

The SASCU logo is displayed in a bold, blue, sans-serif font. A small green dot is positioned above the letter 'A'.

SASCU

2019
ANNUAL REPORT



BUILDING THE **FUTURE**

A decorative horizontal line at the bottom of the page, transitioning from blue on the left to green on the right, ending in a small upward-pointing triangle.

SASCU.COM

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Annual Report cover photo provided by Carma Dee Photography.

VISION

To be our Members' lifelong financial partner.

VALUES

We continuously seek new ways of doing things.

We strive for excellence.

We honour our relationships with dignity and respect.

We collaborate in the pursuit of shared goals.

We make common sense decisions.



SASCU Credit Union is the operating name of Salmon Arm Savings and Credit Union

BUILDING THE FUTURE

We are celebrating youth and how SASCU supports this important group!

SASCU is as strong as the strength of our members — our community — and our future will be significantly determined by today's teens and young adults. As our members' lifelong financial partner, we take our role in getting this group off to a strong start very seriously. That means staying connected whether they are here or pursuing their dreams away from home. It means supporting initiatives that are important to them, recognizing the wide range of talents and interests they have. It means ensuring they have the financial knowledge to make good money choices now and in the future. It means giving them a voice, in our organization and in the community.

We are happy to share these highlights with you.

Message from the Board Chair and CEO

GROWTH, EARNINGS & CAPITAL

SASCU had strong financial results in 2019. Our assets (comprised of loans and deposits) surpassed the \$800 million mark for the very first time, and earnings before taxes and dividends totaled \$4.2 million dollars. These earnings translate to a healthy return on assets of 52 basis points. This profit met our expectations and is important, as we need to continually reinvest in the business to meet members' needs and to compete effectively. SASCU Wealth and SASCU Insurance contributed \$1.2 million dollars to SASCU's successful year and our Commercial team also had a good year and worked hard to grow our business. All of these results are a direct result of our membership having trust in us to give them the expert advice and service they need.

"Our assets (comprised of loans and deposits) surpassed the \$800 million mark for the very first time..."

SASCU's capital, which includes member shares and equity, now totals an impressive \$43 million dollars. There are two regulatory requirements for capital: the first based on the level of risk within our assets and the second based on the leverage to our assets. SASCU's capital is strong; albeit somewhat reduced as we used some to purchase Shuswap Insurance Brokers, our new insurance office in Enderby. As SASCU continues to grow, capital levels must also increase, and strong earnings are necessary to sustain this progress.

In 2019, we had strong success in attracting new members to the credit union. Last year we welcomed 1,352 new members and our staff are working hard to retain the members that we have with us. Indeed, staff have performance objective for new member growth and retention. This has been a focus for the organization over the past several years.

GOVERNANCE

Credit unions, particularly those with assets less than 1.5 billion dollars, are experiencing challenges in recruiting directors for the Board. The top challenges reported are qualifications and the time commitment required, with the additional challenge of increased complexity of regulatory requirements and governance. This is the second year that SASCU has not had sufficient director candidates for an election. Fortunately, we have been able to retain incumbents and recruit new directors to fill all the Board positions. The Board will be reviewing SASCU's bylaws and making recommendations to the members for changes to allow for the appointment of independent directors.

SASCU's current strategic plan will expire in 2020. Due to its successful execution, SASCU will continue to build on its two areas of focus, Member Centricity and Continuous Improvement, and map the next four years. The Board started work at the May planning session, followed by a Town Hall discussion with staff in October and a second

"The new strategic plan will have three areas of focus: Member Success, Technological Development and Our Communities."

Board planning session in November. The new strategic plan will have three areas of focus: Member Success, Technological Development and Our Communities. The final elements will be developed at the May 2020 planning session and we will be able to share it with the membership by Fall 2020.

2019 – A LOOK BACK THROUGH STRATEGIC AREAS OF FOCUS

2019 was a year of many accomplishments for our membership and community. We are proud to partner with many community-minded organizations, staying true to our founding principles and successfully competing with other financial institutions.

