

Where futures grow.





Photo Credit: Viktoria Haak.

Salmon Arm Savings and Credit Union respectfully acknowledges the land in which we live, work, and play is the unceded traditional territory of the Secwépemc Nation.

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Throughout this report, "we" or "SASCU" refers to Salmon Arm Savings and Credit Union and its subsidiaries.

Message from the CEO

Staying resilient while looking ahead.

This past year held a lot of ups and downs for our co-operative, region, and the economy. Through it all, you continued to turn to us—and we are thankful.

As CEO, I'm incredibly pleased with SASCU's achievements throughout 2023. Looking ahead to 2024, despite the anticipated financial challenges, we stand prepared. Our proactive measures have positioned us strongly to navigate these challenges and drive forward. We remain steadfast in our commitment to fostering SASCU's resilience and growth. Together, we're poised to overcome obstacles and pave the way for a prosperous future, ensuring the well-being of our members and their families.

SASCU finished the year strong with pre-tax earnings of \$4.3 million.

We achieved this while making meaningful investments and advancements to our business. We have also seen record-high membership growth and member loyalty scores. These insights tell us that the investments we've made in our services have made an impact. In this report, we share some of the highlights of that progress.

Having made great strides in the first two years of our 2021-2024 Strategic Plan, we turned our efforts to foundational areas that would better position us to set ambitious goals in our next planning cycle. Your Board of Directors has been deep in the process of developing the 2025-2028 Strategic Plan with confidence.

This past year we have continued to invest in our technology. Much of this is out of clear sight of our members, applying to underlying systems, internal processes, and security. The most visible sign was the launch of Mobile Wallet (Apple, Google, and Samsung Pay) along with a refreshing of our online banking and mobile app, to keep our digital experience as secure and user-friendly as possible. As we continue to embrace more advanced digital processes, we are constantly ensuring that members' data and information remains protected against emerging cyber treats.

We also began to undertake the renovation of our Sicamous Branch. With the extensive construction underway, we are asking for staff and members' flexibility and patience while we work around the work site to continue serving you. The renovation will continue through to December 2024. This investment reflects the belief we have in this community's continued growth and our appreciation in being their financial institution of choice. The new design will support an enhanced member experience: providing a space for learning, collaborating, financial coaching and community appreciation.

Core to our past and future success is our employees. They are what makes SASCU unique, and I cannot thank our staff enough for their hard work and commitment over the past year. It is inspiring to witness the sense of purpose they bring to their work each day.

That purpose comes from their love of this region and the opportunity to improve the economic well-being of every member. We are a community-driven organization. Decisions are made here and for here.

We are driven by our founding principle of being membership owned. In fact, SASCU is membership led. I am grateful to our Board of Directors who work with our Executive Team to keep SASCU evolving, while staying true to who we are.

Together, we recognize sustainability does not come from staying still. We will continue to make bold decisions to be resilient to economic shocks and adaptable to industry innovations. Prioritizing our members' long-term prosperity keeps us on track to being the Shuswap's number one choice as a financial partner.



Barry Delaney
President & Chief Executive Officer



Message from the Board Chair

Leaning on our strengths to achieve community impact.

