

SEATTLE  
CREDIT UNION  
*Prosper*

# 2017 ANNUAL REPORT

AND 2018 ANNUAL MEETING PROGRAM

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# AGENDA

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Check-In and Refreshments . . . . .	5:30 PM
Seattle Credit Union's 85 <sup>th</sup> Annual Meeting . . . . .	6:00 PM

- Welcome (*Lawrence Metz*)
- Introduction of the Board of Directors (*Lawrence Metz*)
- Call to Order (*Lawrence Metz*)
- Ascertain Quorum (*Robin Shuler*)  
*Per Seattle Credit Union Bylaws, 15 members in attendance constitutes a quorum.*
- Approval of 2017 Annual Meeting Minutes (*Lawrence Metz*)
- Report of the Board of Directors (*Lawrence Metz*)
- Report of the CEO (*Richard Romero*)
- Supervisory Committee Report (*Sandra Philbrook*)
- Unfinished Business (*Lawrence Metz*)  
*References any business not completed at the last meeting.*
- New Business (*Lawrence Metz*)  
*Per Seattle Credit Union Bylaws, new business requires prior notice to membership.*
- Volunteer Election Results (*Lawrence Metz, Nominating Committee Chair*)
- Questions from the Membership
- Swearing in of New Board Members (*Lawrence Metz*)
- Meeting Adjournment
- Member Q & A

# BOARD OF DIRECTORS

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Lawrence Metz. . . . .	Chair
Andrea Fall Zachary. . . . .	Vice Chair
Robin Shuler . . . . .	Secretary
Bruce Stedman . . . . .	Director
Carlos Ruiz . . . . .	Director
Helen Bello . . . . .	Director
James Trefry . . . . .	Director
Stephen Ejide . . . . .	Director
Frank Mathews. . . . .	Director Emeritus

# SUPERVISORY COMMITTEE

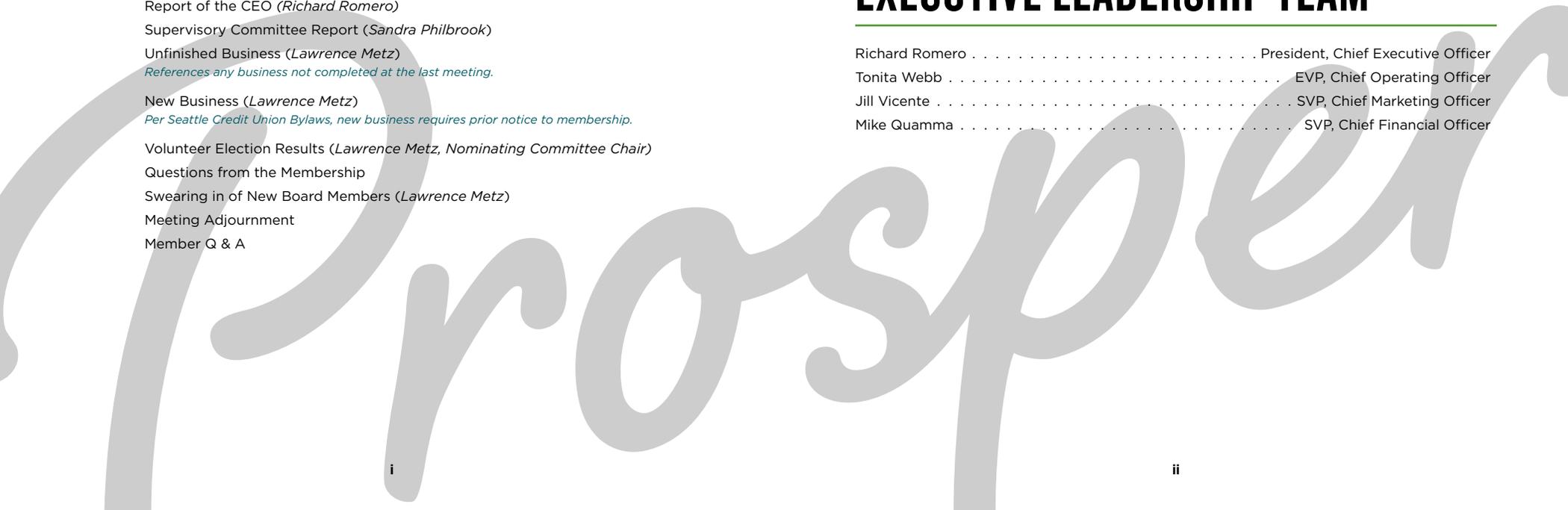
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Sandra Philbrook . . . . .	Chair
Gary Skinner . . . . .	Secretary
Ken Astrein. . . . .	Member
Deborah Atkinson . . . . .	Member

