

Learn.
Connect.
Play.



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Cover image:
SASCU staff at Townhall on September 21 by Darren Robinson

LEARN.CONNECT.*Play*

Life tends to swirl, catching us up in the tailwind. As we rush to catch up, moving from one need to the next worry, the calendar pages flip with us wondering where the time has gone.

At SASCU, we are striving to change that. We are intentionally seeking moments with each other, our members, and our communities to Learn, Connect, and Play .

We learn from each other and enjoy sharing what we know, especially with our members. We pause to truly connect, creating strength in our relationships regardless of how long or fleeting they might be. We take time to play and laugh, finding joy in each day. It's working. It's creating a stronger SASCU community.

**Join us in this effort and experience the benefits:
Learn. Connect. Play.**

Message from the CEO

2022 marked SASCU's 76th year in the Shuswap. While much has changed, the values that drove our founding members continue to be important today. This includes community, member ownership, and financial education.



The SASCU Executive Leadership Team

Left to right: VP People & Culture Sheri Hamilton, VP Finance & Credit Jennifer Black, VP Strategy & Innovation Doug Ebner, President & CEO Barry Delaney, VP Digital & Technology Tom O'Connor, and VP Experience & Brand Julie Langham Wall.

Photo By Darren Robinson

Strong Financial Foundation

We had a good year financially in 2022. Our assets passed the \$1 Billion mark, and margin was very strong, increasing 16% year over year. This was against the backdrop of eight increases to interest rates in 2022 by the Bank of Canada in its drive to reduce inflation. Not surprisingly, this rate environment enticed our members to move money from savings and chequing accounts to higher earning term deposits, the impact of which we are prepared for in 2023.

Of the 35 credit unions in BC, our asset size puts us as the 10th largest. This includes the contributions of our Wealth, Insurance and Commercial teams who continue to grow stronger by providing meaningful advice and products. We are proud of the growth as it allows us to continually reinvest in the business to meet your needs and to compete effectively. Our financial results are driven from the trust our membership places in us to provide expert advice and service, and inspires us to work harder for your personal and community success.

"Of the 35 credit unions in BC, our asset size puts us as the 10th largest."

Here for You

This past year was an experience in becoming comfortable with what it means to move away from living with daily reminders of the pandemic and how people's values, behaviors, and expectations had changed. We felt the impact of these changes both personally and workwise right along with you.

Thankfully, our 2021-2024 Strategic Plan provided a strong roadmap of navigating this experience and we put boots to ground to bring to life the work we need to do to meet our Vision of being "Our Members' Lifelong Financial Partner". The commitment towards digital enhancements for both staff operations and member experience saw great gains and continues to be a focus in 2023. A benefit of this direction is more capacity to have greater, personalized conversations with members, sharing the advice and building of money confidence to reach their financial goals.

"Thankfully, our 2021-2024 Strategic Plan provided a strong roadmap of navigating this experience..."

Importantly, our work towards healthy communities also received a lot of effort. Today, our culture is purposefully moving to a more welcoming, inclusive environment with a lot of learning opportunities, times for reflection, and celebration of the diverse backgrounds and values among us.



SASCU Financial Group brought their insurance businesses fully under one revamped banner in 2022. SASCU Insurance Services Ltd. includes two offices: one at Salmon Arm Uptown and another at downtown Enderby.

Some Choices Matter

Everyone has a choice, and more than half of our community chooses to bank with a financial institution that has their head office in Salmon Arm. Maybe you choose us because SASCU employs 150 people throughout the Shuswap, uses numerous local suppliers and vendors, and gives back to the community. Or maybe it is because you recognize we share common values, and you trust that we truly care about your wellbeing. Or maybe it is because we have been part of your lives, looking forward to sharing and helping you toward each milestone. Regardless of the reason, we appreciate you choosing SASCU.

Every member is sincerely valued and is welcome to ask questions or provide comments to the CEO directly. My direct telephone number is 250.833.1310 and email address is barrydelaney@sascu.com. I would be happy to speak with you.

Barry Delaney
President &
Chief Executive Officer

Message from the Board Chair

Ongoing residual pandemic effects, a global staffing shortage, global impacts of the war in Ukraine, rampant inflation, and interest rate shocks posed a myriad of challenges for financial institutions. Despite these complications, SASCU experienced strong financial results, launched new services for our members, and crystallized actions to meet the objectives of our strategic plan.

Highlights

In the face of the challenges listed above, the Board is very pleased with management and staff for their efforts in continuing to provide financial services despite staffing shortages. This was particularly important and challenging as staff helped members weather hardships caused by rapidly rising interest rates.

The Board places great weight on the digitization strategy, automating routine processes to improve staff efficiency, and creating flexibility to be our members' financial partner wherever they might be through use of bots and electronic forms.

"... the profits earned by SASCU allowed us to give back \$375,000 in community support through donations..."

A significant bright spot in the year was the installation of SASCU's 75th birthday legacy sculpture "People Helping People" at Sicamous' Beach Park on October 20th, International Credit Union Day.

Finally, the profits earned by SASCU allowed us to give back \$375,000 in community support through donations, sponsorships, and scholarships.

We are proud of the growth as it allows us to continually reinvest in the business to meet your needs and to compete effectively. Our financial results are driven from the trust our membership places in us to provide expert advice and service, and inspires us to work harder for your personal and community success.

Board Election

At our upcoming AGM May 2, we will recognize the past contributions of two directors. We very much appreciate the service, advice, and direction that Dave King and Kelly Bennett brought to the board table and wish them well. We have four nominees applying for three positions; the successful candidates will be announced at the AGM.

