

2016 / ANNUAL REPORT

EXTENDING OUR LEAD



OUR PURPOSE /

WE ARE IN BUSINESS TO
HELP PEOPLE GET MORE
OUT OF THEIR FINANCES
THROUGHOUT THEIR LIVES.
WE FOCUS ON OFFERING
TRUSTED ADVICE AND
BETTER VALUE ON THE
FINANCIAL SERVICES
PEOPLE USE EVERY DAY.

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DELTA COMMUNITY CREDIT UNION IS A MEMBER-OWNED, NOT-FOR-PROFIT FINANCIAL COOPERATIVE, WHICH HAS THE DISTINCT BENEFIT OF BEING ABLE TO REINVEST ITS EARNINGS IN SERVICE TO ITS MEMBERS AND THE COMMUNITIES WHERE IT OPERATES.

In 2016, Delta Community again achieved strong financial performance, with income almost matching last year's record earnings. So, by banking with Delta Community, you enjoy the benefits of these earnings being reinvested in highly competitive deposit and loan rates, modest fees, personalized and caring service, and evolving technology to save you time and money.

For example, in addition to offering you competitive loan rates and promotions throughout the year, we invested in a number of initiatives to improve your banking experience: we completed the conversion of almost a quarter of a million credit and debit cards to more secure, smart chip technology inside of four months – well ahead of the industry; we added more convenient features to our online and mobile banking platform and mobile app, making them even more customer-centric and easier for you to use; we enhanced our interactive voice recognition telephone system, giving you quick, secure automated answers to commonly asked account-related questions, as well as account transaction capability; and we extended the operating hours for our specialized member care services team to provide enhanced support on Saturdays.

As we successfully grow each year, both in membership and scale, our balance sheet also continues to strengthen and our net worth ratio improves, which enhances our ability to operate efficiently through economic downturns to protect the value we offer you.

Our community investments, including employee volunteer time, strengthen our communities, helping to make them great places to work, live and raise families. If our communities thrive, our membership thrives and the Credit Union thrives.

We partnered throughout the year with many metro Atlanta chambers of commerce, with almost 100 schools through various programs, and we continued our successful partnership with Junior Achievement in Gwinnett County, in addition to awarding \$28,000 in college scholarships. Our Philanthropic Fund also awarded \$80,000 to 17 charitable organizations, enabling us to support causes that assist with the physical and financial education of young people and families, impacting more than a quarter of a million people in metro Atlanta. Overall we sponsored 300 community events and invested almost \$600,000 supporting the many worthwhile organizations that share our values.

In addition, as part of our community outreach program, we launched our Financial Education Center in mid-2016. We have already served almost 600 members through more than 40 free workshops offering a variety of financial education topics that will assist members with future financial decisions.

LETTER FROM THE CHAIRMAN



In 2016, we celebrated the 10-year anniversaries of the first three branches we opened after beginning to broaden our membership to include residents in 11 metro Atlanta communities in 2005. The three branches, Fayetteville, Stockbridge (Eagles Landing) and Stockbridge (Mount Zion) are now among our busiest branches today and solidly part of their respective communities.

Our employees continue to be wholeheartedly committed to making a difference in your financial lives in every interaction with you through their positive attitude, enthusiasm and commitment to offering superior service. However, the real reason for Delta Community's success is the unwavering loyalty and support that you, our members, give us year after year. We never forget you have choices and that we need to continue to earn your business in every transaction, every day.

As 2016 marks my 30th year as Chairman of the Board, I reflect on the tremendous progress the Credit Union has made during this time and, on behalf of the Board of Directors and our dedicated employees, I thank you for helping make Delta Community the leading Credit Union in Georgia and your preferred place to bank.

A handwritten signature in black ink that reads "Jim Diffley". The signature is fluid and cursive, with a large initial "J" and "D".

Jim Diffley

LETTER FROM THE CEO

2016 WAS ANOTHER SUCCESSFUL YEAR FOR DELTA COMMUNITY CREDIT UNION. WE GENERATED \$52.2 MILLION IN NET INCOME, ALMOST SURPASSING 2015'S RECORD EARNINGS OF \$52.4 MILLION. THESE CONSISTENTLY STRONG EARNINGS DEMONSTRATE HOW WE ARE EFFECTIVELY MANAGING THE BUSINESS AND GENERATING CAPITAL TO INVEST IN OUR MEMBERSHIP.

Delta Community's consistently strong financial performance enabled us to continue to strengthen our balance sheet and reach \$5.3 billion in assets by year's end, passing the milestone of \$5 billion in assets during the year. As a reflection of this financial strength, our net worth ratio increased to 11.75 percent, several points above our regulators' definition of being well capitalized at 7 percent.