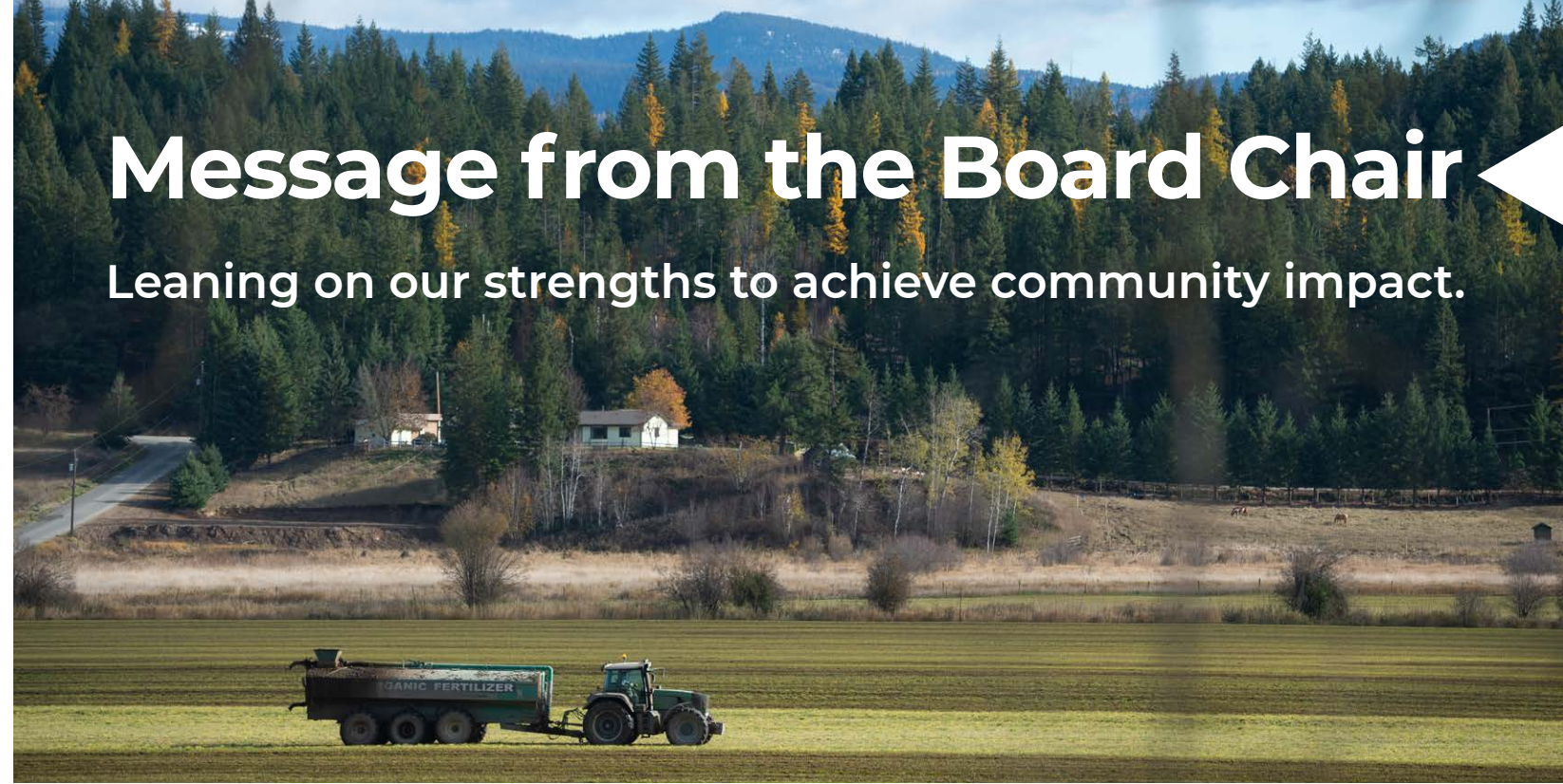


Photo Credit: Viktoria Haak.

SASCU's Board of Directors have the responsibility of overseeing SASCU's risk management practices, ensuring alignment with strategic objectives, and safeguarding the interests of members and stakeholders.

Amidst a year of excessive inflation, inconsistent employment opportunities, and Bank of Canada high interest rates—all of which created major issues for financial institutions—I am proud to say that SASCU held strong.

Our ability to maintain profitability not only bolsters member confidence but also excites us that we are able to continue to have a profound impact in our communities.

With respect to our impact in the Shuswap region, the Board is proud to report that a total of \$235,000 was distributed in support of various Community Prosperity, Community Gathering, and Youth Sports and Arts opportunities. In addition, SASCU employees contributed hundreds of volunteer hours to further non-profit community organizations. SASCU also played a key role in partnering with the Shuswap Community Foundation in an Emergency Response Fund to match the first \$25,000 in donations to support the victims of the horrific wildfires that swept through many of our communities. The region responded overwhelmingly, raising over \$800,000 for those that lost homes or were displaced.

I appreciate my fellow Board members who work with me and management to set the course for SASCU. Each Board member commits to continuous education, meeting preparation, and gaining issue knowledge to provide effective oversight to your co-operative. We bring our diverse backgrounds, skills, and perspectives to this challenge, bound by a love for this region and a commitment to this financial institution's future.

Currently, your Board is committed to working with the leadership team of SASCU to develop a new Strategic Plan, which will commence in 2025. This plan will set SASCU's course to be a relevant force for members in tough economic times and have significant meaningful impact in the many communities we serve.

Stay tuned!



Dave Witt
Board Chair



Vision & Strategic Focus

Supporting you through all of life's milestones and uncertainties.

Beyond banking

Salmon Arm Savings and Credit Union is a financial co-operative that operates within the traditional territory of the Secwépemc Nation in BC's interior. We constantly strive to be a part of the fabric of the Shuswap, serving individuals and the community as a whole. Our member-owned, community-based model allows us to provide full financial services and local impact that goes beyond traditional banking.

What does this mean?

Our co-operative model allows us to invest heavily in re-imagining the banking experience. This includes streamlining internal processes, constantly enhancing our advisory practices, improving our digital experience, and leaning on local resources to continue building healthy communities.

Vision

To be our member's lifelong financial partner.

Over the past 75+ years, we've continued to adapt our services around your needs. We want to help sustain you through the ups and downs of life by providing full financial services that redefine the banking experience.

Member Success

Advice

Our member success is supported by an advice strategy. We look for opportunities to enhance our service experience, so we can deliver more personalized financial advice that focuses on our members' long term financial health.

Growth

On the growth side, we create opportunities between our different various lines of business (personal banking, commercial, wealth, and insurance) to deliver holistic financial advice to members. We also position ourselves to act on appropriate opportunities to expand any of our business operations, whether it be physical or digital.

Digital Development

Member Digital Experience

Our digital development is focused around delivering user-friendly and secure online banking experiences for our members. We look for opportunities to partner with industry leaders to deliver innovative digital products and services.

Employee Digital Experience

Our strategy is also focused on automating routine tasks and easing digital processes for staff, to allow them to focus on providing more quality advice and service.

Our Communities

Building healthy community

We look for opportunities to build healthier and more resilient communities in the Shuswap. This includes fostering a greater awareness of our Indigenous neighbours, and building stronger relationships with new Canadians and other local community organizations that support the underserved and the environment.

People & Culture

We continue to foster a positive, engaged, and productive culture, building teams that have the skills and confidence needed to thrive in our changing environment. We also cultivate an inclusive culture that values diversity and encourages life-long learning and development opportunities.

The three pillars of our 2021 - 2024 Strategic Plan.

This Year's Highlights

Supporting you through all of life's milestones and uncertainties.

SASCU Wealth Management

2023 was an exciting year for SASCU Wealth. We expanded our advisory team to include a Wealth Management Associate role. This new role focuses on members in the early stage of their investment journey and works to optimize their portfolios. This allows us to better serve more people at various stages in their investing journey, as we strive to provide Wealth Management to all members.

SASCU Wealth was also proud to have two of our Wealth Advisors qualify for the Advisory Recognition Program run by our investment partner, Aviso Wealth. This meant our team was recognized nationally for our achievements in the Wealth Management space.

SASCU Insurance

SASCU Insurance Services Ltd had remarkable success this past year. Our Salmon Arm and Enderby branches processed a record number of Autoplan transactions while maintaining a high retention rate on personal and commercial policies. This success was made possible through the expertise and commitment to service of the insurance teams as well as the introduction of digital signatures. By having e-signature capabilities, we're able to process quicker transactions and save time for both clients and staff by offering more flexible signing options.