Looking Forward to 2023

It is anticipated that British Columbia will navigate the 2023 economic slowdown relatively well despite headwinds of a housing market slowdown, inflation, and interest rate shocks to consumer spending. "Belt-tightening" measures will be required by SASCU and the board is confident in management's plans to manage the risks and keep the organization strong.

I would like to thank our directors for their service and the management and staff for their leadership and contributions.

Dave Witt

Board Chair



In Our Community

As a co-operative, SASCU's profits stay in our communities. Through our Community Support program, we invest directly in community gathering, community prosperity, and sports and arts for our youth. SASCU's commitment to our community sets us apart as a major supporter in the communities we serve. Visit sascu.com/about/community.

SASCU COMMUNITY SUPPORT

OVER
75 Organizations
Supported

\$284,000 In Donations and Sponsorships

\$45,000 to Community Food Banks and Emergency Shelters

\$26,750 in Scholarship and Education Awards

\$75,000 to the SASCU Youth Endowment Fund

Let's Play

Here at SASCU we strive to build community connections, enable learning possibilities, and empower community organizations. We are true believers that one of the best ways to strengthen a community's fabric is by playing together! In 2022, this returned to our region in the form of free, weekly outdoor summer music events: Wednesdays on the Wharf in Salmon Arm, Music in the Bay in Sorrento, and Music in the Park in Sicamous. Music lovers from all over were welcomed to the annual Roots and Blues, with the help of the SASCU Box Office staffed by SASCU Community Crew volunteers.

Many of the events and activities that contribute to a healthy youth population also saw their post-pandemic return and SASCU was of course thrilled to play a role. Just a small sampling included a provincial martial arts tournament, hosted by Community Karate, and the Senior Golds Basketball Program, and Salmon Arm Minor Baseball. We were thrilled to see cheering fans back at our many sponsored hockey programs including Salmon Arm Minor Hockey U9, the Sicamous Eagles Junior B, and the Salmon Arm Silverbacks Junior A hockey clubs.



SASCU Community Crew volunteering at Roots and Blues Box Office.



SASCU President & CEO Barry Delaney presenting \$5,000 to Food with Friends.

From left to right Colleen Grieg, Steve Holmes, Bill Grieg,

Sherry Errett, Nan Dickie, Christine Deye, and SASCU President & CEO Barry Delaney.

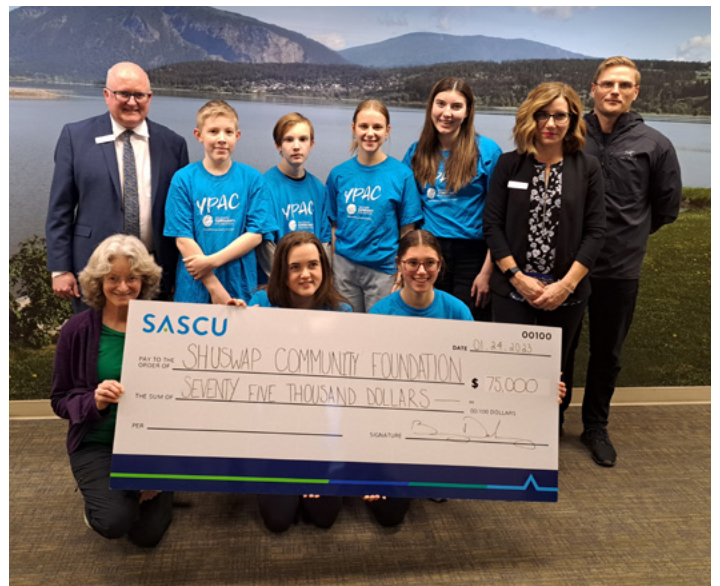
Community Prosperity

SASCU is committed to strengthening opportunities for people of all ages and backgrounds to thrive, ensuring a sustainable future for our community. That is why we are particularly keen to support community 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. In 2022, this included a \$5,000 donation to Shuswap Association for Community Living to help purchase a work truck to support customized employment, and \$5,000 to Food with Friends who offer a lunch program every Monday, Tuesday and Friday for individuals experiencing food insecurity and isolation. Shuswap Launch-a-Preneur, hosted by Salmon Arm Economic Society and Community Futures Shuswap, was a three-month program to help individuals and teams successfully plan for and launch their business in the Shuswap.

Endowments

SASCU has two endowments administered by the Shuswap Community Foundation (SCF) to further support key areas of environment and youth. The SASCU Youth Endowment Fund finances projects that directly benefit youth or are developed and led by youth. Designed to last into perpetuity, income earned from the fund's balance is awarded annually.

The SASCU Community Endowment Fund (SCEF) supports environmental projects in the area to ensure a sustainable future for our community



In late 2022, SASCU Board of Directors approved the largest single donation in SASCU history to benefit youth in our community by donating \$75,000 to the SASCU Youth Endowment Fund, bringing the fund's balance to \$100,000

(Back Row) Barry Delaney, President & CEO, SASCU; SCF Youth Philanthropy Advisory Committee (YPAC) members; Kelly Bennett, SASCU Board Director; Adam Currie, SCF Director

(Front Row) Laurie Page, SCF Director; YPAC members



The SASCU Youth Council met with Salmon Arm Secondary students for a Lunch & Learn offering financial advice and encouraging students to write down their financial goals.



Storyteller Kenthen Thomas from the Secwepemc Nation speaking to all of our staff at the SASCU Townhall.

Learn. Connect. Play.

The world has changed. Our community and members have changed. We have changed. This cannot and should not be ignored. At SASCU, we are taking notice by intentionally seeking moments with each other, our members, and our communities to learn, connect, and play.