# EXECUTIVE LEADERSHIP TEAM

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Richard Romero . . . . .	President, Chief Executive Officer
Tonita Webb . . . . .	EVP, Chief Operating Officer
Jill Vicente . . . . .	SVP, Chief Marketing Officer
Mike Quamma . . . . .	SVP, Chief Financial Officer



# FROM THE BOARD CHAIR

LAWRENCE METZ



While we will not forget the long history that made Seattle Metropolitan Credit Union an outstanding financial institution, I

am sure you are aware of our name change. We are now Seattle Credit Union. This name change is in line with our Board of Directors' strategy to aid the underbanked and our commitment to the many communities in the greater Seattle area. It is an opportunity to welcome and assist a larger membership base; and with nearly 2,400 new members in 2017, we are well on our way to being a credit union for the entire Seattle area.

*"This name change is an opportunity to welcome and assist a larger membership base."*

This growth is part of maintaining our credit union values – security for our members and strength for our institution. These values are the continued focus of the Seattle Credit Union Board of Directors, a panel of nine volunteers who work to ensure that our organization is both well-run and successful. The board is proud of the organization's success and will continue to move Seattle Credit Union forward, ever mindful of keeping your trust and loyalty. We are able to do this because of the outstanding membership base that is the backbone of this credit union.

Many people contribute to making Seattle Credit Union your financial institution of choice. It requires a dedicated team to staff

*"I offer my thanks to every member of every team for the hard work and diligence that goes into making our credit union successful."*

each branch, a team of product specialists in the main office, a knowledgeable and visionary senior management team, along with your elected Board of Directors and Supervisory Committee. I offer my thanks to every member of every team for the hard work and diligence that goes into making our credit union successful.

One recent demonstration of this success is when our CEO, Richard Romero, was named as Credit Union Times 2017 CEO of the Year in Washington, D.C. last month. A special "thank you" to Sandra Phillbrook and Gary Skinner for their time serving on the Supervisory Committee; we appreciate all the contributions you have made.

As Seattle Credit Union continues to grow and move forward, I hope that each of you will see the prosperity and financial stability that comes from being part of the largest team at Seattle Credit Union, the team of members. ■

# FROM THE CEO

RICHARD R. ROMERO



2017 was a big year. Seattle Metropolitan Credit Union became Seattle Credit Union as it embarked on a vision to become "Seattle's

partner in growth and prosperity." As part of this work, the credit union committed resources to supporting marginalized communities, expanding into new neighborhoods, and advancing technology in branch environments.

*"Seattle's partner in growth and prosperity."*

As a result of the credit union's work with low income communities, it was awarded two national designations, LID (Low Income Designation) and CDFI (Community Development Financial Institution). These distinctions are significant in that they will give the credit union the flexibility and added resources to continue its work of bringing financial empowerment to those in need. Additionally, Seattle Credit Union was proud to be recognized as El Centro de la Raza's Supporter of the Year for our direct work with their clients. The credit union was also recognized by the NWCUA (Northwest Credit Union Association) for consistently excelling in advocacy initiatives relative to credit union government affairs.

As Seattle grew, so did the credit union as it officially opened two new locations on Beacon Hill and in Burien. Both locations have been very well received and utilized by their neighborhoods, sometimes even eclipsing metrics of established branches.

Both locations showcase a new branch experience that allows members to leverage the safety and efficiency of technology while providing more conversational environments to work on financial needs.

*"Our core values have not changed."*

While Seattle Credit Union has a new name, our core values have not changed. We are focused on providing trusted financial advice, a breadth of products, and premium, personalized service as a credit union that re-invests in its members and in the local community. In 2018 and beyond, we will continue to refine our processes and adapt our service delivery to better meet financial needs that focus more on consulting and providing solutions versus treating people like numbers and fee generators. We are committed to embracing the diversity of our region, employing empathy in our problem-solving and strengthening the financial position of our membership and our communities.

If we do our job well, everyone in Seattle will have a chance to Prosper.

Thank you for being a member. ■

# EXECUTIVE COMMITTEE

## LAWRENCE METZ



Seattle Credit Union has an Executive Committee whose primary charge is to act on behalf of the full board when necessary and help to carry out the business of the credit union. The Executive Committee is comprised of the officers of the Board of Directors and others as provided for by our by-laws.