SASCU Commercial

In 2023, our Commercial Team saw remarkable loan growth, along with providing diligent support in navigating members through their Canada Emergency Business Account (CEBA) repayment options. Concurrent with our branches, we excelled in delivering tailored member experiences with goal-based advice, culminating in record membership growth and industry leading levels of member loyalty.

1385 lb of wood,
4079 lb of water, and
3251 lb of carbon
saved from switching processes to digital formats this year.

NOVEMBER

Sicamous Branch Renovations
Invited bids from local and regional contractors to carry out the Sicamous Branch Renovation.

AUGUST

Wildfire Support
Quickly shifted our efforts to provide uninterrupted service for members. We also partnered with Shuswap Community Foundation, contributing \$25,000 to assist with wildfire recovery efforts.

JULY

CardWise
Launched integration with a mobile app for managing your SASCU credit card.

JUNE

Mobile Pay
Launched integration of SASCU debit cards with Mobile Wallets (Apple, Google, Android Pay).

APRIL

App Modernization
Updated our online banking and mobile applications to a more secure and user-friendly interface.

FEBRUARY

Tour & Teach
Launched free in-branch program offering teachings and personal help for online banking and SASCU apps.

JANUARY

Appointment Self-Booking
Introduced a feature that gives people the option to book appointments online.

Our People

Fostering a culture of belonging and purpose.

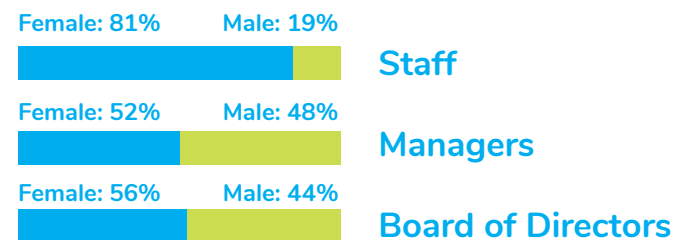
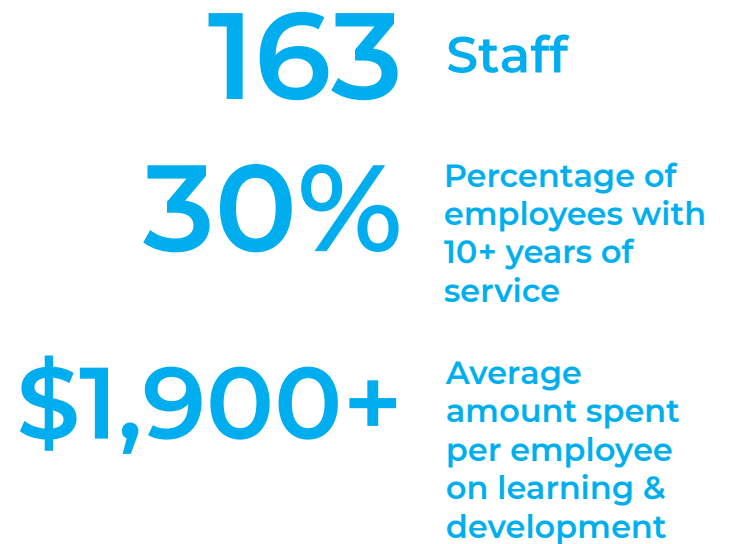
Supporting our team

In 2023, our credit union continued to invest more in employee well-being. As one of the Shuswap's largest employers, we strive to maintain our culture of belonging and purpose in the workplace. We're happy to share that we welcomed 41 new employees and promoted 13% of our existing staff.

This past April, we also launched a Diversity, Equity, and Inclusion Council. The Council brings together a diverse group of employees from across SASCU that give a range of perspectives on the member and staff experience. More than 50 of our staff completed an Indigenous Awareness course aimed at building informed and respectful relationships with Indigenous Peoples in our communities.

Compassion Fund

This wildfire season saw the impact that was had on staff. This prompted us to launch a Compassion Fund, a dedicated fund to provide financial assistance to employees who, due to extraordinary and unforeseen circumstances, find themselves in need of additional support to deal with a health-related situation, a tragic event, or some other event needing compassion.



Photos (left to right): Staff at SASCU's Business Excellence Awards, Our Community Crew at Roots & Blues Festival.

Member Well-Being

Holistic planning that puts your long-term financial needs first.



Member experience

Our members are at the core of everything we do. Much of our service focus has been around equipping our members with the tools and guidance needed to deal with life's uncertainties. We all know the feeling of life throwing a wrench into your plans. Shifting can seem daunting when you're faced with the task of reassessing your priorities. It's our job to help you evaluate risks, identify opportunities, and understand your options so you can make the best financial decisions.

Last year we focused on absorbing our members' feedback and putting actionable strategies into place to exceed our high standards of service. We thank our members for participating in our Member Surveys for insight into our service experience.

Keeping you safe

We implemented significant updates across our online banking platforms and our internal digital processes, ensuring that our members data remains protected against emerging cyber security threats. Our adoption of Mobile Wallet bolstered convenience and security while paying for a purchase. More of our processes also became fully digital, with electronic signatures that make signing a breeze when you are out and about or working with our Contact Centre Specialists. The tools and equipment used by our staff have increased security measures to keep them safe while also improving your day-to-day online banking experience.

Together, these enhancements continue to build on SASCU's established technologies and reinforce our commitment to protecting member information, whilst improving your experience with our services.

19,326 Members

We're thankful that Shuswap residents and businesses continue to look to us first.

71.7 Net Promoter Score

Our "net promoter score" is an index that measures the willingness of members to recommend SASCU to others. Our annual NPS has increased to a record high, up 13.40% from 2022.

1.4% Membership growth

We're proud that our membership continues to grow even through challenging times.

