellow directors and members of the Supervisory Committee. They continued to volunteer their expertise and gladly took on additional responsibility to help the Credit Union meet the current challenges. It is a real privilege for me to serve as your chairman, especially now when the benefits of credit unions are becoming increasingly clear and meaningful to so many.

A handwritten signature in black ink that reads "Jim Duffley". The signature is fluid and cursive.

Jim Duffley

"Credit unions CONTINUED  
to enjoy positive publicity and  
MOMENTUM throughout the year.  
Our Credit Union added a  
record 42,000 NEW MEMBERS..."

## letter from the CEO

Thank you for your support of Delta Community. We appreciate you taking the time to review this annual report. You will find that the Credit Union remains financially sound and that our business strategy is generating meaningful benefits for members.

Our unaudited net income for 2012 totals \$42 million. This year's earnings represent an all-time high, and I believe we have invested these dollars in ways that best serve your and our other members' collective interests.

Among other things, we leveraged our strong financial performance to:

- 1) **Maintain competitive pricing on the products you use every day.** We continue to offer no-fee checking with no minimum balance requirement. Most banks have eliminated this product. We also kept our savings rates at competitive levels. And, we lowered our new car loan rate to an industry-leading 1.75% APR for qualified borrowers.
- 2) **We further enhanced the service we provide.** We opened a new branch in Midtown Atlanta – our 26th location in total. This branch was an immediate success, attracting new consumers and supporting long-time members who live and work in the area. We also added employees to our Member Care Center so we can handle the majority of member calls during peak business hours ourselves instead of relying on a third-party call center provider to do so. Last, we upgraded our Online Bill Pay service and redesigned our website to help prospective and existing members find information easily.
- 3) **We raised our net worth ratio to 9.82%.** This ratio is a measure of the equity we hold on the balance sheet to total assets. We have historically managed to a ratio of more than 10%, which is well above the regulatory requirement of 7% to be considered "well capitalized" in general. Our ratio declined over the past couple of years due to factors including the rate of our growth and higher loan losses. Our historically conservative posture has allowed us to weather tough challenges, and we intend to drive our net worth ratio back above the 10% mark.



**"This year's earnings represent an ALL-TIME HIGH, and we have invested these dollars in ways THAT BEST SERVE your and our other members' collective interests."**

I believe greatly in the credit union philosophy and feel privileged to lead Delta Community at this time. As a member for more than a decade, I have always appreciated the personalized service I receive. I have even more respect now that I have had an opportunity to work directly with our employees and understand the depth of their commitment. They want to help each member succeed financially and take real pride in this effort.

We believe Delta Community's outlook is very bright, but your ongoing partnership is critical. I want to encourage you to consider us first for all of your banking needs and to educate your family, friends and neighbors on the difference our Credit Union provides.

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

Hank Halter

supervisory committee  
**report**



The Supervisory Committee has two primary responsibilities:

- 1. To ensure that a comprehensive financial audit of the Credit Union is performed at least annually; and
- 2. To monitor the Credit Union's internal controls to help assure compliance with applicable laws, regulations and the Credit Union's policies.

The Committee has engaged McGladrey & Pullen, LLP, an independent public accounting firm, to perform the financial audit for calendar year 2012. The final 2012 report is expected by the end of May 2013. Additionally, examiners from the Georgia Department of Banking and Finance and the National Credit Union Administration (NCUA), a federal regulatory agency, conduct separate annual reviews of the Credit Union to evaluate the financial condition, the safety and the soundness of the Credit Union, and compliance with applicable laws and regulations.

As part of its responsibility to monitor the Credit Union's internal controls and compliance, the Committee oversees the internal audit function of the Credit Union. Working on the Committee's behalf, the Corporate Audit department performs

auditing procedures to obtain reasonable assurance that internal controls are in place and are followed to protect member assets. Corporate Audit reviews and tests operational controls for adequate security and verifies Delta Community's compliance with state, federal and NCUA regulations and adherence to Delta Community's own written policies and procedures. Management and the Supervisory Committee periodically review the Credit Union's internal audit plan to assess and, under the guidance of the regulatory agencies, oversee the remediation of potential risks to the Credit Union's network, system and data security, privacy policies, business continuity, risk management and related matters.

