



ANNUAL REPORT | 2007

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A Message from the President/CEO and Treasurer

Though many financial institutions have described it as a time of misfortunes, I am pleased to say that at Seattle Metropolitan Credit Union, 2007 was another year of growth and accomplishment. We far exceeded our new member goal and assets increased. Although the troubled housing market presented challenges, we are pleased to have been relatively unaffected. By maintaining our focus and avoiding sub-prime lending, we saw loan production numbers on the rise in November and December. Additionally, first and second mortgages were strong toward the end of 2007, an impressive feat in the current environment.

Mid-year 2007 we finalized a mutually beneficial merger with Credit Union Northwest. The merger resulted in our gaining more than 4,000 new members. This exciting transition resulted in new loan and deposit business, new facilities, and additional qualified team members. All of these positive changes have meant better services and rates for all of our members.

Here at SMCU we're always working to stay on the leading edge of technological advances in order to offer our members more convenient services and better, more reliable security features. In November we rolled out eStatements, a faster and more secure way for members to view their monthly and quarterly statements. By offering an electronic alternative to traditional paper statements, eStatements are conserving natural resources and lowering credit union operating expenses.

Predictions for 2007 were less than optimistic. With all of the gloomy reports in the media, I was often asked, "How is the credit union doing? Are we going to see your credit union in the paper among all those other banks who are writing off billions of dollars in losses?" These members know we are not the biggest financial institution in town, and they wanted to know how we were going to survive the storm. Well, the answer is that we don't act like big banks and we don't engage in some of these risky policies you've heard about. We know our members and we know how to serve them and keep them well informed. Be assured that SMCU is ready to weather whatever the storm may be, resting on strong reserves that will maintain our stability. With 75 years of history and experience in the marketplace, we know how to survive and thrive.

2008 is shaping up to be a truly exciting year. Notably, we celebrate our 75th anniversary this year. We are all very excited about celebrating this monumental milestone at this year's Annual Meeting. We're proud of the support we've received from our members and our community throughout our 75-year history. We look forward to the launching of some very exciting new products, including our new Feel Good checking account and "Green" hybrid auto loans.

Finally, as we reflect on a turbulent 2007, we see that our strength is in our cooperative structure. The collective power of our membership is what helps us grow and sustain through tough times. As a cooperative, SMCU operates by the Seven Cooperative Principles. You will be hearing more about them in 2008. I encourage you to learn more by visiting www.smcu.com and www.7principles.coop.

We want to thank our committed staff, our Board of Directors, our Supervisory Committee, and other committee members for their efforts on behalf of members over the past year. We also want to thank our nearly 42,000 member-owners for their continued support of SMCU. We look forward to continued growth and success in 2008.

Sincerely,
Robert H. Harvey, Jr.

Robert H. Harvey, Jr.
President/CEO and Treasurer
Seattle Metropolitan Credit Union

STATEMENT OF FINANCIAL CONDITION

December 31, 2007

ASSETS	2007
Cash and cash equivalents	\$ 9,801,602
Investments	
Available-for-sale	17,815,620
Other	18,397,261
Loans to members, net of the allowances for loan losses	413,283,596
Accrued interest receivable	1,951,415
Property and equipment, net	9,534,223
National Credit Union Share Insurance Fund deposit	3,619,063
Other assets	5,763,210
Total Assets	\$ 480,165,990
LIABILITIES AND MEMBERS' EQUITY	
Liabilities	
Members' shares	\$ 431,364,026
Accrued expenses and other liabilities	5,015,087
Total Liabilities	436,379,113
Commitments and contingent liabilities	
Members' Equity	
Retained earnings, substantially restricted	43,693,455
Accumulated other comprehensive loss	93,422
Total Members' Equity	43,786,877
Total Liabilities and Members' Equity	\$ 480,165,990