By proactively managing our balance sheet and increasing our net worth ratio, we continue to improve the long-term stability of Delta Community and protect the value we offer our members by ensuring we have the necessary reserves to operate through challenging economic cycles. Also, generating the revenues we have over the last few years means we are better able to respond to innovations in the marketplace and to fund large, long-term investments that enable us to serve our membership better.

At the same time, Delta Community continues to deliver exceptional service and value to members by maintaining low fees and competitive deposit and loan rates. In fact, our direct loan portfolio grew by more than 12 percent in 2016. Based on our attractive home, auto and personal loan products, along with our competitive rates, we achieved several record loan months, a record loan year overall and 43,000 total loans to our members in 2016.

We also continued to attract new members in large numbers, with a net increase of almost 18,000 members – a more than 5 percent increase year over year – bringing our membership total to nearly 350,000. This number has more than doubled in the few years since we changed our membership criteria and began serving the broader Atlanta community in 2005, eventually opening membership to residents living in 11 metro Atlanta counties currently. Solid membership growth provides greater benefit to all members by broadening and diversifying revenue sources and spreading operating expenses over a larger membership base.



Even as we were experiencing a successful year, as an industry leader in Georgia we were looking ahead at ways to extend our lead. Late in the year, we announced a new branch, our 27th and first in almost five years, to be located in Alpharetta, Georgia and scheduled to open mid-2017. Choosing Alpharetta for this branch location confirms our continued commitment to expansion in metro Atlanta. We look forward to serving our current members with a new, more convenient location for them as well as welcoming new members living and working in the Alpharetta area.

Our long-term strategic growth plan calls for us to consider opening additional branches more regularly as appropriate opportunities arise to meet our members' and future members' needs.

On a final note, we are fortunate to have a meaningful vision: *To be metro Atlanta's preferred place to bank, known for providing our members with honest value, superior service and trusted advice.* We are also privileged that our employees are emotionally invested in this vision and to making a difference by helping members get more out of their finances throughout their lives. In this respect, our employees are our greatest asset and to illustrate their ongoing engagement and commitment, this year, as they did in 2015, they chose Delta Community as one of the "Best Places to Work" in the *Atlanta Business Chronicle's* annual survey. This extensive survey is designed to measure employee engagement and satisfaction at local companies, which has the added benefit of translating into superior member service.

It is a privilege for me to serve as your CEO and, on behalf of our 950 dedicated employees, I thank you for making 2016 another great year for Delta Community and its members, and for your ongoing loyalty and support.

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 CliftonLarsonAllen, LLP, an independent public accounting firm, to perform the financial audit for calendar year 2016. The final 2016 report is expected by the end of April 2017. 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 along with 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 the Credit Union's financial condition and its internal controls and procedures are sound.

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

A handwritten signature in black ink that reads "Esther L. Hammond". The signature is written in a cursive style.

Supervisory Committee Chairwoman

2016 Year in Review

JANUARY

- Initiated first two awards of the 2016 Philanthropic Fund, as part of investing \$80,000 in 17 charitable organizations serving metro Atlanta

FEBRUARY

- Celebrated 10th anniversary of Fayetteville branch
- Added Quick Balance feature to Mobile Banking App

MARCH

- Added Android Watch and Android Fingerprint ID to Mobile Banking App
- Won five Credit Union National Association Diamond Awards for excellence in Marketing and Advertising

APRIL

- Relocated Member Care Center, our internal telephone support department, from Hapeville to Vinings Campus to accommodate expanded staffing
- Children's Healthcare of Atlanta at Scottish Rite Trauma Room named after Delta Community
- Implemented member-to-member transfer functionality within Mobile Banking App

MAY

- Implemented PIN change on Visa cards through ATM and Interactive Voice Response system
- Commenced conversion of all debit and credit cards to smart chip technology
- Announced the five Scholarship Program awards for 2016, totaling \$20,000

JUNE

- Launched redesigned *Insights* member e-newsletter
- Exceeded \$5 billion in assets

JULY

- Launched refreshed DeltaCommunityCU.com website
- Celebrated 10th anniversary of Stockbridge (Eagles Landing) branch
- Welcomed a record 21 students to High School Apprentice Program, an annual work-study opportunity for rising seniors
- Launched Financial Education Center
- Completed conversion of 71,000 credit cards to smart-chip technology

AUGUST

- Installed Visa chip card printers in all 26 branches
- Funded a historic monthly record of \$45.7 million in consumer loans
- Celebrated 10th anniversary of Stockbridge (Mt. Zion) branch

Trends at a Glance

ASSETS (\$ IN 000s)

11	\$4,172,700
12	\$4,365,300
13	\$4,499,200
14	\$4,662,300
15	\$4,882,500
16	\$5,294,500