Our Governance

How we operate as a co-operative

Board of Directors

Our democratically elected Board of Directors is just one way Salmon Arm Savings and Credit Union is proudly different than banks. Members elect Directors for three-year terms during annual elections each spring. The nine-member Board's responsibilities include:

- Defining and approving the credit union's risk appetite
- Setting, approving, and monitoring the credit union's strategy and performance, plus overseeing its planning process
- Ensuring the credit union has the capability and culture to support its risk appetite and achieve its strategy including:
 - Oversight of the credit union and executive team
 - Choosing and evaluating the President & CEO
 - Recruitment and renewal of the Board

The Board is accountable to the membership and sits independent of management. Each Director serves on two to three committees. The Board Chair, the Board Vice Chair, and the Chair of the Governance Committee set the committees annually considering what the Credit Union needs, along with individual director availability, background and expertise, and preferences.

The function of committees is to thoroughly analyze issues assigned to them and provide recommendations for Board decisions. Committees are also useful in planning and controlling and have no authority other than that granted by the Board.

Training and Development

Directors are bound to specific educational requirements plus a general expectation to continuously update their skills and knowledge to effectively carry out their roles and responsibilities.

Veteran directors act as mentors, plus background information is made available via a dedicated Board portal to complement the programs available through the Credit Union Director Achievement (CUDA) program. In the first year of office, new directors are required to complete CUDA Level A: Foundations of Governance. In 2018, the SASCU Board made it a requirement for directors to also complete Level B and C of this program to fulfill the requirements to be accredited by Dalhousie University as an Accredited Canadian Credit Union Director (ACCUD by the end of their second term). The ACCUD accreditation has continuing education requirements, which help ensure directors continue to be exposed to the most current thinking about credit union corporate governance in Canada.

Executive Team

While the Board oversees the management of the organization and is one part of the overall oversight, the Executive Leadership Team (ELT) is responsible for contributing to and implementing the strategic operational plans to ensure the Board's overall direction is realized. This past year's focus was on delivering the foundations needed to realize our four-year Strategic Plan (2021-2024) on Member Success, Digital Development, and Our Communities.

Performance & Compensation

SASCU's compensation philosophy is to attract, retain, and motivate highly competent staff using a total compensation approach (base pay, variable pay and benefits) that is:

- Competitive within the marketplace
- Tax-effective for employees and the organization
- Reflective of the organization's goals and objectives

The President & CEO's compensation package, consisting of a base salary, variable pay, benefits, and perquisites is designed to emphasize the value and impact of the CEO role. The design is consistent with our overall compensation philosophy.

Salary progression is impacted by CEO performance, Credit Union performance, and general compensation trends. The variable pay plan is designed with the opportunity to significantly exceed the market median through outstanding performance achievements. Benefits and perquisites are competitive with the market.

The market is defined as those organizations with whom SASCU competes for talent. To ensure comparability of market data, consideration is also given to factors such as geographic area, business strategy, and an organization's size and complexity (e.g. diversity of business operations, size of business portfolio, and number of branches and employees).

Summary of Board Attendance and Compensation

The Board of Directors piloted quarterly Board meetings in 2023. Expenses include courses only.

NAME	Title as of 12/31/23	Gross Remuneration	Gross Expenses	Board Meetings		Committee Meetings		Strategic Planning
				Attended/Required	100%	Attended/Required	100%	Workshop Attended
WITT, David	Board Chair	\$24,925	\$726	8 of 8	100%	12 of 13	92.5%	3 of 3
LADELL, Constance	Board Vice-Chair	\$16,025	\$2,731	8 of 8	100%	17 of 17	100%	3 of 3
DUNLOP, Dawn	Board Secretary	\$11,875	\$1,382	7 of 8	87.5%	7 of 9	77.8%	3 of 3
SLINGERLAND, Curtis	Director	\$12,575	\$1,615	8 of 8	100%	12 of 14	85.7%	2 of 3
RAGSDALE, Joan	Director	\$10,000	\$111	5 of 8	62.5%	13 of 14	92.8%	1 of 3
SCHLOSAR, John	Director	\$13,800	\$1,173	7 of 8	87.5%	17 of 18	94.5%	3 of 3
STEWART, June	Director	\$14,925	\$789	8 of 8	100%	11 of 11	100%	3 of 3
ROGERS, Ken	Director	\$10,400	\$2,225	5 of 5	100%	9 of 9	100%	3 of 3
CARLSON, Tanja	Director	\$7,100	\$1,288	5 of 5	100%	8 of 10	80%	2 of 3

RETIRED DIRECTORS	Date of Retirement	Gross Remuneration	Gross Expenses	Board Meetings Attended/Required	Committee Meetings Attended/Required
KING, Dave	2023-01-23	\$1,250	\$7	0 of 0	0%
BENNETT, Kelly	2023-05-02	\$3,550	\$25	3 of 4	75%

This report does not include Board portal, planning sessions, and miscellaneous costs.

Conferences

- World Conference (Vancouver) – John Schlosar, Ken Rogers
- Momentum Conference – June Stewart

Peer Group Meetings (annual dues at \$5k)

- Spring (April) – Constance Ladell, Dave Witt
- Fall (October) – Constance Ladell, Dave Witt, John Schlosar, June Stewart, Ken Rogers

Other

- Credit Union Day – Dave Witt, June Stewart, John Schlosar, Tanja Carlson
- Uptown Branch 10-Year Anniversary – Constance Ladell, Dave Witt, June Stewart, Tanja Carlson
- Brand Focus Group – Constance Ladell, Dave Witt, Dawn Dunlop, June Stewart

Our Governance

Our Board Committees are as follows:



SASCU Board of Directors. Top row, left to right: Joan Ragsdale, Curtis Slingerland, Ken Rogers, John Schlosar, June Stewart, Tanja Carlson. Bottom row, left to right: Constance Ladell, Dave Witt, Dawn Dunlop.