STATEMENT OF INCOME

For the Year Ended December 31, 2007

INTEREST INCOME	
Interest on loans to members	\$ 26,745,887
Interest on investments and cash equivalents	2,547,890
	<u>29,293,777</u>
INTEREST EXPENSE	
Dividends on members' shares	\$ 14,195,766
Interest on borrowed funds	40,969
	<u>14,236,735</u>
NET INTEREST INCOME	15,057,042
PROVISION FOR LOAN LOSSES	1,342,732
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	13,714,310
NON-INTEREST INCOME	
Net gains on sales of loans	\$ 325,386
Service charges and other fees	4,840,659
Other income	139,043
	<u>5,305,088</u>
	19,019,398
GENERAL AND ADMINISTRATIVE EXPENSES	
Salaries and benefits	\$ 8,471,650
Operations	6,818,333
Occupancy	1,506,423
	<u>16,796,406</u>
NET INCOME	\$ 2,222,992

McGladrey & Pullen, LLP, Certified Public Accountants, conducted the annual audit of the 2007 financial statements of the Credit Union. The financial statements above are condensed for readability and do not meet full disclosure requirements of generally accepted accounting principles, and are not presented in their audited format. Full audited copies of the financial statements are available at the Seattle Metropolitan Credit Union administrative offices.





Ray Hill
Director



Robert Leighton
Director



Frank Mathews
Director



Jerry Larson
Associate Director



Todd Boze
Associate Director



Gary L. Karns
Associate Director



Robert H. Harvey, Jr.
President/CEO
and Treasurer

Jane Brunton, Internal Audit Manager, works on behalf of the Committee.

The duties and responsibilities of the Supervisory Committee include the following:

- Ensure that effective internal controls are established and maintained, and that policies and procedures are established and maintained and in compliance with current regulations.
- Have a certified audit and member account verification performed annually, as required by the regulatory and insuring agencies.
- Ensure that deficiencies identified through audits are brought to the attention of the Board and management.
- Regularly review the financial records and the Minutes of the Board.
- Periodically meet with management to discuss issues of internal control and compliance.
- Recommend courses of corrective action to the Board and management when applicable.
- Review member complaints concerning safety and soundness issues.
- Carry out all duties as required by law, regulation and SMCU's Bylaws.
- Engage the firm that serves as Tellers of the Elections for the Board and Supervisory Committee.
- Report annually to the members at the Annual Meeting about the Committee's activities.

The Committee held regular meetings throughout 2007. McGladrey and Pullen, LLP, was engaged by the Committee to perform the annual certified CPA Audit for the calendar and fiscal year ending 12/31/07, and the Member Account Verification as of 9/30/07.

In addition to the CPA Audit, and the examinations by the Division of Financial Institutions/Department of Credit Unions (DFI/DCU), our state regulator and the National Credit Union Administration (NCUA), our federal regulator, we reviewed internal audit reports, and those from the outside audit firms engaged by the Committee for an Enterprise-Wide Risk Assessment, the annual ACH Audit, a special Compliance Audit, as well as an IT Security Assessment and a Member Information Risk Assessment.

The Committee reviews all audit and examination reports. At each regular Committee meeting, they discuss the responses from Management and monitor their progress. The Committee is continuing its focus on the following critical issues: the safeguarding of member information, IT Security, fraud, and issues related to regulatory compliance and corporate governance.

The Committee effectively carried out its responsibilities during 2007, and does not have any material items to report to the members.

Seattle Metropolitan Credit Union Senior Management Team



From Left to Right, Back Row:

Richard Stansbury, Senior Vice President of Operations & Branches
Ruth Korotzer, Executive Vice President/COO
Judy Elrod, Senior Vice President of Lending
Robert H. Harvey, Jr., President/CEO and Treasurer

Front Row:

Jill Vicente, Vice President, Chief Marketing Officer
Don Rudolph, Vice President, Chief Information Officer
Michelle Purnell-Hepburn, Vice President, Chief Financial Officer

The Seattle Metropolitan Credit Union (SMCU) Senior Management Team is made up of seven talented leaders who use their experience and knowledge to guide the credit union's growth and direction. The Senior Management Team implements the Board of Directors' vision for SMCU through policies and programs that benefit the greatest good of all members. Keeping the credit union fiscally sound while continually striving to make SMCU the most member-focused financial cooperative in Washington is their ultimate goal.