

# 2018 ANNUAL REPORT

2019 ANNUAL MEETING PROGRAM



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# AGENDA

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Check-In and Refreshments . . . . .	5:30 PM
Seattle Credit Union's 86 <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 (*Deanna Clark*)  
*Per Seattle Credit Union Bylaws, 15 members in attendance constitutes a quorum.*
- Approval of 2018 Annual Meeting Minutes (*Lawrence Metz*)
- Report of the Board of Directors (*Lawrence Metz*)
- Report of the CEO (*Richard Romero*)
- Supervisory Committee Report (*Darren Stephenson*)
- 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.*
- New Board Members (*Carlos Ruiz, 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
Carlos Ruiz . . . . .	Vice Chair
Richard Romero . . . . .	Treasurer
Deanna Clark. . . . .	Secretary
Robin Shuler . . . . .	Director
Stephen Ejide . . . . .	Director
Andrea Fall Zachary. . . . .	Director
James Trefry . . . . .	Director
Aracely Godinez . . . . .	Director
Seujan Bertram . . . . .	Director
Frank Mathews. . . . .	Director Emeritus

# SUPERVISORY COMMITTEE

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Darren Stephenson . . . . .	Chair
Sue Her . . . . .	Secretary
Ken Astrein. . . . .	Member
Rick Szeto . . . . .	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



I would like to take this opportunity to give you, our membership, some background on the mission and vision of Seattle Credit Union.

Our continued priority is the safe and sound operation as a financial institution as it would be for any credit union; but we do it differently.

Our vision is to be Seattle's partner in growth and prosperity.

**“WE WANT TO BE THE  
*best community partner*  
POSSIBLE.”**

We want to be the best community partner possible by providing support for all people, including underbanked individuals and families throughout the greater Seattle area.

The Board of Directors, along with the Seattle Credit Union management team made the decision to develop a strategy of service back in 2016, and we have been moving forward ever since. We are not trying to be the next large financial institution, nor to compete head-to-head with the largest credit unions in the country. We are looking to support our core members with the best possible products and service, while offering what others don't to those who are just beginning their financial journey.

**“WE *believe* IN THE  
ORIGINAL CREDIT UNION  
PHILOSOPHY OF 'PEOPLE  
HELPING PEOPLE'.”**

As a co-op, we believe in the original credit union philosophy of “People helping People”. Seattle Credit Union belongs to this community and all those who make it such a great place to live and work.

The diversity of your Board of Directors gives us a wealth of ideas and solutions to keep Seattle Credit Union going strong. It is a great challenge and a large responsibility, but I know every board member enjoys the work and the satisfaction of being a part of Seattle Credit Union. I encourage you to think about being a part of this. Being member-owned, you can run for a seat on the Board of Directors, or apply to become an Associate Director. Don't wait until the call goes out, let us know if you have any interest in participating in your Seattle Credit Union. ■

# FROM THE CEO

RICHARD R. ROMERO



Our vision of being Seattle's partner in growth and prosperity is at the forefront of everything we do. As we strive to grow and change with Seattle, we are determined to ensure everyone has the opportunity to prosper. In 2019 we'll continue our efforts in providing products and services that lead to a positive impact on our membership and our community.

**“WE BASE OUR ACTIONS  
*ON empathy.*”**

I want to take this time to reflect on the many partnerships we have developed within our community and the positive impact we've had on people's lives. Partnerships like El Centro de la Raza that empower underserved Latino communities. Or our Feel Good Checking Partner Ada Developer's Academy, which provides tuition-free software development education to women and gender-diverse people to combat the current imbalance in the tech industry. As a premier financial

**“OUR MISSION IS TO DRIVE  
*A positive impact* WITHIN  
OUR COMMUNITY.”**

cooperative in Seattle, we base our actions on empathy and continue to focus on diversifying our staff, management team, and board of directors to better reflect the communities that we serve.

When people ask us what makes Seattle Credit Union different than other financial institutions, our answer is that at our core, our mission is to drive a positive impact within our community. We reinvest our financial success into our communities and aim to focus on all levels of prosperity. Whether you're part of the wave of people who have found opportunity in Seattle or whether you're just starting out and struggling to establish your finances or even those who have been marginalized and financially abused, we're here for you.

We're honored to continue serving our community moving forward in 2019 and I look forward to seeing and hearing from you all. ■



# EXECUTIVE COMMITTEE REPORT

## 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  
Carlos Ruiz . . . . . Vice Chair  
Deanna Clark . . . . . Secretary  
Richard Romero . . . . . Treasurer

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. ■



# FINANCE & BUDGET COMMITTEE REPORT

## ROBIN L. SHULER



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, lending, risk, 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.

