



Dow Chemical Employees' Credit Union

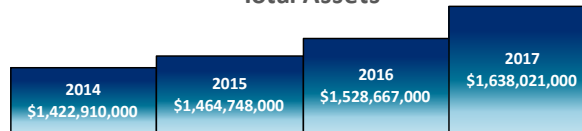
2017 Annual Report

Statement of Financial Condition

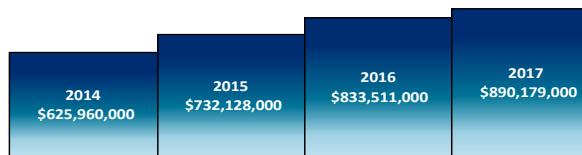
December 31, 2017 and 2016 (unaudited)

Assets (\$000)	2017	2016
Loans:		
Personal	\$ 250,038	\$ 212,633
Participation	166,784	169,769
Real Estate	436,522	416,722
Credit Cards	36,835	34,386
<i>Total Loans</i>	890,179	833,511
Allowance for Loan Loss	(1,661)	(1,756)
<i>Net Loans</i>	888,518	831,755
Other:		
Investments	706,033	660,673
Other Assets	43,470	36,240
<i>Total Assets</i>	<u>\$ 1,638,021</u>	<u>\$ 1,528,667</u>
Liabilities and Equity		
Liabilities:		
Shares Accounts	\$ 309,510	\$ 276,327
Share Drafts	179,126	152,125
Premium High Yield	682,965	669,225
Certificates of Deposit	256,671	228,183
<i>Total Member Deposits</i>	1,428,271	1,325,860
Other Liabilities	39,256	38,489
<i>Total Liabilities</i>	1,467,527	1,364,349
Equity:		
Total Equity	170,494	164,318
<i>Total Liabilities/Equity</i>	<u>\$ 1,638,021</u>	<u>\$ 1,528,667</u>

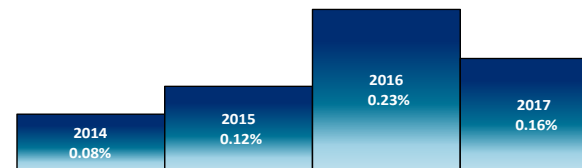
Total Assets



Total Loans



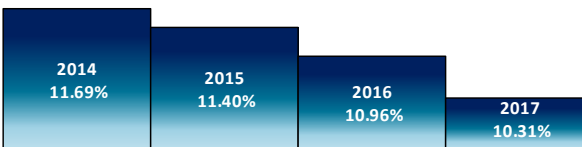
Delinquency Ratio



Total Loans/Total Assets



Net Worth Ratio

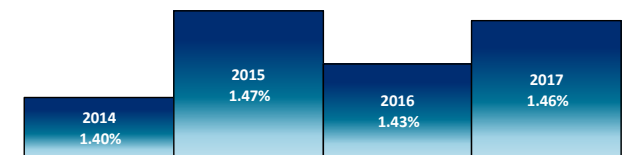


Statement of Income & Expenses

December 31, 2017 and 2016 (unaudited)

Income (\$000)	2017	2016
Personal Loans	\$ 8,333	\$ 6,958
Participation Loans	3,361	2,697
Real Estate Loans	17,169	16,096
Credit Cards	2,288	1,967
Investments	12,399	10,520
<i>Total Interest Income</i>	43,550	38,239
Other Income	8,002	8,013
<i>Total Income</i>	51,552	46,251
Expenses		
Operating Expense	26,020	23,714
Interest Expense	6,766	6,126
<i>Total Expenses</i>	32,786	29,840
<i>Net Income Before Rebate</i>	18,766	16,411
Less Interest Refund	13,028	11,837
Less Member Saver Reward	4,425	4,008
<i>Net Income</i>	<u>\$ 1,314</u>	<u>\$ 566</u>

Net Operating Expense Ratio



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



Dow Chemical Employees' Credit Union

Report of the Treasurer

January 23, 2018

The economic recovery (now extending thirty-three quarters) continued its sluggish growth in 2017. Real GDP growth of 2.5% somewhat outpaced the eight-year average, but this remains the slowest recovery of the last four recessions. The biggest news of the year, aside from Washington politics, was the U.S. stock markets where 205 new record highs were set (72 on the NASDAQ, 71 on the DJIA and 62 of the S&P 500) based largely on higher consumer confidence, encouraging employment reports, low inflation, positive corporate earnings and growth in the U.S. economy and abroad. Despite the huge run-up, the stock markets exhibited amazing stability (not typically seen) recording the second lowest volatility since the 1920s. The ten-year Treasury was range-bound from 2.05% - 2.62% throughout the year. Similar to the movements exhibited in the stock markets, volatility for the ten-year Treasury was the lowest (57 basis points) since 1965 due to the developments (or lack thereof) in U.S. fiscal policy, geopolitical concerns and central bank actions. Speaking of central bank actions, the Federal Reserve was very active relative to prior years, raising the Fed Funds rate three times in 2017 versus once each in the previous two years. Correspondingly, short-term U.S. Treasury rates rose throughout the year. As an example, the two-year Treasury rose from 1.19% to 1.89% in 2017, flattening the yield curve significantly from the prior year.