MEMBER CENTRICITY

Placing the member in the center of our activities and decisions is fundamental to how we do business. We work hard on improving our member service to make it an easy experience. Whether a member chooses to do business with us in-branch, online or mobile, we provide advice that is valued by the families we serve.

Since members' needs are always changing, standing still is not an option! Some of the initiatives that we proudly completed in 2019 included the following:

- **Open Anywhere:** This new functionality on our website allows non-members to open accounts online without coming into the branches.
- **Contact Centre:** In addition to being open extended hours, our team has additional tools and training to help members without having to transfer phone calls.
- **SASCU Community Crew:** We supported 90 community events by allowing our staff to volunteer their time, during work, to help make these events a success.
- **Innovation Centre - Powered by SASCU:** This is a new community partnership to give our members greater access to the Makerspace and other value-based programs.
- **Wealth Management Seminars:** Our team hosted four well-attended seminars on a variety of relevant investment topics for our clients.
- **Nairobi, Kenya:** I am proud that we hosted a general manager of a credit union in Kenya. She learned about Canadian business practices and supported the wider cooperative global community.

CONTINUOUS IMPROVEMENT

We continue to work smarter and made great strides, improving key processes to make them shorter, clearer and simpler for both staff and members. We completed the following initiatives:

- **Digitization** of more member facing processes, including online stop-payments, mortgage renewals and electronic funds transfers with no branch visit required.
- **Youth Council:** A group of staff under 30 years of age that provide advice and input to SASCU on new products and initiatives from a youth perspective.
- **New ATMs:** Our Downtown branch and Centenoka location have new machines designed for higher safety in busy public areas.
- **Implementation of Lean:** We have trained 84 of our staff to use tools and techniques to streamline 14 processes in 2019. We estimate the total savings of 705 hours and wage savings of \$30,000 annually.



SASCU Commercial team Lisa McClelland (left) and Chris Verburg (right) took General Manager Monicah Muiruri of a Nairobi based Credit Union, Kenya, on a tour of local businesses. They were welcomed for a guided tour by Brad DeMille, owner of DeMille's Farm Market.

Finally, we can't forget our community support which reached the milestone of \$2 million donated since 2008! SASCU's Community Support program for community initiatives and non-profit organizations surpassed \$221,000. This represents 150 community projects and groups plus 13 scholarship recipients and seven new education awards.

"...our community support which reached the milestone of \$2 million donated to our communities since 2008!"

2020 – A LOOK FORWARD

When it comes to member service, we always ask ourselves, how can we do better? Here are some exciting projects underway focusing on digital services:

1. A new view in online banking so members can see all of their joint accounts with only one login.
2. Expanding our online capability to better serve our important small business members.
3. Expanding our e-Transfer capability to offer international transfers online.
4. Redesign of our website to make it more intuitive and user-friendly.
5. Continued integration of our Salmon Arm and Enderby insurance offices.



Barry Johnson
Board Chair

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. Because of that support, SASCU can employ 150 people, use numerous local suppliers and vendors, and give back more than \$225,000 each year to the community. We are focused on three main areas to make a positive impact: community prosperity, community gathering and youth, sports and art.

On behalf of the Board I would like to acknowledge the hard work and dedication from our staff and management to provide great service to our members and produce the strong results for 2019. I would also like to thank the Board for their dedication and enthusiasm. SASCU's future looks very positive and we look forward to continued growth and bringing new innovations to our members.

As a cooperative that was born from the hard work and community spirit of the Shuswap, SASCU is committed to earning the right to be that top choice each time. 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 my email address is barrydelaney@sascu.com. I would be happy to speak with you.



Barry Delaney
Chief Executive Officer

2019 Highlights

This past year was about building value for the member, making it easier to do business with us, and creating internal efficiencies. We are now an organization that looks past the barriers and says, "We can do it!" in a relentless pursuit to be our members' first choice of financial institution.

Additionally, in light of our commitment to being a lifelong financial partner, SASCU is invested in ensuring that our young members get off to the strong start in life they need. That means in ensuring they have the right products, services, and knowledge to manage their money and reach their financial goals. Our commitment does not end if they leave the Shuswap, whether for a short or long time. We are constantly striving to be their partner, whether from close or afar.