CEO & Human Resources Committee

- David Witt, Chair
- Constance Ladell
- Dawn Dunlop

Audit & Operational Risk Committee

- Constance Ladell, Chair
- Ken Rogers
- Dawn Dunlop
- Joan Ragsdale

Credit & Market Risk Committee

- John Schlosar, Chair
- Curtis Slingerland
- June Stewart
- Ken Rogers
- Dave Witt

Conduct Review & Governance Committee

- Joan Ragsdale, Chair
- Constance Ladell
- John Schlosar
- Tanja Carlson

Community Relations & Sponsorships Committee

- Curtis Slingerland, Chair
- June Stewart
- John Schlosar
- Tanja Carlson

Nominating Committee

- June Stewart, Chair
- Curtis Slingerland
- Ken Rogers
- Tanja Carlson

For more insight into our Board Members' experience, background, and term lengths, please visit sascu.com/about/governance.

Our Community Impact

Supporting and strengthening the financial health of our communities, where it matters most.

Our Impact

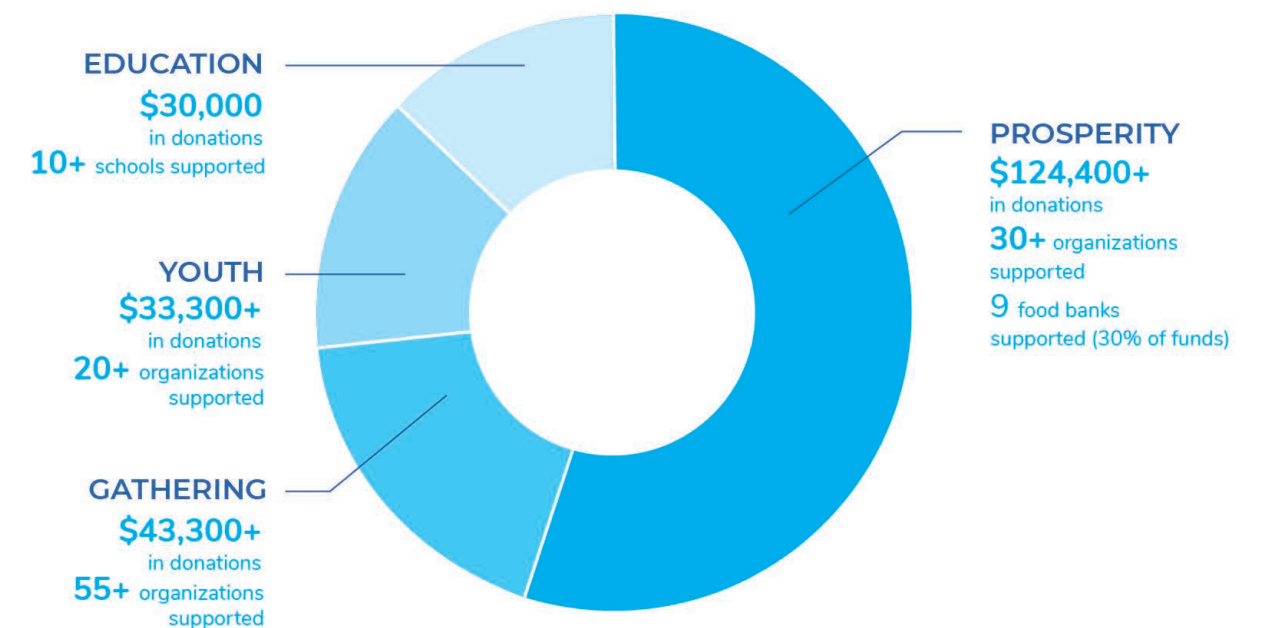
As a co-operative, SASCU's profits stay in our communities. We invest directly in community gathering, community prosperity, as well as sports and arts opportunities for our youth. SASCU's commitment to empowering local organizations and enabling learning possibilities, sets us apart as a supporting partner of the Shuswap. This past year numerous events brought the community together from near and far, such as free weekly outdoor summer events that SASCU sponsored and participated in: Wednesdays on the Wharf in Salmon Arm, By the Bay in Sorrento, Music in the Park in Sicamous, The Word on the Lake Writers Festival, and the Salty Street Festival.

We are true advocates for building resilience and strengthening organizations that have a lasting impact. Last year, SASCU supported the South Shuswap Transportation Society with their purchase of an additional vehicle, allowing for increased services for individuals

living rurally without means of reliable transportation to get to necessary services and appointments. In Sicamous, SASCU helped enable the Sicamous Pickleball Club with the addition of new nets allowing for growth of the club and increased tournament use.

Wildfire Support

Due to the Adams Lake wildfire that devastated the Shuswap in August 2023, many events, such as the well-attended Roots and Blues Festival, were postponed, or cancelled for community safety. SASCU quickly shifted focus to ensure staff, members and community partners had the vital information needed regarding insurance and access to their financial needs during the crisis. SASCU partnered with the Shuswap Community Foundation (SCF) in a \$25,000 matching donation campaign to assist with the long-term impact of the wildfires. SASCU supported the efforts of the SCF by housing the Disaster Relief Fund account and promoting the information, making it more accessible for people to make donations.



SASCU Community Support Program Areas of Impact.

Our Community Highlights

Where to find us in and around the Shuswap.

Our highlights

SASCU is committed to strengthening opportunities for people of all ages, backgrounds, and abilities. That is why we are particularly keen to support initiatives that further opportunities for young people to build successful careers here at home; help residents gain new skills and share knowledge; and give a "hand up" to the disadvantaged to participate in our economy.

Top: Coldest Night of the Year Volunteers, SASCU Community Crew at the RCMP Musical Ride, U11 Silverhawks Female Hockey Team (photo credit: Salmon Arm Minor Hockey)

Bottom: "Project Grow" Competition Finalists (photo credit: Shuswap Food Action Society), "Project Grow" Community Garden (photo credit: Shuswap Food Action Society)



Local food sustainability

One of our major community highlights last year was supporting local food sustainability with the Shuswap Food Action Society (SFAS). SFAS is a local non-profit, and we were happy to support them for multiple events this year. For the past four years, SFAS hosted Coldest Night of the Year on behalf of the Blue Sea Foundation. They rally for the community to come together to bring awareness to housing and food insecurity with 87% of the overall proceeds going back to SFAS. Over the past four years we've enjoyed hosting the opening ceremonies and being the co-lead sponsor for the event.

