

ANNUAL REPORT 2007

Change is in the air. 2007 was the year when we set in motion a number of profound changes in the way we serve our members and address the future. We are increasingly aware of the demographics of our membership, with many older members passing from the scene and leaving an inheritance to their heirs. We are doing our utmost to enroll younger members, both to take advantage of the services we offer and also to ensure the vitality of our corps of volunteers on the Board of Directors, Supervisory and other committees, and SEG reps.

In order to broaden our membership base and appeal to new employee groups we are offering many new services, becoming in fact a full financial service organization with immediate response to loan applications via the internet as well as first mortgages in addition to our existing panoply of services. And we're becoming internet focused so that members from Maine to California and Florida to Alaska have immediate access to their money through our network of over 70,000 surcharge-free ATMs.

We are also paying increasing attention to our educational function, not only that members become fully financially literate but also reaching out to their children and teenagers so that they learn how to handle money responsibly from an early age.

This year we welcomed Etihad Airways into our field of membership.

We remain one of the most competitive financial institutions in the country both for savings and loans. Member loans were up by some \$554M and loan interest income by \$163M over the year, while operating expenses were down by \$31M. We run a tight ship! Dividends paid to members increased by \$68M. Membership declined slightly by 181, mainly through the closing of dormant accounts. Assets fell by some \$1.4 million but have since bounced back to \$25 million.

In the 47 years since our founding in 1961, we have built up capital reserves of over \$4 million and lent members more than \$100 million. With a capital to asset ratio of 17.6% we are extremely strong and able to accommodate any increase in loan demand from existing members or new employee groups.

Our success is largely due to the hard work of our small but dedicated staff, to whom we pay tribute, and of course to our devoted band of volunteers. We thank you all!

Good Friday, March 21, 2008

A. John Harrison, Chairman