Our current Executive Committee members:  
 Lawrence Metz . . . . . Board Chair  
 Andrea Fall Zachary . . . . . Vice Chair  
 Robin Shuler . . . . . Secretary  
 Richard Romero . . . . . Treasurer  
 Carlos Ruiz . . . . . Member-at-large

Executive Committee duties may include:

- Assisting in setting the strategic plan annually.
- Evaluating the performance of the CEO.
- Setting the agenda for monthly board meetings.
- Reviewing and recommending proposals for expanding new credit union services.
- Performing duties related to enterprise risk management.
- Continually looking for ways to keep growth, member service, and outside competition managed with our strategic plan in mind. ■



FEBRUARY 2017: JUNTOS AVANZAMOS DESIGNATION AT THE GRAND OPENING OF OUR BEACON HILL BRANCH.

# FINANCE & BUDGET COMMITTEE

## ROBIN L. SHULER, CPA, MBA



The Finance Committee for Seattle Credit Union meets monthly, performing the following duties and responsibilities:

- Reviewing the annual budget and recommending the budget to the Board of Directors for approval and adoption.
- Reviewing Seattle Credit Union's financial statements and supporting documents.
- Reviewing monthly budget variance reports and responses from management.
- Reviewing financial metrics and key performance indicators (KPIs).
- Reviewing Seattle Credit Union's investment, liquidity, and balance sheet management strategies.
- Reviewing, on an annual basis, all financial and budget related policies.
- Approving correspondent financial institutions and investment brokers.
- Reviewing financial and regulatory audits.

2017 was a positive year of banner growth for Seattle Credit Union. In 2018, we will focus on quality earnings, KPIs, expense control, and financial strength.

The highlights from 2017 include:

- Membership growth of 3.7%, from 45,060 to 46,742 members.
- Growth in member loans, from \$553M to \$672M.
- Growth in member deposits, from \$654M to \$740M.
- Seattle Credit Union paid \$3.0M in dividends to our members.

Your Finance Committee members are proud of Seattle Credit Union's management and commitment to providing value and unsurpassed service to its members. Seattle Credit Union remains a well-capitalized credit union. We thank our members, staff, and volunteers. ■



INTERIOR OF OUR BEACON HILL BRANCH.

# SUPERVISORY COMMITTEE

SANDRA PHILBROOK



The Washington State Credit Union Act [RCW 31.12.335] and The National Credit Union Administration (NCUA) [RR §715] define the

corporate governance requirements for credit unions, including the requirements and duties of the Supervisory Committee. The Bylaws of Seattle Credit Union further define the membership, terms, duties, and responsibilities of the Supervisory Committee. As of 12/31/17, the Seattle Credit Union Supervisory Committee was comprised of four elected volunteers: Sandra Philbrook, Chair; Gary Skinner, Secretary; Ken Astrein, Member; and Deborah Atkinson, Member.

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

- Engage a CPA firm to perform a financial statement audit and member account verification, annually.
- Ensure that deficiencies identified through audits are brought to the attention of the Board and management; track and document progress made in addressing deficiencies.
- Recommend courses of corrective action to the Board and management to better ensure the safety and soundness of their actions.
- Regularly review the financial records and the Minutes of the Board.
- Ensure that effective internal controls are established and maintained, and that policies and procedures are established

and maintained and in compliance with current regulations.

- Periodically meet with management to discuss issues of internal control and compliance.
- Review member complaints concerning safety and soundness issues.
- Carry out all duties as required by law, regulation, and Seattle Credit Union's Bylaws.
- Serve as Tellers of the Volunteer Elections for the Board and Supervisory Committee.
- Report annually to the members at the Annual Meeting about the Committee's activities.
- Ensure that the Board of Directors and Management of the credit union meet the required financial reporting objectives and establish practices and procedures sufficient to safeguard members' assets.
- Determine that relevant plan, policies, and control procedures established by the Board of Directors are properly administered.
- Ensure that policies and control procedures are sufficient to safeguard against error, conflict of interest, self-dealing, and fraud.

The Committee held regular meetings and recorded minutes throughout 2017. At each regular meeting, the Committee reviewed the status of audit and exam findings and noted the progress. The Committee received the Board packets on a monthly basis and reviewed those for issues related to safety and soundness.



AN INTERIOR SHOT OF OUR NEWEST BRANCH LOCATION IN BURIEN.