CONTACT CENTRE

Our Contact Centre made big leaps in moving from a switchboard to becoming an essential service to our members. We are constantly expanding the services we offer over the phone. Mastercard sign ups and inquiries, debit card and e-Transfer limit changes, term renewals and inquiries, stop payments, and foreign exchange cash orders were new services offered in 2019. Its longer hours is another crucial link in keeping our members away from home, such as students, connected with us.



SASCU's Youth Council

YOUTH COUNCIL

In 2019 SASCU formed a Youth Council comprised of SASCU staff 35 and under. This council was created to provide a youth voice and perspective on financial products, services and initiative. They've had input on several, up and coming projects all while working on a project of their own.

SHUSWAP INSURANCE BROKERS INTEGRATION

2019 marked a big year for the integration of Shuswap Insurance Brokers into our insurance division. Shuswap Insurance Brokers, a Division of SASCU, welcomed new branding, computer software, employee benefits, as well as many new internal processes. The two insurance offices — SASCU Insurance in Salmon Arm and Shuswap Insurance in Enderby — are truly becoming a unified team.



"I stayed with SASCU because of the ease of banking with them. [...] If I were to call with any questions, I know SASCU would be patient and informative."

- Daniel W., BBA

Student at Okanagan College Kelowna campus

LOCAL EMPLOYMENT AND VOLUNTEERING

SASCU is proud of the 150 staff who make up our organization. SASCU staff not only live and work in the community, they create, participate, and better it too! This year SASCU:

- Hired 18 new employees
- Promoted 7 staff
- Volunteered over 1150 hours in the Shuswap
- Donated over \$1305 to local charities and non-profits.

Go SASCU staff!

YOUTH FINANCIAL LITERACY

Each One Teach One (EOTO) is a financial literacy program SASCU offers community groups. Following co-operative principals, EOTO is hosted out of good will and the belief that everyone should have access to basic financial education. It's free, unbranded and taught by our amazing staff-volunteers. 2019 marked a big year for school presentations with our staff-volunteers presenting to approximately 200 high school students.

REMOTE MORTGAGE RENEWALS

In 2019, SASCU introduced three electronic signature processes – the most popular being personal remote mortgage renewals which allows members to sign documents from the comfort of their own home. It's no surprise that this process won SASCU the 2019 Digital Transformation award at Momentum Summit in Toronto. Along with mortgage renewals, outgoing fund transfers and stop payments were also included in 2019's digitization process.



In 2019 we gained 70 new Facebook page likes!
facebook.com/sascufinancialgroup



2019 Okanagan College recipients: Lyndsey Chesham; Claire Hall; Sheri Hamilton, SASCU Vice President Human Resources; Natasha Evanishin and Nicki Godfrey.

"This Scholarship will help me immensely to complete my four year Bachelor of Science followed by four years of Medical School. I want to become a Medical Doctor so I can give back to the community and help people, and thanks to you I feel closer to that goal."

- Lyndsey Chesham



"For someone who is constantly on the go, free e-Transfer is a feature I can't live without."

- Mitch C., 4th year electrical apprentice

2019 Highlights (Continued)

MEMBER SATISFACTION

Our members gave us their highest approval rating since measuring via the Net Promoter Score system. This is a common method of assessing customer satisfaction used by many industries. It rates based on a question of 'How likely would you recommend SASCU to others', following a formula that rewards 'promoters' or the highest of scores, less 'detractors' or the mid to low scores. SASCU surpassed the target of 64 to achieve 68.4. This compares to a peer average of 54.9.

LEAN HIGHLIGHTS

SASCU is always looking for ways to improve how we do business. By implementing Lean principles into our day to day work, we ended 2019 by digitizing 5 processes and saving over 5,000 hours and \$219,375.

WEALTH

In 2019 our Wealth team held four free financial literacy seminars. These seminars, otherwise known as SASCU Sip & Learns, offered community members an evening of learning, discussions, drinks and snacks and the opportunity to network with one another. An average of 30 members attended each Sip & Learn. Topics on business succession planning, Registered Disability Savings Plan, socially responsible investing, and online fraud were covered.