SASCU also continues to support the Downtown Salmon Arm Farmer's Market, a joint initiative with SFAS and Downtown Salmon Arm; which showcases local artisans, farmers, and vendors from the region, encouraging those to shop local. New in 2023, the SFAS, Downtown Salmon Arm, and Shuswap Agricultural Association joined forces to encourage youth to grow their own produce under the "Project Grow" competition. We were proud to support the initiative by donating towards the grand prizes with RESPs to help fund their future education goals.

Youth

Inspiring youth is a SASCU mandate. In 2023, SASCU partnered with the Salmon Arm Minor Hockey Female division to support their 5 teams with new jerseys. This included the exciting roll out of the female division's very first logo and introduction of the Salmon Arm Silver Hawks. Inspiring female athletes reminds women and young girls of their power and potential on the ice, court, field, and in life.

SASCU also enjoyed once again supporting the Sicamous Eagles Junior A and Salmon Arm Silverbacks hockey clubs.

To support continuing education in the Shuswap, SASCU dedicated \$30,000 in scholarships and awards for graduating high school students and college students to help support them on their education journey.

Uptown Branch's 10th Anniversary

In October, the Uptown Branch celebrated its tenth anniversary. This award-winning building continues to impress visitors and staff for its beautiful design

reflecting SASCU's community roots and incorporation of sustainable features. The Branch was highlighted with a family friendly celebration that was enjoyed by all.

Endowments

SASCU also has two endowments administered by the Shuswap Community Foundation (SCF) to further support key youth and environmental initiatives. The SASCU Youth Endowment Fund finances projects that are developed and led entirely by youth. Designed to last in perpetuity, income earned from the fund's balance is awarded annually. Last year \$1,164 was awarded.

Top: Daybreak Rotary Club our Uptown Branch's 10th Anniversary Barbeque

Bottom: Rise Up Indigenous Wellness Open House



Management Discussion and Analysis

A deeper look at Salmon Arm Savings and Credit Union.

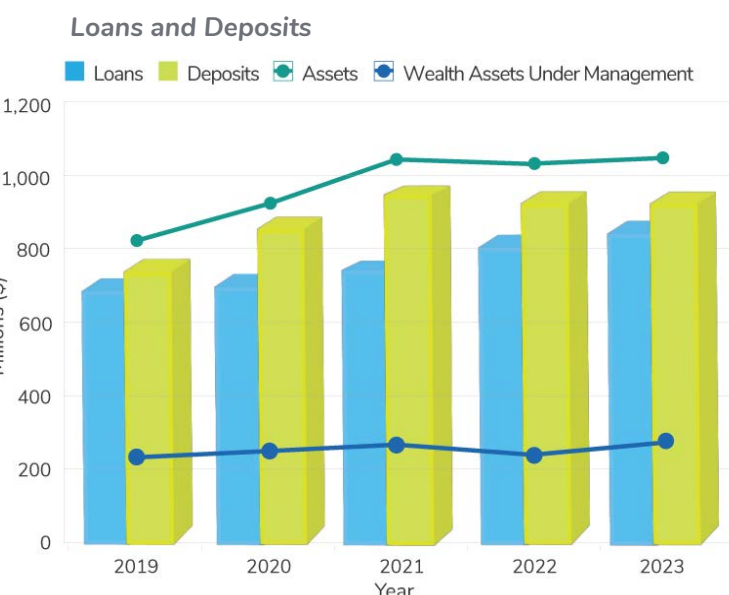
2023 Financial Overview

This management discussion and analysis provides an overview of our credit union's performance and is intended to be read with SASCU's 2023 Consolidated Financial Statements. Both our statements and annual report can be viewed online at www.sascu.com.

In the aftermath of several years marked by economic turbulence, including the disruptions caused by the COVID-19 pandemic and the persistent Russia-Ukraine conflict, the outlook for 2023 carried promise of potentially favorable market indicators. Market sentiment was for interest rates to remain flat or even begin falling from their decades-long high, and that the inverted yield curve would begin to flatten and correct.

Despite market expectations of a gradual reduction in interest rates, the Bank of Canada took a different stance in January 2023, opting to raise rates following a review of inflation and housing data. This decision was subsequently followed by two additional rate hikes in June and July. Contrary to anticipations, the yield curve inversion persisted without showing signs of flattening as initially forecasted.

Increasing competition for deposits, coupled with an inverted yield curve and rising rates drove up deposit costs and added pressure to Financial Margin for most Financial Institutions. Despite these income pressures, SASCU decided strategically to maintain its course and continue to invest in the important initiatives needed to drive sustained growth and improve services to our members.



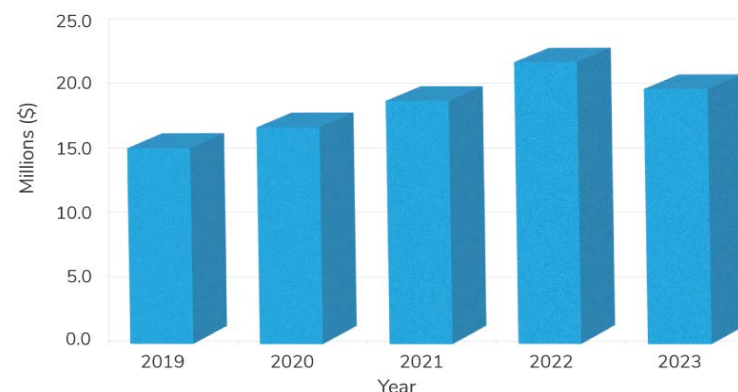
Growth

SASCU's board and management considered some of the challenges that 2023 faced and budgeted according to anticipated economic factors. Loan growth was projected to be lower than in previous years, however, SASCU surpassed expectations and achieved lending growth of 4.4%. Management expects economic factors to continue hindering lending growth into 2024.