The Internal Audit function coordinated and oversaw key Supervisory Committee audits, including the financial statement audit, as well as Information Technology, Member Business Lending, and other operational audits on behalf of the Committee. Moss Adams, LLP, a Certified Public Accountant (CPA) firm, was engaged by the Committee to perform the annual financial statement audit for the calendar and fiscal year ending 12/31/17, and the Member Account Verification as of 9/30/17. In addition to the CPA Audit, the Internal Audit function coordinated the joint risk examination 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. The Supervisory Committee reviewed all external and internal audit reports.

In 2017, the Committee reviewed and approved the annual Internal Audit Plan and engaged outside resources and experts to carry out specialized audits, such as:

Automated Clearing House (ACH), Wire Funds Transfer, Information Technology (IT) and Security Assessments, and Commercial Lending Operations and Credit Quality.

The Committee remains focused on the timely resolution of audit and exam findings and recommendations. In addition to the results of Supervisory Committee audits and Regulatory Examinations, the Committee is also reviewing and monitoring the status of risks relating to: Asset Liability Management, Interest Rate and Credit Administration, as well as Cybersecurity.

The Committee effectively carried out its responsibilities during 2017. As of this report, there are no material adjustments to the Credit Union's financial statements or balance sheet. ■

# 2017 ANNUAL MEETING MINUTES

HELD ON: THURSDAY, APRIL 20, 2017

## 1. **Welcome | Introduction of the Board of Directors | Call to Order**

Board Chair, Ms. Shari Storm, welcomed the assembly. She introduced herself, the current Board of Directors, and the Executive Management Team. She introduced Mr. Bruce Pearson who would be the parliamentarian for the meeting. Ms. Storm called Seattle Metropolitan Credit Union's 84th Annual Meeting of the Membership to order.

## 2. **Ascertain Quorum | Approval of 2016 Annual Meeting Minutes**

Board Secretary, Mr. Lawrence Metz, ascertained the quorum. Ms. Storm stated the first item of business was the approval of the 2016 Annual Meeting minutes, which were distributed in advance of the meeting and were within the Annual Report. A member on the floor moved to approve the minutes as presented in the Annual Report. The motion was seconded and approved without abstention or objection. Motion carried.

## 3. **Report of Board of Directors | Report of CEO | Supervisory Committee Report**

Ms. Storm stated that the next item of business was the Report of the Chair of the Board of Directors. Ms. Storm stated that 2016 was a banner year for the Credit Union. Ms. Storm summarized 2016 by stating that the credit union helped members buy or refinance 308 homes, helping 2,300 members buy new cars, and the membership trusted the Credit Union with 77 million new dollars in savings. 2016 ended on a high note with revenue of over 33 million. The Board of Directors has been expanded from seven members to nine members in order to better serve the community. Ms. Storm stated that the Board of Directors would welcome three new Board members to the Board of Directors. Ms. Storm thanked the staff, Board of Directors, and Supervisory Committee for all of the hard work they put into in 2016. Ms. Storm closed by thanking the membership without which the Credit Union would not exist.

Mr. Romero introduced himself as the President and Chief Executive Officer and welcomed his predecessor, Robert Harvey. Mr. Romero thanked Mr. Harvey for his dedication and hard work and for placing his trust in him. Mr. Romero stated that SMCU had extended their branch network into Beacon Hill in 2016 and planned to open a branch in Burien in the next several months. Mr. Romero stated that SMCU's relationship with the city is stronger than ever and would continue to serve the underserved, underbanked, and ignored by mainstream financial institutions. Since SMCU had such a great bond with the city, SMCU had created a program to help support the city's immigration and refugee services program whereby SMCU helped people become US citizens. Mr. Romero closed by thanking the membership and his conveyed his appreciation for the membership.

Ms. Storm introduced Ms. Philbrook as the Chair of the Supervisory Committee. Ms. Philbrook introduced the current Supervisory Committee and thanked the members for participating on the committee. Ms. Philbrook stated that SMCU had been through many great changes in 2016— the relocation of the headquarter offices, a transition to a new Board of Directors, and many key decisions affecting the Credit Union's future. Ms. Philbrook stated that the Supervisory Committee had its share of change in 2016: two committee members retired, the committee onboarded two new committee members, and the credit union welcomed a new Vice President of Internal Audit. Ms. Philbrook introduced the new Vice President of Internal Audit, Mr. Brandon Ely. Ms. Philbrook stated that the Supervisory Committee kept a diligent eye on compliance issues, matters of risk, and ethics in decision making while keeping in mind potential impacts to the membership and the Credit Union. Ms. Philbrook thanked the Supervisory Committee for being instrumental in positive exam results of the Department of Financial Institutions and the NCUA. Ms. Philbrook added the exam results reflected the great work of the management team and the CEO, and it was because of this the Supervisory Committee had faith that the Credit Union is headed in the right direction.

