

## Statement of Income & Expense

INCOME	2006	2007
Interest on Loans	11,974,759	15,240,569
Income from Investments	4,025,148	5,381,540
Other Income	6,583,484	7,225,002
Total Income	22,583,391	27,847,111
<b>EXPENSES</b>		
Employee Salaries & Benefits	6,088,275	6,529,573
Officer & Staff Development	132,000	156,000
Office Occupancy	983,100	875,795
Office Operations	2,495,385	2,714,804
Marketing & Promotions	638,000	635,384
Loan Servicing & Collections	539,041	712,198
Provisions for Loan Losses	282,758	771,322
Professional/Outside Services	313,532	308,901
Miscellaneous Expenses	346,504	383,893
Total Operating Expenses	11,818,595	13,087,870
Income (Loss) From Operations	10,764,796	14,759,241
Interest on Borrowed Money	653,036	1,018,842
Dividends Paid	5,342,332	8,024,981
Non-Operating Gains (Losses)	66,316	82,744
Net Income	4,835,744	5,798,162

## Statement of Financial Condition

ASSETS	2006	2007
Loans	195,128,793	240,038,450
Allowance for Loan Losses	-723,137	-906,589
Cash & Cash Equivalents	19,594,047	21,693,557
Investments	88,810,708	87,062,086
Land & Building	12,941,534	12,681,219
Furniture & Equipment	1,009,463	363,789
Other Assets	7,176,164	9,759,260
Total Assets	323,937,572	370,691,772
<b>LIABILITIES &amp; EQUITY</b>		
Notes Payable	18,000,000	25,000,000
Other Liabilities	8,046,041	7,681,313
Total Liabilities	26,046,041	32,681,313
Savings	78,910,419	78,482,411
Checking	63,862,249	66,314,395
Certificate Accounts	102,848,797	130,431,195
IRAs	16,607,069	21,222,067
Total Deposits	262,228,535	296,450,068
Total Equity	35,662,996	41,560,391
Total Liabilities & Equity	323,937,572	370,691,772

# 2007 ANNUAL REPORT

### 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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# Report from the President and Chairman of the Board

2007 was a year of advantage for Sound Credit Union members. New products and services were introduced, technology remained a focus, and despite market challenges, our financial performance remained superior.

New products and services were developed to offer options and give members an advantage with their financial resources. Home equity loan offerings were enhanced by adding several shorter and longer term options. In addition, land only loans were added to our lending product line. To keep our deposit advantage strong we began offering new High-Yield Money Market and Checking Accounts. These accounts offer a higher yield with the continued advantage of easy access. Sound introduced Health Savings Accounts (HSAs) as a tax advantaged savings option to help reduce the cost of healthcare for eligible members.

In 2007, a full range of business products and services was introduced. Members now have the ability to create a personalized business service portfolio specific to their needs. Products range from business checking and Visa credit cards, to commercial lending and electronic merchant services. Another advantage of doing business with Sound.

Making member's lives easier through technology development and member education remained a focus. We worked to create efficiencies through technology in our operating systems by continuing to convert our files and operational documents to optical storage. This instant access to information streamlined service to members in the branches and on the phone. Member education about current financial issues such as Identity Theft was a focus throughout the year. An Identity Theft Information Center was introduced in each branch that included up-to-date information on the topic and ways to avoid becoming a victim of this growing crime.

Our community involvement level was higher this year than ever before. Staff and management gave generously to The March of Dimes, American Cancer Society and the United Way of Pierce County. To continue to support higher education, Sound granted four \$1,000 scholarships to qualifying high school seniors.

Loan and deposit growth exceeded expectations while our strong financial results placed Sound Credit Union as a top performing financial institution. Loan and deposit growth far exceeded national credit union averages at 24% and 13% respectively. This compares to national loan growth at 6.58% and national deposit growth at 5.19%. Asset quality remained high with total delinquent loans dropping to an all time low of .20%, compared to the national average of .93%. Charge-off/loan loss ratio was a low .27%. Return on Average Assets was a superior 1.67% compared to the national average of .65%. Growth of Net Worth/Capital was an excellent 16.54%. We ended 2007 with a healthy Capital Ratio of 11.21%, well above the Federal Well Capitalized Ratio of 7%.

We are pleased to report that we remain financially strong and will continue creating ways for you to enjoy the Sound Credit Union advantage.



A handwritten signature in black ink that reads "Richard C. Brandsma".

**RICHARD C. BRANDSMA**  
PRESIDENT & CEO



A handwritten signature in black ink that reads "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 2006, 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 2008.

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, 2008, 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.



A handwritten signature in black ink that reads "Kenneth J. Kobes".

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