Consistent with the conditions noted above, Dow Chemical Employees' Credit Union had another very successful year. Total assets ended the year at \$1.64 billion at year-end, an increase of \$109.4 million, or 7.2% from 2016. Likewise, member deposits increased \$102.4 million to \$1.43 billion, or 7.7%.

Loans of member deposits increased to \$890.2 million in 2017, a solid increase of \$56.7 million over the prior year, or 6.8%. This is largely attributable to the increased demand for auto loans (including those in participation with other credit unions) and continued low rates making real estate mortgages very attractive for purchases and refinances. Consumer loan balances soared 17.6%, or \$37.4 million, to \$250.0 million. DCECU real estate loan balances rose 4.8% to \$436.5 million. Consumers' confidence to increase spending using unsecured debt, coupled with new programs and increased processor capabilities, helped increase credit card balances in 2017 to \$36.8 million, an increase of 7.1%. Through conservative policies and prudent underwriting, resulting in comparatively low loan losses, DCECU was able to once again return a **record** \$13.0 million (70% rebated on eligible loans), in excess earnings to its member-borrowers in Loan Interest Rebates.

Rising short-term interest rates experienced throughout the year generally had a positive impact on income from Credit Union operations in 2017. Interest income, net of the interest refund, from real estate loans increased \$561,000, while consumer loans rose \$1.7 million. Marginally higher investment and re-investment rates led to a \$1.9 million year-over-year increase in investment income, or 17.9%. Other income increased by \$511,000 in 2017, to \$8.3 million.

Dividend and interest payments on member deposits increased by \$1.5 million in 2017, to \$11.0 million, or 15.4%, despite continued historically low interest rates. Included in the above total was a \$4.4 million Member Saver Reward (70% added to eligible deposits), equating to an additional benefit for credit union depositors. In 2017, the Credit Union's net interest margin after the member giveback increased from the prior year's \$16.3 million to \$19.3 million, given the record member giveback mentioned previously.

Expenses from operations in 2017 totaled \$26.0 million, an increase of \$2.3 million from 2016 -- or 9.7%. The increases experienced versus the previous period were in compensation, benefit and development expenses (+\$311,000 or 2.7%), office occupancy (+\$102,000 or 8.8%), office operations (+\$320,000 or 13.6%), marketing & public education (+\$243,000 or 30.9%), loan servicing

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Dow Chemical Employees' Credit Union

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Report of the Treasurer

January 23, 2018

expenses (+\$410,000 or 17.4%), professional/outside services (+\$402,000 or 9.1%), provision for loan loss expense (+\$418,000 or 50.4%) and miscellaneous expense (+\$96,000 or 55.3%). The remaining expenses showed more negligible increases or decreases versus the prior year. Dow Chemical Employees' Credit Union has consistently controlled operating expenses below 2% of average assets. In fact, in the most recent aggregate credit union performance report, Dow Chemical Employees' Credit Union had less than one-half the operating expense ratio of credit unions in its peer group.

Even after the dividends/interest, operating expenses, record Member Saver Reward/ Loan Interest Refunds and the VISA Check Card rebate, Dow Chemical Employees' Credit Union was still able to contribute \$1.3 million to undivided earnings in 2017. Total Net Worth at year-end stood at 10.31% compared to 10.96% the previous year. In fact, Dow Chemical Employees' Credit Union has exceeded 10.3% (nearly 1½ times the amount considered by regulators to be well capitalized) in net worth for twenty-seven consecutive years.

Net worth, which is made up of retained earnings and regular reserves, is essential for the stability and health of all financial institutions. An institution

with a strong net worth position is better prepared and able to withstand unexpected economic and financial changes than those with lower reserves. In today's uncertain and turbulent economy, with interest rates as volatile as they are, a strong net worth position is a must. Net worth is also the Credit Union's major source for financing future growth. Moreover, for safety and soundness, regulators continue to strongly encourage financial institutions to maintain, and often increase their net worth position.

As an additional safeguard to assure a strong financial position, DCECU is blessed to have a strong Supervisory Committee. The primary responsibility of the Supervisory Committee is to supervise credit union audits and review the financial condition, as well as, the internal control structure of the Credit Union.

During 2017, the accounting firm of Doeren Mayhew conducted the Credit Union audits. These audits were made in accordance with generally accepted auditing standards and included appropriate tests of the accounting records, systems and procedures. It is the opinion of our auditors and the Supervisory Committee that satisfactory accounting practices and procedures

and effective internal controls are in place to safeguard the Credit Union's assets.

The Supervisory Committee reviews the audit program procedures with Doeren Mayhew on a regular basis to ensure that the audits continue to provide an effective and professional appraisal of the Credit Union's financial activities. Copies of the audit report are available at the Credit Union for members to review.

By controlling operating expenses and maintaining adequate net worth, DCECU is able to provide high-quality, competitively priced services to the entire membership.

I would like to thank the Board of Directors, the Committees, and especially, the entire Credit Union staff for making 2017 such a rewarding and successful year.

Respectfully Submitted,

Dennis M. Hanson
Assistant Treasurer