In 2018, Seattle Credit Union had several financial objectives, including a focus on quality earnings, more detailed key performance indicators (KPIs), expense control and financial strength. Management deserves recognition for achieving positive results in all of these areas. Highlights from 2018 include the following:

- Improved operating performance in 2018, with Net Income of \$2.66 Million
- A high Loan to Share Ratio of 87% at 12/31/18, reflective of our commitment to

put member dollars back into member loans.

- Improved financial strength over previous years, marked by improved balance sheet measures. In particular, we implemented comprehensive and robust liquidity and rate risk stress testing to assure we have the ability to weather tough economic times.
- Membership growth of 4.6% from 47,444 to 49,624 members.
- Growth in member deposits, from \$740 Million to \$755 Million.
- Seattle Credit Union Paid \$3.1 Million in dividends to our members.

Your Finance Committee members are proud of Seattle Credit Union's mission and commitment to providing value and unsurpassed service to its members. We are successful when we can help our members achieve financial success.

We help people finance their first home, a college education, or a family vacation. We help individuals and businesses flourish, while supporting underserved and low-income communities because we know inclusion is the key to improving lives and creating a strong community.

In conclusion, Seattle Credit Union remains a well-capitalized credit union, which helps to assure we will be able to serve you for years to come. 2018 was a great year, and we thank our members, staff and volunteers! ■

# SUPERVISORY COMMITTEE REPORT

## DARREN STEPHENSON



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 12/31/18, the Seattle Credit Union Supervisory Committee was comprised of four elected volunteers: Darren Stephenson, Chair, Sue Her, Secretary, Ken Astrein, Member, and Rick Szeto, 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 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.

- Ensure that deficiencies identified through audits are brought to the attention of the Board and management; track and document progress made in addressing deficiencies.
- 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.
- 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.

The Committee held regular meetings and recorded minutes throughout 2018. 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.

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 12/31/18, as well as the Member Account Verification as of 9/30/18. 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 2018, the Committee also reviewed and approved the annual Internal Audit Plan and engaged outside resources and experts to carry out specialized audits, such as: Compliance Management Systems (CMS), Fair Lending, Deposit Compliance (UDAAP),

Information Technology (IT) and Security Assessments, and Commercial Lending 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: Liquidity, Interest Rate, Credit Administration, and Cybersecurity.

The Committee effectively carried out its responsibilities during 2018. As of this report, there are no material adjustments to the Credit Union's financial statements or balance sheet. ■

# LAURIE

MEMBER SINCE 2013

Five years ago, Laurie could barely afford her car. Now, she estimates she's less than one year away from owning a home.

"I can't wait to be the one who decides when the heat gets turned on," she laughs.

Owning a home in one of the most competitive markets in the country is no small feat. For many members, this goal can feel nearly insurmountable. But Laurie's used to overcoming.

In 2013, Laurie was laid off. She struggled to pay her bills and her credit score plummeted. She also needed to replace her car.

"I got it, but just by the skin of my teeth," she recalls. Her interest rate through a bank was a whopping 16.99%

A few payments in, Laurie received an auto-refinance promotional offer from Seattle Credit Union. She'd never heard of us before, but knew credit unions were different from banks in a few important ways: credit unions are member-owned, democratically run, and sometimes have better interest rates.

Laurie applied and was thrilled when she was accepted. Her new Seattle Credit Union loan lowered her interest rate to under 5%.

"It was a huge relief. I knew my payments would be met every month," she shares.



**▶ WANT MORE? LAURIE'S STORY INCLUDES A SPECIAL VIDEO BONUS. VISIT OUR YOUTUBE CHANNEL TO WATCH!**

Since then, Laurie's paid off some surprise expenses with one of our personal loans. She's consolidated and transferred credit card debt to one of our lower-interest cards. She's even built up her savings and raised her credit score from 230 to well over 700 – the last step on her journey to homeownership.

As she daydreams about the home she'll create for herself and her "fur baby," Tucker, Laurie also hopes her experience inspires others forge a path to financial freedom.

When Laurie's ready to buy that home, we'll be ready with mortgage options and long-term personal service for whatever she sets her sights on next.

And we agree – it feels good to be in charge of the thermostat. ■

# SHERRYL

MEMBER SINCE 2018

Sherryl has spent the last few years juggling a business, managing a family, and overseeing rental properties. She knows better than most how many curve balls life can throw your way.

Her responsibilities recently intensified when her father was diagnosed with Alzheimer's and she became his power of attorney, assuming his affairs. Recognizing her father's need for around-the-clock medical care, Sherryl moved him into an assisted living home, where he currently lives.

The costs associated with her father's responsibilities and care snowballed quickly.