LOANS (\$ IN 000s)

11	\$2,606,200
12	\$2,665,200
13	\$2,745,600
14	\$3,104,800
15	\$3,540,800
16	\$4,023,200

DEPOSITS (\$ IN 000s)

11	\$3,663,400
12	\$3,888,400
13	\$3,986,200
14	\$4,093,800
15	\$4,265,800
16	\$4,612,100

MEMBERS

11	240,700
12	271,100
13	292,000
14	311,300
15	332,300
16	350,000

SEPTEMBER

- Voted one of Atlanta's Best Places to Work in *Atlanta Business Chronicle* for the second consecutive year
- Members opened more than 5,000 new accounts during "Do More with Delta Community" campaign and enjoyed special incentives for consolidating more of their business with the Credit Union

OCTOBER

- Launched home equity and car loan promotions, resulting in \$1.6 million in funded home equity loans and \$11.7 million in funded car loans
- Funded more than \$65 million in mortgage loans, a new monthly record
- Completed conversion of 165,000 debit cards to smart-chip technology

NOVEMBER

- Announced commitment to invest \$100,000 in 22 Atlanta-based community organizations through Philanthropic Fund in 2017
- Added Saturday staffing for Member Care Center to enhance member service and reduce our use of after-hour contract support

DECEMBER

- Awarded final of four 2016 Historically Black Colleges and Universities scholarships, totaling \$8,000
- Rated one of 2016's best Mobile Banking Apps by *MagnifyMoney*
- Announced new Alpharetta branch to open in mid-2017

STATEMENT OF FINANCIAL CONDITION

As of December 31, 2016
UNAUDITED

Assets (\$ in 000s)

Cash	\$	47,503
Receivables		40,242
Loans, Net		3,994,801
Net of allowances for possible loan losses & deferred income (expense) relating to mortgage originations		
Investments		1,025,926
Accrued Interest		12,420
Prepaid and Other Assets		75,957
Property, Equipment and Leasehold Improvements, at Cost, Net of accumulated depreciation and amortization		97,652
Total Assets	\$	5,294,501

Liabilities and Equity

Accounts Payable	\$	65,962
Member Deposits		4,612,072
Equity		616,467
Total Liabilities and Equity	\$	5,294,501

STATEMENT OF OPERATIONS

For the year ended December 31, 2016
UNAUDITED

Revenues (\$ in 000s)	
Interest on Loans	\$ 155,402
Interest on Investments	12,759
Fees	19,029
Miscellaneous	45,901
	\$ 233,091
Expenses	
Salaries	\$ 75,128
Training	768
Office Occupancy	6,991
Loan Servicing	16,957
Advertising	4,318
Office Expenses	8,126
Depreciation and Amortization	4,833
Checking Accounts	3,285
Debit Card	13,579
Shared Branches	1,152
Professional and Outside Services	6,733
Other Expenses	8,427
Provision for Loan Losses	18,440
	\$ 168,737
Cost of Funds	
Interest on Borrowings	\$ 51
Dividend Expenses	12,099
	\$ 12,150
Net Income	\$ 52,204

BOARD OF DIRECTORS



Jim Diffley
Chairman

Lem Wimbish
Secretary/Treasurer

Allison Ausband
Board Director

Hank Halter
Board Director & CEO

Matthew Sullivan
Board Director

Linda O'Shea
Vice Chairwoman

Alan Arnold
Board Director

Charlie Boyajian
Board Director

Esther Hammond
Board Director

Robin Stricklin
Board Director

EXECUTIVE MANAGEMENT



BACK ROW FROM LEFT TO RIGHT:

Jay Gratwick (EVP & Chief Financial Officer)

Bob Walsh (EVP & Chief Lending Officer)

Bill Mesplay (SVP, Remote Delivery Channels)

Tim Mitchell (SVP & Chief Information Officer)

Pam Davis (SVP, Branch Delivery & Operations)

Bill Buchanan (SVP & Chief Risk Officer)

Suzanne Mitchell (SVP & Chief Human Resources Officer)

FRONT ROW FROM LEFT TO RIGHT:

Bob Manning (SVP & General Counsel)

Hank Halter (Chief Executive Officer)

Matthew Shepherd (EVP & Chief Operating Officer)



OUR VISION /

WE WANT TO BE METRO
ATLANTA'S PREFERRED
PLACE TO BANK, KNOWN
FOR PROVIDING OUR
MEMBERS WITH HONEST
VALUE, SUPERIOR SERVICE
AND TRUSTED ADVICE.

 facebook.com/DeltaCommunity [@Delta Community](https://twitter.com/DeltaCommunity) [@DeltaCommunity](https://instagram.com/DeltaCommunity) DeltaCommunityCU.com 800.544.3328

NCUA

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