Credit Union Day 2022

SASCU celebrated Credit Union Day under the banner of “Empower your Financial Future” and a strategy of learning and playing. Not able to fit all the fun into one day, we made a week out of it! Everyone was invited in branch to browse information tables, play games, and win prizes. As a milestone, guest experts and VIPs were scheduled in every branch all day on International Credit Union Day, October 20.

We also encouraged children to kick off their financial futures right with our Junior Membership Incentive. We awarded these new young members with \$20 deposited into their account and \$20 to their charity of choice.

Building Confidence

At SASCU, it is important that we continue to deliver the member experience that meets your changing needs. In 2022, this involved new branch roles to ensure members are served by the right people at the right time.

All of our Branch, Insurance, Wealth and Contact Centre staff also participated in comprehensive training to help them deliver the advice you need and expect from a lifelong financial partner. As we build the confidence of our teams, we are better able to ensure our members and clients feel confident in their financial choices.



On Credit Union Day, SASCU celebrated the unveiling of “People Helping People”, our 75th Anniversary Legacy Project at Sicamous Beach Park. SASCU commissioned the legacy project by local artist, David J. Harder, in 2021 to commemorate its 75 years in the Shuswap. A formal event marking completion of the project and presentation to the District of Sicamous was held on Thursday, October 20, in conjunction with International Credit Union Day.

SASCU Townhall

It was an unprecedented move, but so was the pandemic experience. SASCU Financial Group closed all branches and offices of its Credit Union, Insurance, and Wealth businesses on Wednesday, September 21 to allow staff to all come together for a day of learning, connecting, and playing. As Barry Delaney, President and Chief Executive Officer of SASCU, explained at the time, “Our staff have been working exceptionally hard to support and reconnect with our members and community. Now we are taking time to reconnect with each other.”

The day looked both inwardly and outwardly in effort to strengthen as a team and an organization. With community being about all we do, we were treated to guest speaker Kenthen Thomas, of the Secwepemc Nation, inspiring and teaching us with stories from their culture. Several initiatives identified that day either have been or continuing to be worked towards.

Always Learning

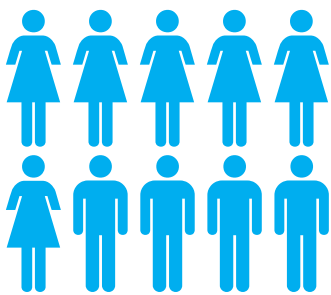
Each year, our employees provide us with valuable insights into their experience working with SASCU through our annual Employee Opinion Survey. The findings from the survey reinforced our commitment to investing resources in areas that support our employees’ learning, development, and wellbeing, such as:

- Developing new and future leaders through our Leadership Academy
- Building understanding of diversity and inclusion among our managers
- Equipping our employees with the skills they need to navigate new and evolving technology
- Enhancing our staff’s understanding of our members’ needs and how to help
- Providing workshops on prioritizing mental health

The work to deepen our soft and hard skills and competencies do not stop at SASCU. Come experience the progress!

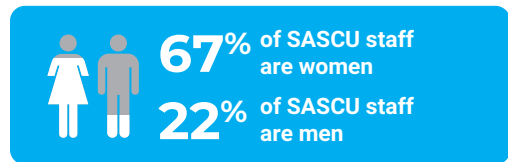


33% of our colleagues have more than 10 years of service



60% of Board Members are women

40% of Board Members are men



7.5% of Employee and Family Assistance Plan Usage



A Better Digital Experience

As much as we love seeing our members, we want your virtual experience with SASCU to be just as good. Our strategic plan is heavy on bringing more to the digital experience. Keeping up is not enough; we are forging forward to go beyond what you need to what you want (even those things you don't know you want yet!).

Keeping you Safe

A better digital experience must start and end with a safe experience. Security of your financial information and personal details are always paramount. That's why we introduced 2-Step Verification (also known as two-factor authentication) early in 2022. Now when your identity is in question, you receive a code direct via email or text as an extra layer of security to logging in. This replaces those pesky security questions that we all love to forget!

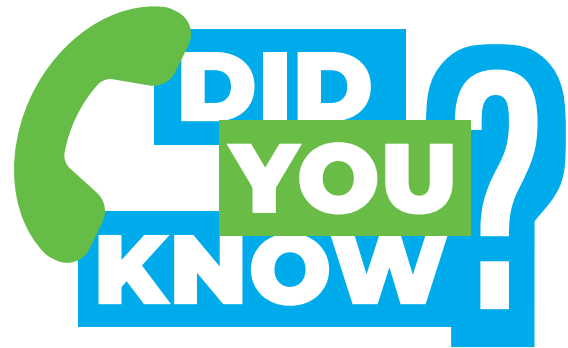
Two-step verification also opened the door to Self-Serve Password Reset – more commonly and affectionately referred to as “Forgot Password”.

Connecting your Accounts

In August, SASCU began to offer a consolidated view of your SASCU Collabria Mastercard, Qtrade Direct Investing, and Credential investment accounts through Online Banking and the app. Now members have access to a complete financial picture and, using single sign-on, can access our partner websites seamlessly. No more missing pieces!

Book Online

Online appointment booking has arrived. This project involved a lot of behind-the-scenes work beginning in 2021 transitioning staff digital calendar systems and processes. Member-facing staff from our credit union, commercial, and wealth teams worked closely with our technology and marketing teams to get this to a place where you, our members, could make use of it. Choose by advisor or subject the meeting type that is most convenient for you – phone, video, or in branch appointments.