INNOVATION CENTRE

The Innovation Centre – Powered by SASCU plays a vital role in supporting youth innovation and creativity in our community. Within the Innovation Centre building, is the Shuswap Makerspace—a co-shared space with tools and equipment for activities such as 3D printing, woodworking, metal lathing and more. SASCU members and youth receive special discounts on Makerspace memberships. Learn more at innovatesa.ca.

ONLINE MEMBERSHIP OPENING

We know that young people are more likely to be encountering us online rather than walking into a branch. Now we have made it easier for them to join SASCU. Our online membership application can be completed all online, from wherever the applicant may be.



“[SASCU is] a piece of my hometown and [...] has seen me through many stages of life.”

- Braya Q., REM

Student at Simon Fraser University

In Our Community

As a co-operative financial institution, 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.

In 2018, SASCU increased its support of community non-profit organizations and initiatives by 25%, now totalling 5% of our net operating income.

SASCU's commitment to our community sets us apart as a major supporter in the communities we serve. sascu.com/community.



The opening of the new SASCU Court at Askew Tennis Centre was celebrated last year.

DONATIONS

We hit our \$2 million milestone! Since 2008, SASCU has contributed more than \$2 million in community support.

In 2019, we donated provided over \$221,000 in donations and sponsorships, including \$5,676 which was given to local community food banks and shelters in December. sascu.com/2019Donations

COMMUNITY GATHERING

SASCU is proud to support local initiatives which inspire community gathering. Bringing people together and building community spaces provides opportunities to learn, create, and meet new people. A connected community is a stronger community. Low cost or free summer outdoor music festivals, sporting events, and celebrations such as Multi-cultural day are just some examples of where SASCU sponsorships helped.

COMMUNITY PROSPERITY

SASCU is committed to strengthening opportunities for people of all ages and backgrounds to thrive and ensure a sustainable future in our community. This often looks like supporting 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. Whether it's supporting the delivery children's books or a women's entrepreneurial workshop, SASCU sees the value in supporting local, community projects.

YOUTH – SPORTS & ARTS

SASCU recognizes the value and importance of youth sports and arts in the community. Involvement and participation by youth, in community events, programs and projects creates meaningful connections, memories and experiences. We support initiatives that attract families and celebrate younger generations such as sport camps, writing clubs, musical concerts and more.



SASCU Community Crew volunteering at Music in the Bay

In Our Community (Continued)

SASCU COMMUNITY CREW

Living in the beautiful community we do, it's hard not to get involved in local events and projects. Not only can SASCU's community spirit be seen in the events and projects we sponsor, it's noticed through our employees' participation and involvement as well.

Our SASCU Community Crew dedicated over 800 hours to 90 local events and projects.



SASCU Community Crew at Wednesdays on the Wharf under the kids tent.

SCHOLARSHIPS AND AWARDS

We value youth education. That's why – in 2019 – SASCU donated \$26,750 in local Scholarships and Awards. While Scholarship funds were awarded to full-time students who demonstrate academic achievement and community involvement, Education Awards were added this year to recognize non-academic and part-time students with strong work ethic (i.e. Early Childhood Education, Health Care Assistant, Trades Apprenticeships, etc.). The addition of Awards to our existing Scholarship donations, made 2019 a successful year for supporting youth education.

sascu.com/ScholarshipsAndBursaries



"Banking with SASCU is always a convenient and enjoyable experience."

- Nicole L., Bachelor of Arts Student at Thompson Rivers University



SASCU Community Crew volunteering at the Roots & Blues Festival ticket booth.

Staff Business Excellence Awards

Salesperson of the Year:

With 30+ years as a SASCU employee, I have developed strong trusting relationships with my members, and it is my goal to help them with any financial aspects of their lives. I always do what I can to help SASCU grow and meet our Strategic Plan. "

MITZI BERNDT, COMMERCIAL ACCOUNT MANAGER

Educational Excellence:

"I love talking to our members and hearing their stories. I'm always fascinated to discover what they've done, where they've been, and how they ended up in Salmon Arm. It's a true honor to experience with them the emotion they share in the telling of their tales."