As a result of the internal and external audits, regulatory examinations and meetings with the Credit Union's management and members of the Corporate Audit department, we believe that the Credit Union's financial condition and its internal controls and procedures are sound.

We extend our thanks to all committees and Credit Union employees for their assistance with the Credit Union's auditing and compliance functions.

Walter A. Brill

**“As a RESULT of internal and external audits, regulatory examinations and other activity, WE BELIEVE the Credit Union’s FINANCIAL CONDITION and internal controls and procedures ARE SOUND.”**

## 2012 operational

# highlights

We added 42,000 new members in 2012, a record for the Credit Union, representing 13% membership growth. Deposit growth was again strong at 6%, and we ended the year with 2% loan growth, after choosing to sell select mortgage loans to keep our long-term interest rate in check.

### Marketing & Promotional Efforts

We launched a newly designed website, with improved navigation, calculators and other tools to help users make more informed financial decisions. We also initiated a more proactive social media strategy and leveraged Facebook effectively to promote Switch Day, a Visa Rewards promotion and community events.

Our Switch Campaign deepened relationships with existing members by cross-selling loan products, funding 3,500 new loan products for approximately \$28 million in new consumer loans and almost \$4 million in new Visa credit lines.

### Products & Services

We opened our Midtown branch in July. With this branch, we now have 23 locations in Atlanta and 26 branches overall. We were also recognized as a top performer in referrals by a Mystery Shop Program, scoring a 4.89 out of a possible 5.0 rating, showing how strongly our members feel about referring others to us.

We financed 56 vehicles worth \$923,000 at our annual Car Sale and recaptured 402 existing auto loans for \$8 million through our auto loan refinancing promotion.

We converted our Online Bill Pay system to Fiserv/CheckFree, providing members new features of eBilling and Payment Guarantee.

Our Member Care Center (MCC) handled a new record of 507,000 inbound calls, pushing its total Credit Union call volume handled to 77%. An independent customer satisfaction study also ranked the MCC's member experience "World Class."

Members Insurance Advisors, our wholly owned subsidiary, increased Property and Casualty revenue by 43%, resulting in a 35% increase in income to the Credit Union.

New assets under management within Retirement & Investment Services exceeded \$50 million. They also offered 53 educational workshops, presenting to more than 1,600 members through our corporate partners and Partner in Education (PIE) schools.

We implemented a scanning and document management system enabling our mortgage application process to become virtually paperless. This improves member service and should reduce operating expenses by approximately a million dollars a year.

Real estate loan growth exceeded 8.50% in 2012, including loans sold. Our loan sales comprised \$58 million in principal, resulting in additional income of over a million dollars. We also increased Atlanta purchase mortgage market share from .91% to 1.06%, had a 31% increase in purchase transactions and a 93% increase in First Time Home Buyer products.

### Business Development & Outreach

We partnered with 14 Chambers of Commerce, participated in 43 major community events and added four new elementary schools to our PIE program. We also continued our community involvement efforts, raising funds for Children's Miracle Network, Children's Healthcare of Atlanta, American Cancer Society's Relay for Life, area high schools and other youth-centered non-profits. In total, we contributed more than \$400,000 in financial donations to these organizations.

assets (\$ in 000s)

|    |              |
|----|--------------|
| 06 | \$ 2,281,093 |
| 07 | \$ 2,597,577 |
| 08 | \$ 2,879,144 |
| 09 | \$ 3,574,329 |
| 10 | \$ 3,880,661 |
| 11 | \$ 4,172,710 |
| 12 | \$ 4,365,307 |

loans (\$ in 000s)

|    |              |
|----|--------------|
| 06 | \$ 1,383,813 |
| 07 | \$ 1,611,918 |
| 08 | \$ 1,889,171 |
| 09 | \$ 2,294,346 |
| 10 | \$ 2,438,766 |
| 11 | \$ 2,606,155 |
| 12 | \$ 2,665,182 |