Our **Contact Centre** is available
Monday to Friday 8 a.m. to 8 p.m.
and **Saturday 8 a.m. to 4 p.m.**



Average wait time in 2022
Under 1 MINUTE



Handled calls in 2022
Over 45,000

Faster, Easier Transfers

Let's face it – our lives keep becoming more global! Online International Transfers allows you to transfer money internationally through your SASCU online banking. This is just one more way we are helping move beyond 'banking' hours to do what you need to do, whenever you need to. This feature is taking the place of in branch wire transfers.

We also introduced the ability to receive Instant Business e-Transfers. While "Business" is in the name, anyone can benefit from this new feature that allows you to receive up to \$25,000 in real time and with more data captured around the transaction than traditional e-Transfers.

Check Your Inbox

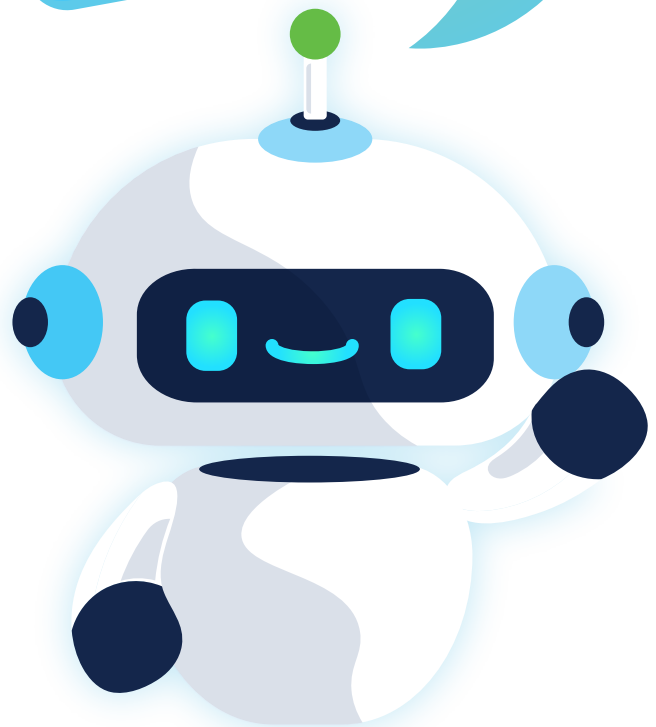
Efficiencies for both staff and members are big drivers of our strategy. Behind the scenes, digitization of forms and processes, including automation of repetitive tasks, allows us to do more of the things that bring you the most value, such as delivering strong advice. One of the biggest impacts was digitization of the Tax Free Savings Account (TFSA) process. In addition to the internal benefits, this accommodates members registering for it without coming in branch. Secure documents are emailed to capture a digital signature authenticating the member's directions. This adds to a growing list of remote-enabled experiences, which includes mortgage renewals.

Looking Forward

Watch for a revamped app and online banking platform in spring 2023. While the makeover gives everything a fresh, contemporary look, you will not have much to learn. The experience — how to get your banking done — remains very much the same.

You can also look forward to mobile wallet for our SASCU debit cards – complementing the existing ability to link your SASCU Collabria Mastercard to Apple Pay, Google Pay, and Samsung Pay.

In late 2022, we launched our chatbot, Sunny, a computer application made available on [sascu.com](https://www.sascu.com) to help our website visitors with commonly asked questions in a way that stimulates familiar conversations. Sunny can solve more than 70% of customer inquiries 24 hours a day, seven days per week.



Corporate Governance

Board of Directors

A democratically elected Board of Directors is just one more way SASCU Credit Union is proudly different than banks. Members elect Directors to 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; and
- 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 and
 - 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 may also be useful in planning and controlling and have no authority other than that granted by the Board.

SASCU Board Demographics and Self Skills Assessment

AGE

2 DIRECTORS
AGED 36 - 49

2 DIRECTORS
AGED 50 - 49

4 DIRECTORS
AGED 60 - 69

1 DIRECTORS
AGED 70+

BOARD EXPERIENCE



6 DIRECTORS
WITH 4+ YEARS
NOT FOR PROFIT
OR COMMUNITY



4 DIRECTORS
WITH 4+ YEARS
FOR PROFIT



6 DIRECTORS ARE
OR HAVE BEEN A
CEO REPORTING
INTO BOARD

RESIDENT OF

Salmon Arm
or surrounding area

7

Sicamous
or surrounding area

2

Statistics taken from December 2022.

Audit and Operational Risk Committee: provides assurance that the strategic, operational, financial and regulatory objectives of the Credit Union are achieved. The committee ensures internal controls are used to support the enterprise risk management framework, the integrity of financial reporting, and compliance with regulatory matters.

CEO and Human Resources Committee: is responsible for the oversight of the performance evaluation and compensation of the President & CEO as well as strategic oversight of the HR function at SASCU.

Conduct Review Committee: fulfils the prescribed legal, ethical and functional responsibilities as set out in the Financial Institutions Act (BC) and the BC Financial Services Authority (BCFSA) Governance Guideline for BC credit unions. The Committee's focus is on reviewing transactions with Related Parties (as defined by the Act), implementing procedures to guide the Board in respect of conflicts of interest, and oversight of disclosure obligations to members.

Credit and Market Risk Committee: provides effective oversight of the Credit Union's risk management activities related to investment risk, credit risk, liquidity risk, interest rate risk, foreign exchange risk, and capital management. This includes compliance with the Financial Institutions Act and acting as the Investment and Lending Committee as required by the *Financial Institution Act*.

Governance Committee: aids the Board of Directors to provide for effective governance of the Credit Union and to evolve governance practices with the needs of the Credit Union. This includes facilitating the Board's own development and succession. The Committee assists the Board in holding Directors and Board Committees accountable for fulfilling their duties.