PETE DEISROTH, WEALTH INVESTMENT SPECIALIST

"As an HR professional it is vital to understand trends and changes and stay current on the most pressing HR issues affecting our organization. The personal commitment for continuing professional development ensures that I can support strategic HR initiatives that benefit SASCU and our employees."

CHERIE SKRIPNIK, SENIOR HUMAN RESOURCES ADVISOR

"Obtaining my Canadian Accredited Insurance Broker Designation has given me an opportunity and the knowledge to continue on my career-path in leadership and management. SASCU is family to me. I continually get encouragement for education and growth as a professional woman in Insurance."

VICKI ADSIT, SUPERVISOR, INSURANCE.

Community Commitment Excellence:

"Volunteering offers me the chance to give something back to our community. I thought I would be the only one giving but little did I know I'd receive so much more than I give. I am thankful that SASCU supports me in my endeavours as volunteering is an important part of my life. "

CHERIE SWETLIKOE, ADVISOR

Behind the Scenes Excellence:

"Every day supporting my team is different. It's a balance of looking ahead, trying to avoid any potholes in the road while also finding creative solutions to what we encounter. The diversity of my role keeps things fresh and I love being a part of the SASCU community!"

KIM PARKER, WEALTH MANAGEMENT ASSISTANT

Sales Excellence:

"When a member walks through the door, I want to spend some time getting to know them so I can understand their goals and investment needs. Our members' business and trust are important to me. From there, I work as efficiently as possible to reach the goals we set out together. "

JEN REISWIG, ADVISOR

"My role is not one of sales but one of listening. When I listen carefully, think of the bigger picture and appreciate each members' unique situation, I am able to work with them to make a positive impact on their future, whatever their goals may be. "

VICKI WELYK, ADVISOR



MITZI BERNDT, CHERIE SWETLIKOE, KIM PARKER, PETE DEISROTH



CHERIE SKRIPNIK, VICKI ADSIT, JEN REISWIG, VICKI WELYK

Corporate Governance



The SASCU Board of Directors

Left to right: Director Frank Popien, Board Chair Barry Johnson, Director Constance Ladell, Director Trent Sismey, Secretary John Schlosar, Director Joan Ragsdale, Board Vice Chair Dave King, Director David Witt.

Missing: Director Darlene McBain

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 and 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 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.

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

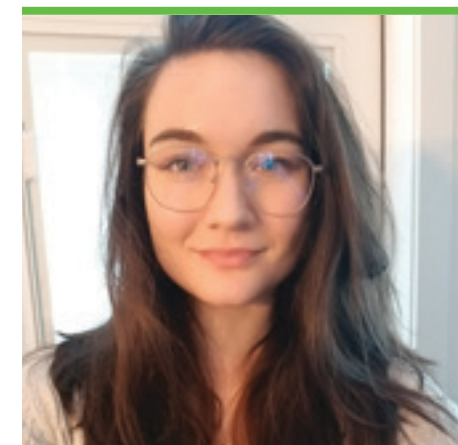
CEO and Human Resources Committee: has responsibility for the oversight of the performance evaluation and compensation of the CEO, as well as strategic oversight of the HR function at SASCU.

Community Relations Committee: oversees the Corporate Social Responsibility policy, and as part of this role, reviews, approves, recommends or declines donation and sponsorship requests according to the authorized limits.

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

Governance Committee: will aid the Board of Directors to provide for effective governance of the Credit Union including ensuring the Board's own development and succession as well as monitoring to prevent the exercise of undue influence by related parties towards employees and Directors. The committee assists the Board in holding Directors and Board Committees accountable for fulfilling their duties and serves as the Conduct Review Committee as specified by the Credit Union Incorporation Act.

Nominating Committee: recruits nominees representing a cross-section of community members with appropriate skills for election to the Board of Directors from the market areas of Salmon Arm, Sicamous and Sorrento. They oversee the entire nomination and election process to ensure adherence to the Financial Institutions Act and the Credit Union rules. Further information on our Board of Directors is available online at sascu.com/WhoWeAre. To view our Credit Union Rules, visit sascu.com/CreditUnionRules.