## 4. **Unfinished Business | New Business**

Ms. Storm stated that, since there was no unfinished business and no notices or new business presented to the membership, we would move directly to the results of the volunteer election.

## 5. **Volunteer Election Results | Swearing in of New Board Members**

Ms. Storm stated that this year we put four members on the slate of candidates for three open positions, and as a result of that election, Mr. Todd Boze, Ms. Andrea Fall Zachary, Ms. Helen Bello will be serving three-year terms, and Mr. Stephen Ejide will be serving a one-year term. Ms. Storm stated that the Board voted to appoint Mr. Carlos Ruiz to a one-year term to fill the spot that Ms. Storm was vacating at the end of the meeting. Ms. Storm swore in the five Board members with the Oath of Office.

## 6. **Adjournment**

Ms. Storm stated that, having no further business, the meeting was adjourned.

## 7. **Questions from the Membership**

Ms. Storm opened the floor for questions. A member asked how many people voted in the 2017 volunteer election. Ms. Storm stated that she could not tell how many total people voted unless there was a staff member that had the total number. Ms. Storm then gave the number of votes that the elected Board of Directors received. A member asked about the staff at branches, remodeling of the branches, and asked for further information on automated teller machines. Mr. Romero stated that all branches would continue to employ staff, and that some of the branches and shared branches would have automated teller machines that the staff could assist members with. Mr. Romero asked Mr. Richins to further discuss the shared branch network that the member could obtain cash from in the future.

# 2017 STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2017

	2017
<b>ASSETS</b>	
Cash and Cash Equivalents	\$82,962,708
Investments	
Securities Available for Sale	\$47,616,631
Certificates of Deposits	\$245,000
Loans Held for Sale	\$2,774,342
Loans to Members, net	\$672,417,639
Federal Loan Bank Stock	\$2,420,800
Accrued Interest Receivable	\$2,284,233
Property and Equipment	\$10,275,250
National Credit Union Share Insurance Fund (NCUSIF) Deposit	\$6,482,455
Cash Surrender Value of Life Insurance, net	\$19,305,980
Mortgage Servicing Rights	\$2,339,531
Other Assets	\$12,577,299
<b>TOTAL ASSETS</b>	<b>\$861,701,868</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>	
<i>Liabilities</i>	
Members' Share Accounts	\$740,286,339
Borrowings	\$38,050,000
Accrued Expenses and Other Liabilities	\$13,484,851
<b>TOTAL LIABILITIES</b>	<b>\$791,821,190</b>
<i>Members' Equity</i>	
Regular Reserve	\$5,201,500
Undivided Earnings	\$65,966,962
Accumulated Other Comprehensive Loss	(\$1,287,785)
<b>TOTAL MEMBERS' EQUITY</b>	<b>\$69,880,678</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$861,701,868</b>

# 2017 STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2017

	2017
<b>INTEREST INCOME</b>	
Loans to Members	\$26,893,362
Investments	\$1,722,083
<b>Total Interest Income</b>	<b>\$28,615,445</b>
<b>INTEREST EXPENSE</b>	
Members' Share Accounts	\$2,975,219
Borrowings	\$490,969
<b>Total Interest Expense</b>	<b>\$3,466,188</b>
<b>NET INTEREST INCOME</b>	<b>\$25,149,257</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>\$2,646,169</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>\$22,503,088</b>
<b>NON-INTEREST INCOME</b>	
Fees and Charges	\$3,159,044
Interchange Income	\$3,515,382
Gain on Sale of Loans Held for Sale	\$2,170,230
Gain on Sale of Available-for-Sale Securities	\$28,171
Increase in Cash Surrender Value of Life Insurance	\$444,536
Other Income	\$1,370,212
<b>Total Non-interest Income</b>	<b>\$10,687,575</b>
<b>NON-INTEREST EXPENSE</b>	
Compensation and Benefits	\$13,883,578
Office Operations	\$10,527,647
Office Occupancy	\$3,943,353
Marketing and Member Education	\$2,272,867
Other Expense	\$1,489,851
<b>Total Non-interest Expense</b>	<b>\$32,117,296</b>
<b>NET INCOME</b>	<b>\$1,073,369</b>

# NOTES

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# NOTES

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# NOTES

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SEATTLE CREDIT UNION IS FEDERALLY INSURED BY THE NCUA AND IS AN EQUAL HOUSING OPPORTUNITY LENDER.