Community Relations and Sponsorship Committee: is responsible for the oversight of the Community Relations and Corporate Social Responsibility function. As part of this role, the Committee reviews, approves, recommends, or declines donation and sponsorship requests according to authorized limits.

Nominating Committee: recruits nominees representing a cross-section of community members with appropriate skills for election to the Board of Directors from a community/region served by SASCU Financial, Wealth or Insurance. They oversee the entire nomination and election process to ensure adherence to the Financial Institutions Act and the Credit Union rules.

Training & 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.

Summary of Board Attendance and Compensation

Gross expenses include education such as course registrations and attendance.

NAME	Titles as of 12/31/20	Gross Remuneration	Gross Expenses	Board Meetings Attended/Required	Committee Meetings Attended/Required
KING, Dave	Board Chair	\$19,175.00	\$4,454.97	9 of 10 90%	6 of 6 100%
WITT, David	Board Vice-Chair	\$11,300.00	\$3,187.05	8 of 10 80%	11 of 12 91%
BENNETT, Kelly	Board Secretary	\$9,275.00	\$188.49	9 of 10 90%	11 of 12 91%
DUNLOP, Dawn	Director	\$9,325.00	\$300.61	10 of 10 100%	10 of 10 100%
LADELL, Constance	Director	\$12,250.00	\$500.20	9 of 9 100%	14 of 14 100%
RAGSDALE, Joan	Director	\$10,000.00	\$30.75	9 of 10 90%	12 of 13 92%
SCHLOSAR, John	Director	\$10,550.00	\$6,301.62	8 of 10 80%	11 of 12 91%
SLINGERLAND, Curtis	Director	\$5,975.00	\$319.76	7 of 7 100%	5 of 6 83%
STEWART, June	Director	\$9,825.00	\$653.19	7 of 7 100%	9 of 9 100%

RETIRED DIRECTORS	Date of Retirement	Gross Remuneration	Gross Expenses	Board Meetings Attended/Required	Committee Meetings Attended/Required
MCBAIN, Darlene	2022-05-03	\$4,325.00	\$519.94	2 of 2 100%	5 of 5 100%
POPIEN, Frank	2022-05-03	\$3,025.00	\$24.16	2 of 2 100%	5 of 5 100%

CONFERENCES

- CCUA National Conference – Dave Witt
- Momentum Conference – John Schlosar, June Stewart and Dave King

PEER GROUP MEETINGS

- Spring (April) – Constance Ladell, Darlene McBain, Dave King, Dave Witt
- Fall (October) – Dave King, John Schlosar, June Stewart

OTHER

- Credit Union Day – John Schlosar, Dave King, June Stewart, Dawn Dunlop

INDEPENDENT OVERSIGHT

The Board oversees the management of the organization and is one part of the overall oversight function. SASCU utilizes regular internal audits to ensure compliance with specific regulatory, Board, financial, risk, and operational policies. This includes assessing effectiveness and reliable reporting of control activities. Internal auditors operate independent of management.

EXECUTIVE

The Executive Leadership Team (ELT) is responsible for developing and implementing the strategy and operational plans to ensure the Board's overall direction is realized. As part of the 2021 strategic planning session, a four year plan (2021 to 2024) was created to move toward fulfilling SASCU's Vision: To be our members' lifelong financial partner. Building off the success of the 2017-2020 Strategic Plan, the Board mapped a new four-year strategic plan with three areas of focus: Member Success, Digital Development, and Our Communities.

PERFORMANCE & COMPENSATION

The four year strategic plan includes key performance indicators to measure progress around the strategies identified under the three areas of focus: Member Success, Digital Development, and Our Communities. In addition to regular reporting and monitoring, management provides indicators and specific targets with recommendations to the Board as part of the annual strategic planning process. The performance impacts the financial group and the variable portion of individual compensation.

SASCU Credit Union'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; and
- Reflective of the organization's goals and objectives

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

The Credit Union strives for above average performance results and, therefore, provides a competitive base salary. A number of factors impact the position of this compensation in the market, including experience, background, skill and competency level. Salary progression is impacted by performance, Credit Union performance, and general compensation trends. The variable pay plan is designed with the opportunity to significantly exceed 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).

Board Members



**DAVE KING,
BOARD CHAIR**
Board Director (2014 – 2023),
CUDA Levels A, B & C

- Chair, CEO and HR Committee



**DAVID WITT,
BOARD VICE CHAIR**
Board Director (2017 – Current),
CUDA Levels A, B & C

- Chair, Audit & Operational Risk Committee
- Member, CEO and HR Committee
- Member, Conduct Review & Governance Committee



**KELLY BENNETT,
BOARD SECRETARY**
Board Director (2020 – Current)

- Chair, Community Relations & Sponsorships Committee
- Member, CEO and HR Committee
- Member, Credit & Market Risk Committee



**CONSTANCE LAZELL,
BOARD DIRECTOR**
Board Director (2016 – Current),
CUDA Level A & C

- Chair, Conduct Review & Governance Committee
- Member, Audit & Operational Risk Committee
- Member, Credit & Market Risk Committee



**CURTIS SLINGERLAND,
BOARD DIRECTOR**
Board Director (2022 – Current)

- Member, Community Relations & Sponsorships Committee
- Member, Nominating Committee



**DAWN DUNLOP,
BOARD DIRECTOR**
Board Director (2021 – Current),
CUCDA Level A

- Member, Audit and Operational Risk Committee
- Member, Nominating Committee



**JUNE STEWART,
BOARD DIRECTOR**
Board Director (1986-2016; 2022 – Current), CUCDA Program Graduate

- Member, Community Relations & Sponsorships Committee
- Member, Credit & Market Risk Committee
- Member, Nominating Committee