“Every time I speak with an Advisor, they take the time to explain everything to me and help me make the best choices for my goals.”

- Georgia V.,

Working towards her Bachelor's of Social Work and Indigenous Studies Certification at Thompson Rivers University

Corporate Governance (Continued)

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 website 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	Title as of 12/31/19	Gross Remuneration	Gross Expenses	Board Meetings Attended/Required		Committee Meetings Attended/Required	
JOHNSON, Barry	Board Chair	\$13,930.00	\$3,084.87	10/12	83%	5/5	100%
KING, Dave	Board Vice-Chair	\$12,655.00	\$9,099.53	12/12	100%	12/12	100%
SCHLOSAR, John	Board Secretary	\$12,580.00	\$4,833.18	12/12	100%	11/12	91%
LADSELL, Constance	Director	\$11,830.00	\$3,265.18	12/12	100%	15/15	100%
MCBAIN, Darlene	Director	\$6,445.00	\$2,950.23	5/7	71%	4/4	100%
POPIEN, Frank	Director	\$11,480.00	\$4,017.78	12/12	100%	13/13	100%
RAGSDALE, Joan	Director	\$9,629.06	\$2,429.20	12/12	100%	11/11	83%
SISMEY, Trent	Director	\$8,005.00	\$890.46	9/12	75%	9/11	81%
WITT, David	Director	\$12,580.00	\$5,675.01	12/12	100%	9/9	100%
RETIRED DIRECTORS	Date of Retirement	Gross Remuneration	Gross Expenses	Board Meetings Attended/Required		Committee Meetings Attended/Required	
BLACK, Ken	2019-05-07	\$2,985.00	\$163.30	5/5	100%	4/4	100%

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 2016 strategic planning session, a four year plan (2017 to 2020) was created to move toward fulfilling SASCU's Vision: To be our members' lifelong financial partner. As this plan expires in 2020, the Board is building on its success and mapping a new four year strategic plan with three areas of focus: Member Success, Technological Development and Our Communities.



The SASCU Executive Leadership Team.

Top Row - Left to Right: VP Finance Jennifer Black, VP Operations and Strategy Ken Hawrys, VP Human Resources Sheri Hamilton and CEO Barry Delaney. Bottom Row - Left to Right: VP Information Technology Tom O'Connor, and VP Sales and Service Julie Langham Wall.

Learn more about this team at sascu.com/ELT

PERFORMANCE & COMPENSATION

The four year strategic plan includes key performance indicators to measure progress around the strategies identified under the two areas of focus: Member Centricity and Continuous Improvement. The Strategic Plan with quarterly progress updates can be viewed at sascu.com/StrategicPlan. In addition to regular reporting and monitoring, management provides these 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 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 targeted to be between the 50th and 75th percentiles of the market. A number of factors impact the actual market position, including experience, background, and the CEO's skill and competency level. 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 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 Biographies

BARRY JOHNSON, BOARD CHAIR

Board Director (2015 – Current), CUDA Levels A, B & C

- Chair, CEO and Human Resources Committee

Barry worked for the Credit Union Central of Alberta for 38 years. He started in 1974 as a junior clerk and advanced to the level of Executive Vice President in 2003 until he retired in 2010. Barry also represented the interests of Alberta credit unions on a number of affiliate boards and national committees and has led many strategic projects including the purchase of 23 branches from the Bank of Montreal.

DAVID KING, BOARD VICE CHAIR

Board Director (2014 – Current), CUDA Levels A, B & C

- Chair, Audit and Operational Risk Committee
- Member, Audit and Operational Risk Committee
- Member, CEO and Human Resources Committee

Dave has 43 years of experience in the financial industry. In 2005, he went from Regional Manager of five credit union branches in Alberta to the Senior Manager of Security, responsible for training over 600 employees under Privacy and Money Laundering, including senior management and the Board of Directors. Now retired, Dave is the Deputy Chief of the Anglemont Fire Department.