Despite the increased competition for deposits, SASCU saw slight positive growth in this portfolio. This exceeded expectations as management had planned for slight negative deposit growth.

The events in the US banking sector in early 2023 escalated uncertainty in deposit markets across North America. Despite maintaining sufficient liquidity throughout the year, management opted to issue its first securitized borrowing. This action was intended to prepare SASCU's internal processes for potential future borrowings as this funding source had not yet been used by SASCU.

Financial Margin



Financial Margin

Financial margin is the spread between interest earned on loans and investments versus interest paid on deposits and other liabilities. Financial margin is important as it constitutes the largest component of SASCU's income.

In 2023, SASCU encountered challenges that strained its financial margin. Rising interest costs on deposits outpaced the growth in interest income from lending, primarily due to factors such as the inverted yield curve, heightened competition for deposits, and a shift by members from lower-cost chequing and savings accounts to higher-cost term deposits. As a result, financial margin declined from \$21.99 million in 2022 to \$19.72 million in 2023, reflecting a decrease of 10.3%. Looking ahead to 2024, a moderate improvement in financial margin is anticipated as longer-term loans gradually reprice from the low-rate environment during the pandemic.

Operating Expenses



Operating Expenses

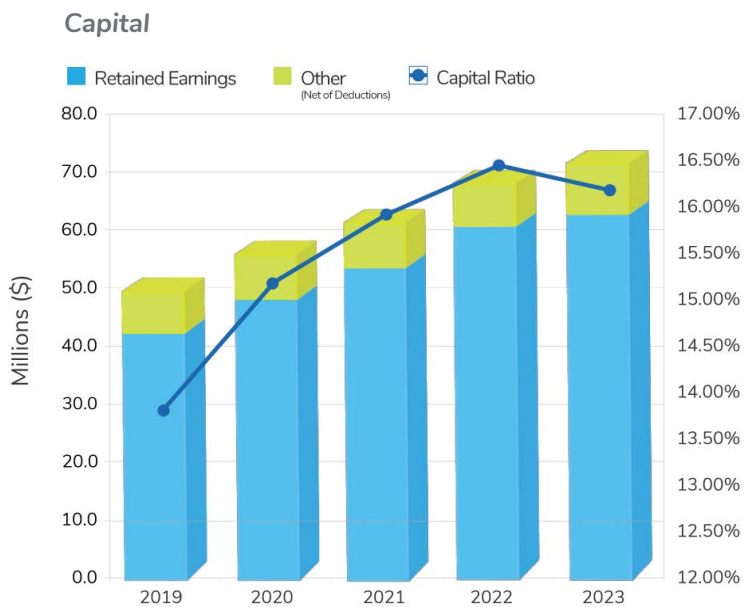
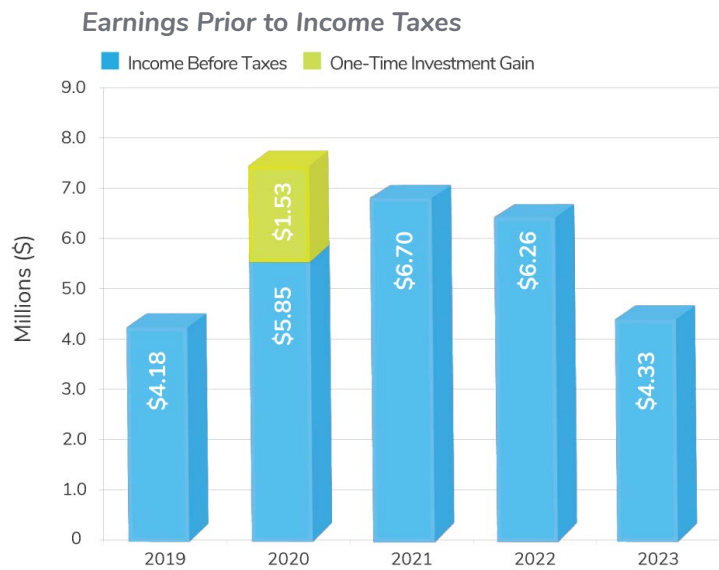
2023 saw the consumer price index (CPI) fall to 3.9% from 6.8% in 2022. However, CPI remained much higher than the Bank of Canada's target range throughout the year. While rising operational costs remained a challenge to overall profitability, management strategically committed to ongoing reinvestment in SASCU's business. Total operating expenses for SASCU increased by 9.7% in 2023.

Earnings, Liquidity and Capital

SASCU earned \$4.33 million before considering income taxes. While earnings have decreased since the pandemic where deposit costs were at historic lows, they remain higher than pre-pandemic levels. SASCU's retained earnings increased from \$59.1 million to \$62.6 million through the year, which increased overall capital.

Strong lending growth in late 2023 led to increases in SASCU's risk-weighted assets, which caused a slight decline in SASCU's capital ratio from 16.38% in 2022 to 15.97% in 2023. The lending growth will lead to future increases in capital as the loans issued have more time to increase earnings. The provincial regulator, BC Financial Services Authority (BCFSA), requires Credit Unions to hold a regulatory minimum capital ratio of 8%. SASCU's capital ratio remains strong and above regulatory minimums. Strong capital levels are needed to help fund current and projected member loan growth and investment in the business. Our capital levels remain one of management's key focuses to ensure stability and future growth.

SASCU is required by regulations to hold liquidity investments in a portfolio of High-Quality Liquid Assets (HQLA). These investments are accounted for at fair market value in the financial statements. Gains or losses remain unrealized unless sold. Throughout 2023 the HQLA portfolio value grew significantly as compared to the book value of the investments, resulting in unrealized gains of \$1.25 million. The unrealized gain is reported on the Consolidated Statement of Comprehensive Income as Other Comprehensive Income. Total cumulative gains or losses of the HQLA portfolio are reported on the Consolidated Statement of Financial Position as Accumulated Other Comprehensive loss (AOCI).