"I thought I had things in control," Sherryl says. "But the finances became overwhelming. I didn't want to lose everything my dad worked so hard for."

Sherryl began using her personal finances to cover her father's expenses. She came close to taking a second job.

One year after Sherryl moved her father into an adult family home, she got a call from the manager of our Rainier branch. Her father's inactive Seattle Credit Union account was going to be sent to the state of Washington if she did not claim it.

Every year, financial institutions are required to "escheat" accounts that have been inactive for three or more years to the state. Staff at Seattle Credit Union work creatively and tirelessly to save as many our members' accounts as possible.



"My first thought was, I don't have time for this," Sherryl recalls. "All this stuff going on and I have to go into a bank?"

That visit changed Sherryl's life.

The branch manager sat with Sherryl and pulled up her father's account. In it was enough to cover all of her father's financial obligations and medical care – for the rest of his life.

"I had no idea he was that kind of saver," Sherryl says. "My stress lifted. I started crying right there in the branch."

Through difficult financial times, her father's legacy inspired Sherryl to persevere. Today, his work ethic has provided Sherryl's entire family with security and hope.

"He always wanted to make sure we were taken care of," she says.

Seattle Credit Union staff are proud to have played a part in this tremendous story of prosperity, and are dedicated to helping all members overcome life's financial curveballs. ■

# 2018 ANNUAL MEETING MINUTES

HELD ON: WEDNESDAY, MARCH 28, 2018

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

Board Chair, Lawrence Metz (Larry) welcomes the assembly. He introduces him as well as the fellow Board of Director members and Executive Management Team.

## 2. **Ascertain Quorum – Approval of 2017 Annual Meeting Minutes**

Mr. Metz acknowledges that the quorum exists and starts the 2018 Annual Meeting. First item of business was to approve 2017 Annual Meeting minutes. Andrea Fall Zachary was the first to approve the 2017 Annual Meeting minutes followed by Bruce Stedman seconding. There was no objection or abstention. Motion carried.

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

Mr. Metz opened up the quorum by stating the biggest change was the name change of Seattle Metropolitan Credit Union to Seattle Credit Union, and was done to align with the strategy of the Board of Directors and the commitment to communities within the greater Seattle region. With this name change, Seattle Credit Union will maintain the core values, strength of the institution, security for members and move forward with trust and loyalty. A memorable note was held with high regards that 2,400 new members joined Seattle Credit Union in 2017; we have been upheld as a financial institution of choice. Mr. Metz thanked the dedicated team and overall organization for all their hard, dedicated work and diligence to make Seattle Credit Union successful. One highlight is that our CEO, Richard Romero, was named by Credit Union Times CEO of the year for 2018 in Washington D.C. Mr. Metz ended by saying that he looks forward to the growth and movement going forth of the Seattle Credit Union.

Mr. Romero introduced himself as President and Chief Executive Officer. Mr. Romero went into explaining the three-year long process of the name change from Seattle Metropolitan Credit union to Seattle Credit Union. The name change will effectively aid in the long term to stay viable in one of the most competitive financial markets in the country. Mr. Romero stated a highlight was that Seattle Credit Union opened two new branches south of Seattle. Mr. Romero ended by stating that our values have not changed and thanked all members for their continued support and participation in Seattle Credit Union.

Ms. Sandra Philbrook opened by introducing the four volunteers of the Supervisory Board. The Supervisory Board held regular meetings and reported meeting minutes in addition to reviewing the status of its audits and findings. The Committee received board packets on a monthly basis to assist in the audits and findings. The internal audit function oversaw Supervisory Committee Audits, including financial statement audits, information technology, member business lending and other operational audits on behalf of the committee. Moss Adams was an external CPA firm that was engaged to perform the internal audits for the calendar and fiscal year ending of 2017. The Internal

Audit Function coordinated the joint risk examination by division of financial institutions report of credit unions. 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 as well as experts to carry out specialized audits. The Supervisory Committee remains focused on timely resolution of audits, exam findings, and recommendations. They will continue to review and monitor the status of risks relating to asset liability, management interests, credit administration and cyber security. In 2017, the Supervisory Committee carried out all the responsibilities that were identified in the previous year. No material adjustments to the Credit Unions' financial statements or balance sheet are necessary.

## 4. **Unfinished Business – New Business**

Due to having no unfinished business and no new business to discuss, we move directly to the results of the volunteer election.

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

Mr. Metz stated that this year, six new members would become Board/Committee Members. Three individuals within the Board of Directors were appointed. There was a situation that also arose due to vacancy by resignation from Board of Directors by Todd Boze. The Board then voted to appoint Carlos Ruiz to the remainder of Todd Boze's term. At this point, the six members were sworn onto the Board with the Oath of Office.