**JOAN RAGSDALE,
BOARD DIRECTOR**
Board Director (2018 - Current),
CUDA Level A & B

- Chair, Nominating Committee
- Member, Community Relations & Sponsorships Committee
- Member, Conduct Review & Governance Committee



**JOHN SCHLOSAR,
BOARD DIRECTOR**
Board Director (2000 – 2009;
2012 – Current), ACCUD

- Chair, Credit & Market Risk Committee
- Member, Audit & Operational Risk Committee
- Member, Conduct Review & Governance Committee

For further information on the board members go to sascu.com/about/governance

2022 Management Discussion and Analysis

This Management Discussion and Analysis report provides a general overview of the credit union's performance and is intended to be read with the 2022 Annual Report and the 2022 Consolidated Financial Statements. Both reports may be viewed online at [sascu.com](https://www.sascu.com).

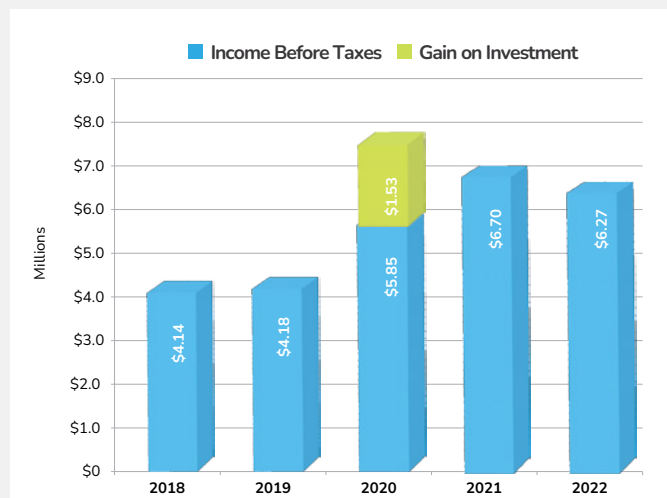
Summary

After two years of Covid related disruptions, the global economy faces new challenges including the ongoing Russia-Ukraine war, labor shortages, and rising inflation. In response to the rapid rise in inflation, the Bank of Canada started hiking rates in March 2022, increasing their rate eight times to date.

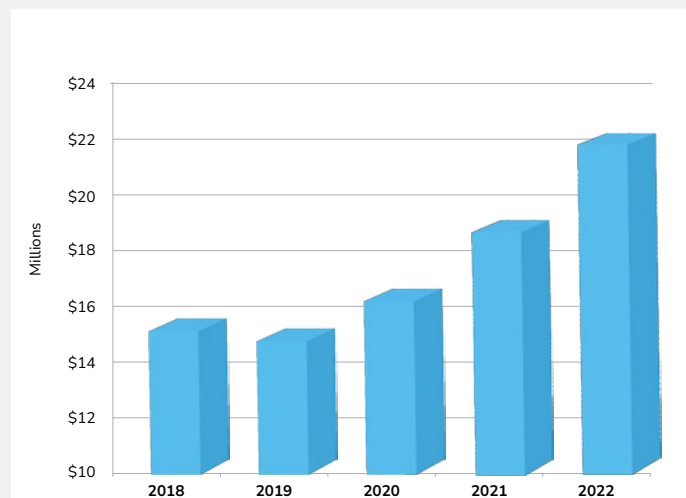
Despite these new challenges, SASCU fared well financially and earnings from our retail, commercial, wealth, and insurance lines of business remain strong. For 2022, earnings prior to income taxes were \$6.270 million for 2022 compared to \$6.695 million in 2021, a decrease of \$425 thousand.

Financial Margin

Financial margin, the difference between interest earned on loans and investments and interest paid on deposits and other liabilities, is the largest contributor to earnings. Financial margin in 2022 was \$21.9 million compared to \$19.0 million in 2021, an increase of 16%. The excess liquidity we had going into 2022 was used to fund higher yielding member loans and as a result we saw financial margin improve. We also started to see the effects of the rapid increase in interest rates as many members took advantage of the higher-than-normal term deposit rates, shifting their savings from lower cost chequing and savings accounts to higher cost term deposits. In 2023, financial margin is forecast to decline as we expect loan growth to ease and deposits to continue to move to higher cost term deposits.



Earnings Prior to Income Taxes



Financial Margin

Other Income and Expenses

Other Income and Expenses includes commission and service fee revenue from our four lines of business, realized gains (losses) on investments, and impairment of goodwill. In 2022, Other Income was \$6.0 million compared to \$7.6 million in 2021, a decrease of 21%. We conduct impairment tests to goodwill annually and tests are calculated on future estimated earnings. For this year, impairment of goodwill of \$1.5 million in our insurance business was written off. Part of this write down relates to the reduced value of an ICBC license.

Our Wealth business offers investment products from third party suppliers, such as mutual funds, for which we receive a commission. In 2022, funds under administration totaled \$222 million down from \$247 million the prior year, a 10% decrease. This decrease is reflective of the overall downturn in the market in 2022 and is not unexpected when interest rates rise so quickly.

Our Insurance business acts as brokers of third-party insurance products by offering ICBC insurance, home insurance, and business insurance.

Income earned from these 100% wholly owned subsidiaries for 2022 totaled \$1.1 million down from \$1.4 million, a decrease of 25%. The decline in income is reflective of the downturn in the market and is expected to improve as markets return.

Operating Expenses

In 2022, operating expenses were \$21.6 million compared to \$19.9 million in 2021, an increase of 8.5%. With the effects of the pandemic behind us, business activities have resumed to normal levels and we saw general increases across most expense areas.