deposits (\$ in 000s)

|    |              |
|----|--------------|
| 06 | \$ 1,852,644 |
| 07 | \$ 2,113,911 |
| 08 | \$ 2,404,020 |
| 09 | \$ 3,015,865 |
| 10 | \$ 3,409,643 |
| 11 | \$ 3,663,382 |
| 12 | \$ 3,888,384 |

membership

|    |         |
|----|---------|
| 06 | 163,000 |
| 07 | 170,000 |
| 08 | 181,000 |
| 09 | 197,000 |
| 10 | 217,000 |
| 11 | 241,000 |
| 12 | 271,000 |

statement of

# financial condition

as of December 31, 2012 (unaudited)

## assets (\$ in 000s)

|   |                     |
|---|---------------------|
| Cash and Equivalents  | \$ 39,044           |
| Receivables   | 13,097              |
| Loans, Net<br>Net of allowances for possible loan losses & deferred<br>income (expense) relating to mortgage originations | 2,632,938           |
| Investments   | 1,503,993           |
| Accrued Interest  | 11,949              |
| Prepaid and Other Assets  | 45,643              |
| Property, Equipment and Leasehold<br>Improvements, at Cost,<br>Net of accumulated depreciation and amortization           | 118,643             |
| <b>Total Assets</b>   | <b>\$ 4,365,307</b> |

## liabilities and equity

|                                     |                     |
|-------------------------------------|---------------------|
| Accounts Payable                    | \$ 45,442           |
| Member Deposits                     | 3,888,384           |
| Equity                              | 431,481             |
| <b>Total Liabilities and Equity</b> | <b>\$ 4,365,307</b> |



statement of  
**operations**  
for the year ended December 31, 2012 (unaudited)

**revenues (\$ in 000s)**

|                         |                   |
|-------------------------|-------------------|
| Interest on Loans       | \$ 137,703        |
| Interest on Investments | 11,348            |
| Fees                    | 13,186            |
| Miscellaneous           | 32,182            |
|                         | <b>\$ 194,419</b> |

**expenses**

|                                   |                   |
|-----------------------------------|-------------------|
| Salaries                          | \$ 53,361         |
| Training                          | 569               |
| Office Occupancy                  | 5,295             |
| Loan Servicing                    | 13,364            |
| Advertising                       | 4,373             |
| Office Expenses                   | 6,548             |
| Depreciation and Amortization     | 5,684             |
| Checking Accounts                 | 2,591             |
| Debit Card                        | 8,346             |
| Shared Branches                   | 1,085             |
| Professional and Outside Services | 2,911             |
| Other Expenses                    | 3,989             |
| Provision for Loan Losses         | 18,000            |
| NCUA Assessments                  | 3,479             |
|                                   | <b>\$ 129,595</b> |

**cost of funds**

|                        |                  |
|------------------------|------------------|
| Interest on Borrowings | \$ 3             |
| Dividend Expenses      | 23,111           |
|                        | <b>\$ 23,114</b> |
| <b>Net Income</b>      | <b>\$ 41,710</b> |

# board of directors



*(Pictured L-R:)*

Jim Diffley  
chairman

Linda O'Shea  
vice chairman

Lem Wimbish  
secretary/treasurer

Walter Brill  
supervisory committee  
chairman

Allison Ausband  
board director

Charlie Boyajian  
board director

Hank Halter  
ceo

Esther Hammond  
board director

Robin Stricklin  
board director

## executive team

Hank Halter  
chief executive officer

Jay Gratwick  
evp, chief financial officer

Matthew Shepherd  
evp, chief operating officer

Bill Buchanan  
svp, corporate audit

Bob Manning  
svp and general counsel

Bill Mesplay  
svp, chief information officer

Suzanne Mitchell  
vp, hr and training

Carol Sundberg  
svp, payments and member service

Our Mission Statement:

Be **RESPONSIVE** to  
the financial needs of  
members by providing  
high **QUALITY** services  
in an environment of  
**TRUST, CARE** and  
financial **STRENGTH**.

Where Life Comes Together™



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