Risk Management

As a financial institution, we are exposed to a variety of risks. Our risk management starts with the Board of Directors and its committees which provide overall strategic direction, oversight of risk management and approved risk policies, as well as set risk tolerance levels. Our Executive Leadership Team is responsible for implementing these strategies and policies approved by the Board and for developing processes that identify, measure, monitor and mitigate risks.

All credit unions are exposed to a variety of strategic, capital, credit, earnings, market, liquidity, operational and regulatory risks, for which planning, policies, procedures, controls and monitoring are in place. To support our risk management, we have internal and external audit functions in place. Both our auditors act independent of management and report to the Audit and Operational Risk Committee of the Board. Our regular internal audits ensure compliance with specific regulatory, Board, financial, risk, and operational policies. This includes assessing effectiveness and reliable reporting of control activities.

Additionally, the Board of Directors has established a risk appetite framework and management has implemented an Enterprise Risk Management system to effectively monitor and manage key business risks, including emerging risks.

Financial Outlook

Heading into 2024, the economy is anticipated to face persistent challenges. Elevated inflation and interest rates will maintain pressure on both household spending and business investment. Wage growth is expected to lag behind the rising costs of debt servicing and goods, presenting further difficulties for consumers. While the housing market is projected to cool, substantial price corrections may not materialize due to housing shortages and low rental vacancy rates, thereby exerting upward pressure on prices. Against this economic environment, SASCU will face challenges including rising deposit costs and sluggish loan growth. The focus in the coming years will be on maximizing the efficiency of our operations while investing in our business to increasingly deliver member value.

Auditor's Report



Report of the Independent Auditor on the Summary Financial Statements

To the Members of Salmon Arm Savings and Credit Union

OPINION

The summary financial statements, which comprise the summary consolidated statement of financial position as at December 31, 2023, and the changes in members' equity and cash flows for the year then ended, are derived from the audited consolidated financial statements of Salmon Arm Savings and Credit Union (the "Credit Union") for the year ended December 31, 2023.

In our opinion, the accompanying summary consolidated financial statements are a fair summary of the audited consolidated financial statements in accordance with Article 128 of the Financial Institutions Act of British Columbia

SUMMARY FINANCIAL STATEMENTS

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the Credit Union's audited consolidated financial statements and the auditor's report thereon.

THE AUDITED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited financial statements in our report dated March 12, 2024.

MANAGEMENT'S RESPONSIBILITY FOR THE SUMMARY FINANCIAL STATEMENTS

Management is responsible for the preparation of the summary consolidated financial statements in accordance with Article 128 of the Financial Institutions Act of British Columbia.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, *Engagements to Report on Summary Financial Statements*

Kelowna, BC
March 12, 2024

MNP LLP

Chartered Professional Accountants

Summary of Consolidated Financial Statements

SASCU
CREDIT UNION

STATEMENT OF CONSOLIDATED BALANCE SHEET

	December 31, 2023 (in thousands)	December 31, 2022 (in thousands)
ASSETS		
Cash	12,746	18,364
Investments	136,332	156,461
Loans to members	848,450	812,487
Premises and equipment	13,731	13,626
Intangible assets	3,453	3,524
Other assets	2,807	3,320
	<u>1,017,519</u>	<u>1,007,782</u>
LIABILITIES		
Accounts payable and accrued liabilities	3,910	3,262
Member deposits	944,834	944,375
Borrowings	3,532	-
Lease liabilities	1,198	843
Other liabilities	980	1,000
	<u>954,454</u>	<u>949,480</u>
MEMBERS' EQUITY		
Members' shares	647	649
Retained earnings	62,592	59,074
Accumulated other comprehensive loss	(174)	(1,421)
	<u>63,065</u>	<u>58,302</u>
FINANCIAL INCOME		
Interest on loans to members	33,354	26,541
Other interest revenue	6,539	3,226
	<u>39,893</u>	<u>29,767</u>
FINANCIAL EXPENSES		
Interest of member deposits	20,088	7,690
Other interest expense	81	84
	<u>20,169</u>	<u>7,774</u>
Financial margin	19,724	21,994
Provision for impaired loans	34	133
Net interest margin	19,690	21,860
Other income and expenses	7,960	5,665
Operating margin	<u>27,650</u>	<u>27,525</u>
OPERATING EXPENSES		
Salary and employee benefits	12,809	11,637
General operating and administrative	9,411	8,538
Occupancy and equipment	1,066	1,061
Distributions to members	34	29
Income before income tax expense	<u>4,330</u>	<u>6,260</u>
PROVISION FOR (RECOVERY OF) INCOME TAXES		
Current	777	1,286
Deferred	35	62
	<u>812</u>	<u>1,348</u>
Net income	3,518	4,912
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified to net income	1,247	(981)
Other comprehensive income (loss) for the current year, net of income tax	1,247	(981)
Total comprehensive income	<u>4,765</u>	<u>3,931</u>
CHANGES IN MEMBERS' EQUITY		
Balance, beginning of year	58,302	54,363
Total net income	3,518	4,912
Unrealized gains (losses) on mandatory liquidity investments	1,247	(981)
Issuance of members' shares	41	36
Redemption of members' shares	(43)	(28)
Balance, end of year	<u>63,065</u>	<u>58,302</u>
CASH GENERATED (USED) FROM		
Operating activities	9,900	9,052
Investing activities	(1,073)	(11,103)
Financing activities	(14,445)	3,513
Net change in cash and equivalents	(5,618)	1,462
Cash and equivalents, beginning of year	18,364	16,902
Cash and equivalents, end of year	<u>12,746</u>	<u>18,364</u>


Chair of the Board


Chair of the Audit Committee



Thank you.

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