Moving into 2023, the effect of higher inflation will be reflected in higher costs. Management reviews costs on a continual basis to ensure expenses are reasonable.

Loans

Member loans, net of provision for loan losses, increased to \$812 million in 2022 from \$760 million in 2021, representing growth of 7%. The real estate market was strong going into 2022 and slowed down moving into the latter part of the year responding to the rapid increase in interest rates.

During the pandemic, additional loan loss provisions were set aside in anticipation of losses. It was anticipated that some of the provision may have been unwound, but due to the rapid increase in inflation and rise in interest rates, provisions have instead increased slightly to allow for the current challenging economic environment.

Deposits

Member deposits decreased from \$954 million in 2021 to \$944 million in 2022, a decline of 1%. During the pandemic, we experienced, like other financial institutions across Canada, strong deposit growth as pandemic restrictions gave members less options for spending money. With the pandemic winding down in 2022, members began spending and deposits have declined. Moving into 2023, we expect deposits to reduce further as members face increasing costs due to high inflation.

Capital

Retained Earnings increased to \$59.1 million in 2022 from \$54.2 million in 2021, an increase of 9%. The provincial regulator for credit unions, the BC Financial Services Authority, requires us to hold a minimum level of capital. Our capital level is strong at 16.38% and is above the minimum regulatory level set at 8% of risk weighted assets. Strong capital levels are needed to help fund current and projected member loan growth and investment in the business. Our capital levels are similar to the BC credit union average and it is one of our key focuses to ensure we can continue to grow.

In January 2021 SASCU's liquidity investments were moved into a portfolio of High-Quality Liquid Assets (HQLA) to meet evolving regulatory needs. These investments are accounted for at fair market value. Any gains or losses are not realized by SASCU unless sold, and unrealized gains or losses are reported in a new line on our financial statements called Accumulated Other Comprehensive Income (loss). For 2022, unrealized losses on investments grew by \$981 thousand.

Risk Management

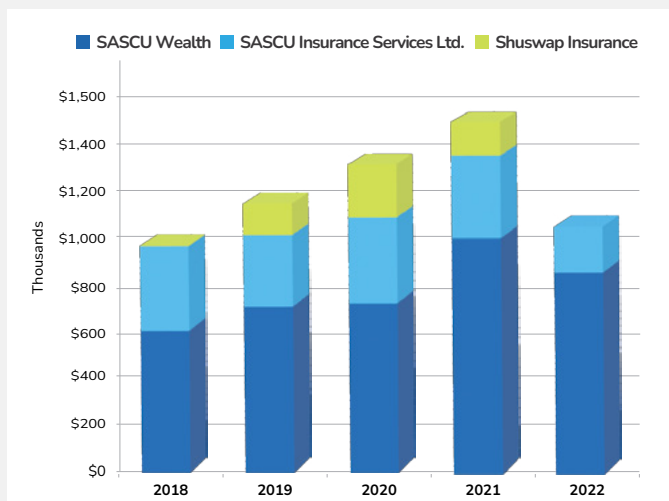
As a financial institution, we are exposed to a variety of risks. Our risk governance framework starts with the Board of Directors and its committees which provide overall strategic direction, oversight of risk management and approved risk policies, and set risk tolerance levels. Our executive management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

The credit union is exposed to strategic, capital, credit, earnings, market, liquidity, operational, and regulatory risks, for which planning, policies and procedures, controls, and monitoring are in place. To support our risk management, we have internal and external audit functions, which are independent of management and report to the Audit and Operational Risk Committee of the Board. In addition,

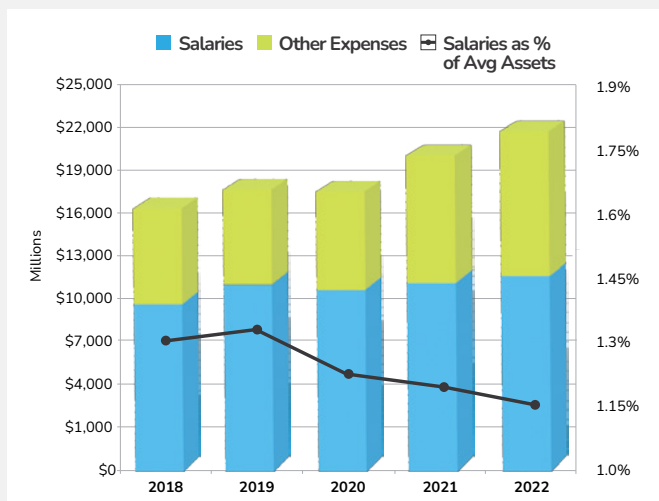
the Board of Directors has established a Risk Appetite framework and management has implemented an Enterprise Risk Management system to effectively monitor and manage key business risks, including emerging risks.

