

Statement of Income & Expense

INCOME	2005	2006
Interest on Loans	9,395,801	11,974,759
Income from Investments	2,891,810	4,025,148
Other Income	6,644,058	6,583,484
Total Income	18,931,669	22,583,391
EXPENSES		
Employee Salaries & Benefits	5,939,695	6,088,275
Officer & Staff Development	120,000	132,000
Office Occupancy	792,073	983,100
Office Operations	2,372,694	2,495,385
Marketing & Promotions	462,000	638,000
Loan Servicing & Collections	370,068	539,041
Provisions for Loan Losses	370,252	282,758
Professional/Outside Services	320,143	313,532
Miscellaneous Expenses	296,859	346,504
Total Operating Expenses	11,043,784	11,818,595
Income (Loss) From Operations	7,887,885	10,764,796
Interest on Borrowed Money	301,200	653,036
Dividends Paid	2,889,849	5,342,332
Non-Operating Gains (Losses)	42,103	66,316
Net Income	4,738,939	4,835,744

Statement of Financial Condition

ASSETS	2005	2006
Loans	171,878,409	195,128,793
Allowance for Loan Losses	-941,625	-723,137
Cash & Cash Equivalents	8,859,347	19,594,047
Investments	81,621,426	88,810,708
Land & Building	13,127,954	12,941,534
Furniture & Equipment	1,505,301	1,009,463
Other Assets	6,682,762	7,176,164
Total Assets	282,733,574	323,937,572
LIABILITIES & EQUITY		
Notes Payable	10,000,000	18,000,000
Other Liabilities	7,883,744	8,046,041
Total Liabilities	17,883,744	26,046,041
Savings	84,016,710	78,910,419
Checking	62,800,166	63,862,250
Certificate Accounts	71,290,012	102,848,797
IRAs	15,978,690	16,607,069
Total Deposits	234,085,578	262,228,535
Total Equity	30,764,252	35,662,996
Total Liabilities & Equity	282,733,574	323,937,572

2006

ANNUAL REPORT

Easy Sound Living

Board of Directors

Richard Brentin	Chairman	Donald J. Boyle	Director
Keith E. Mock	1st Vice Chairman	Durant M. Hehr	Director
Brenda Heineman	2nd Vice Chairman	Norman R. Parsons, Sr.	Director
David J. Wasson	Secretary	David A. Williams	Director
Joseph T. McGuire	Treasurer		

Supervisory Committee

Kenneth J. Kobes	Chairman
Kevin A. Bannon	Secretary
Norman R. Parsons, Sr.	Member

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SOUND
CREDIT UNION

Report from the President and Chairman of the Board

2006 was a year focused on making life easier for our members. We started the year partnering with the Shared Branching network enabling our members access to their Sound accounts at over 12,000 credit unions nationwide as well as Puerto Rico, Japan, South Korea, Italy and Germany. During the first year, our members completed over 11,000 transactions through the Shared Branching network. In return, Sound processed 103,000 transactions for guest members utilizing Sound's branches.

To ensure our members have the easiest access to their account information, we introduced e-statements. This allows members electronic access to their month-end and Visa statements earlier than mailed paper statements. Members now have the option to view cancelled checks online as well.

In addition to increasing easy access to Sound Credit Union and member accounts, we continued to build our lending portfolio by offering new or enhanced loan products. Our new Home Equity Line of Credit with the rate below prime was an overwhelming success. In 2006, we also joined forces with HomeSold, a home buying rebate program. This program gives members an opportunity to receive a rebate when buying a home. A new "HLPR" home loan program was also introduced. This program helps lower-income borrowers afford their first home, by offering money saving features such as reduced rates and low down payments. Our Green Auto Loan rolled out in 2006 as well. Members who purchase a hybrid vehicle receive a discounted rate for the life of their auto loan. Members continued to benefit from the convenience of our Credit Union Direct Lending (CUDL) program. With the ease of obtaining Sound financing directly at the auto dealer, we funded over 1,000 loans totaling \$24 million. To enhance our Visa program, members can now purchase Visa Gift Cards at any branch or online. This helps to make their holiday or special occasion shopping easier and more convenient.

To help members protect themselves from Identity Theft, Sound introduced several educational materials including regular newsletter articles, a brochure, updated information on our web site and on-hold messaging. We will continue to look for additional ways to educate members in 2007.

Sound Credit Union continues to give back to the community in several ways. Our scholarship program has proven so successful that in 2006 we added an additional scholarship bringing the total to four \$1,000 awards to qualifying high school seniors. In addition, the credit union and staff gave generously to several community and charitable organizations.

Strong financial growth exceeded expectations set by the Board and Management. Sound Credit Union had record loan growth in 2006. We ended the year with 14% loan growth, compared to our peers with 7%. Sound also enjoyed Share Growth of 12%, while our peers had 4%. Our Asset Growth remained strong with a 15% increase over last year growing to \$324 million with continued low delinquencies. We are pleased to report that we remain financially strong and will continue creating ways to make doing business with us easy.



Richard C. Brandsma

**RICHARD C. BRANDSMA
PRESIDENT & CEO**



Richard Brentin

**RICHARD BRENTIN
CHAIRMAN, BOARD OF DIRECTORS**

Report of the Supervisory Committee

The state examination, conducted by the State of Washington Department of Financial Institutions/Division of Credit Unions, was completed in November of 2005, and reflected a high rating for strong performance and safe and sound practices and operations. Due to the outstanding results of the previous audit, the next state examination is not scheduled until May of 2007.

The Supervisory Committee engaged the independent public accounting firm of McGladrey & Pullen, LLP to conduct the annual audit of the financial statements of the credit union and its subsidiary. The independent auditors expressed an audit opinion that your credit union's financial statements present fairly, in all material respects, the consolidated financial position of Sound Credit Union and its subsidiary at March 31, 2007, and the consolidated results of its operations and cash flows for the twelve months then ended, in conformity with generally accepted accounting principles. The audited consolidated financial statements are available for review at the credit union's corporate office in Tacoma, Washington.

The committee wishes to thank the members, Board of Directors and staff for their cooperation in helping us carry out our duties and responsibilities.



Kenneth J. Kobes

**KENNETH J. KOBES
CHAIRMAN, SUPERVISORY COMMITTEE**