## 6. **Questions from the Membership**

Mr. Metz then opened up questions to the audience to be address by Seattle Credit Union. The first question was addressed to Richard Romero, CEO of Seattle Credit Union; and a member asked if Seattle Credit Union was planning to expand addition locations. Richard let the member know that this year there is no plan to expand. In the future, they do plan to expand to areas that are south of Seattle and underserved. A member then asked if Seattle Credit Union invests into Socially Responsible funds. Richard let the member know they did in 401Ks. Mike Quamma, COO of Seattle Credit Union, added that credit unions can't typically invest in equities and mutual funds. A member then asked if there are any programs offered from zero or low down payments in the Seattle area. Lee Pierce, SVP of Lending, let them know there are programs in place that listen to the needs of the communities they serve to make these loans affordable. A member then asked what precautions Seattle Credit Union takes in regards to IT Security. Donna Ransier, VP of Information Technology, let the member know that our IT department has the highest security reviews in industry. A member then asked if Seattle Credit Union plans on getting documents translated to other languages. Richard responded with saying that as of now, we have created a Spanish website as well as creating documents in Spanish. In addition, Seattle Credit Union will make changes as the needs of the communities present themselves. At this point, there were no other questions and the meeting was turned over to Mr. Metz to conclude.

## 7. **Adjournment**

Motion to adjourn was presented and seconded without objection and abstention. Mr. Metz stated that with no further business to discuss, the meeting was adjourned.

# 2018 STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2018

	2018
<b>ASSETS</b>	
Cash and Cash Equivalents	\$92,842,302
Investments	
Securities Available for Sale	\$55,001,791
Certificates of Deposits	\$245,000
Loans Held for Sale	\$2,151,476
Loans to Members, net	\$652,097,370
Federal Loan Bank Stock	\$1,710,100
Accrued Interest Receivable	\$2,231,065
Property and Equipment	\$8,510,540
National Credit Union Share Insurance Fund (NCUSIF) Deposit	\$6,891,043
Cash Surrender Value of Life Insurance, net	\$19,839,235
Mortgage Servicing Rights	\$2,229,497
Other Assets	\$11,720,946
<b>TOTAL ASSETS</b>	<b>\$855,470,365</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>	
<i>Liabilities</i>	
Members' Share Accounts	\$754,961,328
Borrowings	\$16,900,000
Accrued Expenses and Other Liabilities	\$11,370,828
<b>TOTAL LIABILITIES</b>	<b>\$783,232,156</b>
<i>Members' Equity</i>	
Regular Reserve	\$5,201,500
Undivided Earnings	\$68,626,864
Accumulated Other Comprehensive Loss	(\$1,590,156)
<b>TOTAL MEMBERS' EQUITY</b>	<b>\$72,238,209</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$855,470,365</b>

# 2018 STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2018

	2018
<b>INTEREST INCOME</b>	
Loans to Members	\$28,730,441
Investments	\$2,497,746
Total Interest Income	\$31,228,187
<b>INTEREST EXPENSE</b>	
Members' Share Accounts	\$3,091,700
Borrowings	\$392,373
Total Interest Expense	\$3,484,073
<b>NET INTEREST INCOME</b>	<b>\$27,744,114</b>
<b>PROVISION FOR LEASE AND LOAN LOSSES</b>	<b>\$3,445,920</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LEASE AND LOAN LOSSES</b>	<b>\$24,298,194</b>
<b>NON-INTEREST INCOME</b>	
Fees and Charges	\$3,601,004
Interchange Income	\$3,830,437
Gain on Sale of Loans Held for Sale	\$618,708
Gain on Sale of Available-for-Sale Securities	-
Increase in Cash Surrender Value of Life Insurance	\$473,974
Other Income	\$2,104,767
Total Non-interest Income	\$10,628,890
<b>NON-INTEREST EXPENSE</b>	
Compensation and Benefits	\$14,330,226
Office Operations	\$11,504,875
Office Occupancy	\$4,093,787
Marketing and Member Education	\$1,376,165
Other Expense	\$2,338,296
Total Non-interest Expense	\$32,267,177
<b>NET INCOME</b>	<b>\$2,659,901</b>



# Dear Members,

You, our members, are the key to achieving our vision of being Seattle's Partner in Growth and Prosperity. Whether you were born here or chose here, you've probably done some dreaming here. Your experiences and stories guide our work every day. Work that helps people become homeowners, send students to college, start businesses, tackle unexpected challenges, and invest in their futures. Work that helps everyone prosper.

How has Seattle Credit Union helped you prosper? We'd love to hear your story.

Please reach out to [voice@seattlecu.com](mailto:voice@seattlecu.com).

**SEATTLE**  
CREDIT UNION