Jennifer Black

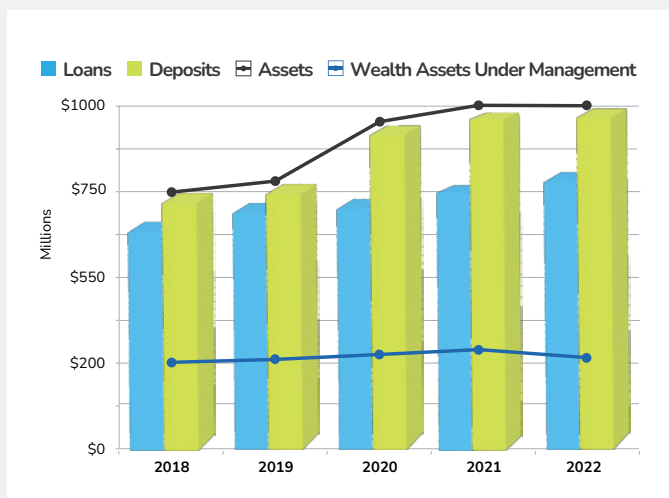
Vice President, Finance



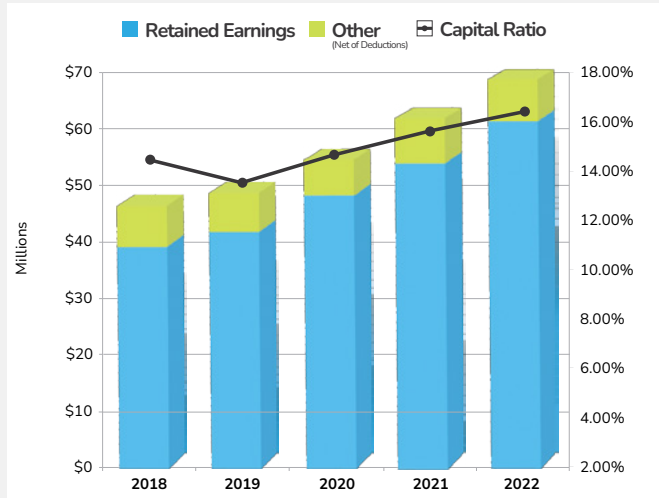
Subsidiary Income



Operating Expenses



Growth



Capital

Consolidation Report

Statement of Consolidated Balance Sheet

December 31,
2022

December 31,
2021

ASSETS

Cash	\$ 18,364,026	\$ 16,902,136
Investments	156,460,607	213,956,957
Derivative financial assets	656,065	831,982
Loans to members	812,487,020	760,263,442
Property, plant and equipment	12,836,690	13,401,852
Goodwill and intangibles	3,384,063	4,782,720
Investment property	464,454	482,035
Other assets	3,134,405	2,853,459
	\$ 1,007,787,330	\$ 1,013,474,583

LIABILITIES AND MEMBERS' EQUITY

Accounts payable and accrued liabilities	\$ 4,369,656	\$ 4,398,786
Member deposits	944,376,479	953,812,880
Derivative financial liabilities	656,065	831,982
Member shares	717,163	708,834
Members' equity	57,667,967	53,722,101
	\$ 1,007,787,330	\$ 1,013,474,583

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME AND MEMBERS' EQUITY

	December 31, 2022	December 31, 2021
Financial income	\$ 29,767,469	\$ 24,027,104
Financial expense	7,870,708	5,073,260
Financial margin	21,896,761	18,953,844
Other income	5,962,614	7,636,914
	27,859,375	26,590,758
Operating expenses		
Distributions to members	29,183	13,306
Employee salaries and benefits	11,637,234	11,315,345
Other	9,922,996	8,566,792
	21,589,413	19,895,443
Income before income taxes	6,269,962	6,695,315
Current and deferred income taxes	1,343,143	1,232,973
Net income for the year	4,926,819	5,462,342
Members' equity, beginning of year	53,722,101	48,700,042
Other comprehensive loss	(980,953)	(440,283)
Members' equity, end of year	\$ 57,667,967	\$ 53,722,101

STATEMENT OF CONSOLIDATED CASH FLOWS

	December 31, 2022	December 31, 2021
Cash flows from operating activities	\$ (53,462,635)	\$ 49,348,614
Cash flows from investing activities	55,119,013	(59,533,762)
Cash flows from financing activities	(194,488)	(160,907)
Net increase in cash	1,461,890	(10,346,055)
Cash at beginning of year	16,902,136	27,248,191
Cash at end of year	18,364,026	\$ 16,902,136



Chair of the Board



Director

Summary of Consolidated Financial Statements

Report of the Independent Auditor on the Summary Consolidated Financial Statements

To the Members of Salmon Arm Savings and Credit Union

Opinion

The summary consolidated financial statements, which comprise the summary statement of consolidated financial position at December 31, 2022, and the summary consolidated statements of comprehensive income and members' equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Salmon Arm Savings and Credit Union ["the "Credit Union"] for the year ended December 31, 2022.

In our opinion, the accompanying summary consolidated financial statements are a fair summary of the consolidated financial statements, in accordance with the criteria disclosed in Note 1 to the summary financial statements.

Summary Consolidated Financial Statements

The summary consolidated 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 consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements for the year ended December 31, 2022 in our report dated March 15, 2023.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with the criteria disclosed in Note 1 to the summary consolidated financial statements.

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.

BDO Canada LLP

Chartered Professional Accountants
Salmon Arm, British Columbia
March 15, 2023

Salmon Arm Savings and Credit Union Note to Summary Consolidated Financial Statements

December 31, 2022

Summary Consolidated Financial Statements

The summary consolidated financial statements are derived from the complete audited consolidated financial statements, prepared in accordance with international financial reporting standards as at December 31, 2022.

The preparation of these summary consolidated financial statements requires management to determine the information that needs to be reflected so that they are consistent in all material respects with, or represent a fair summary of, the audited consolidated financial statements.

Management prepared these summary consolidated financial statements using the following criteria:

(a) the summary consolidated financial statements include the statement of consolidated financial position, statement of consolidated comprehensive income and members' equity and the statement of consolidated cash flows;

(b) information in the summary consolidated financial statements agrees with the related information in the complete audited consolidated financial statements including comparative information and all major subtotals and totals; and

(c) in all material respects, the summary consolidated financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete audited consolidated financial statements, including significant accounting policies and the notes thereto.

The complete audited consolidated financial statements of Salmon Arm Savings and Credit Union are available upon request by contacting the management of Salmon Arm Savings and Credit Union.



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