JOHN SCHLOSAR, SECRETARY

Board Director (2000 – 2009; 2012 – Current), ACCUD

- Chair, Nominating Committee
- Member, CEO and HR Committee
- Member, Governance and Conduct Review Committee

John has served as Sicamous Chamber of Commerce President, councillor for the District of Sicamous, and member of both the CSRD Regional Economic Development Board and Economic Development Committee Chair. He has served as SASCU Board Vice Chair and is currently a member of the Board Executive and member of Central One Peer Group 2 Executive. John is proud to have attained the Accredited Canadian Credit Union Director designation from Dalhousie University.

CONSTANCE LADELL, DIRECTOR

Board Director (2016 – Current), CUDA Level A

- Chair, Governance Committee and Conduct Review Committee
- Member, Credit and Market Risk Committee
- Member, Nominating Committee

Constance retired as General Counsel to the British Columbia Lottery Corporation where she practiced corporate law for 12 years. She has Board experience in non-profit and corporate sectors and currently serves on the Eagle Valley Senior Housing Society Board and the Area E Parks Advisory Committee. She is a member of the SPCA Community Council and volunteers at the Shuswap SPCA shelter, with the Swansea Point Neighbourhood Emergency Program and on Fridays sorts donations at the Sicamous United Church Thrift Shop.

DARLENE MCBAIN, DIRECTOR

Board Director (2019 – Current)

- Member, Community Relations and Sponsorships Committee
- Member, Governance and Conduct Review Committee

Darlene retired in 2017 after practicing law in the Kamloops area for 17 years. During her years working for the Legal Services Society, she was a shop steward and a member of the Kamloops and District Labour Council. Darlene continued her active volunteerism life when she moved to Scotch Creek in 2007. A highlight has been her years on the Adams River Salmon Society including serving as President from 2011 to 2016.

FRANK POPIEN, DIRECTOR

Board Director (2009 – 2013; 2015 – Current), CUDA Levels A, B & C

- Chair, Credit and Market Risk Committee
- Member, Governance and Conduct Review Committee
- Member, Nominating Committee

Frank has eight years of experience in the financial industry, starting as a bank accountant and manager at CIBC/Borg Warner Acceptance, with six years in wholesale financing. He has 32 years of combined experience in finance and business, with 17 years as owner of the Salmon Arm McDonald's. Frank was first elected to the SASCU Board in 2009 until 2013. Following a brief sabbatical, he returned to the Board in May 2015.

JOAN RAGSDALE, DIRECTOR

Board Director (2018 - Current), CUDA Level A

- Member, Audit and Operational Risk Committee
- Member, Community Relations and Sponsorships Committee
- Member, Nominating Committee

Joan is the Dean of the Shuswap-Revelstoke Region for Okanagan College. She worked for the College of New Caledonia for 20 years in support, faculty and administration roles and with the Ministry of Education, to develop a regional task force table between the two main post-secondary institutions and three School Districts serving the central BC region. Joan currently serves as a member of the Salmon Arm Economic Development Society, Salmon Arm Chamber of Commerce, Rotary Club of Salmon Arm (Shuswap) and the Revelstoke Technology Committee.

Further information on our Board of Directors is available online at [sascu.com/WhoWeAre](https://www.sascu.com/WhoWeAre)

TRENT SISMEY, DIRECTOR

Board Director (2018 – Current)

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

Trent is a Chartered Professional Accountant (CPA, CA, MPAcc) and owns and operates a local accounting firm in Salmon Arm. He has spent several years in the industry and was a senior manager and/or director of several large private companies that grew rapidly and went through significant changes. Trent has an active history in financial markets and also completed a Master of Professional Accounting.

DAVID WITT, DIRECTOR

Board Director (2017 – Current), CUDA Levels A, B & C

- Chair, Community Relations and Sponsorships Committee
- Member, Credit and Market Risk Committee
- Member, Nominating Committee

David holds a Bachelor of Education degree specializing in Commerce and English and an Educational Master's degree specializing in Science and Technology. After 36 years in public education, he retired in 2013 as Superintendent of School District No. 83 and currently accepts short-term contracts from government agencies and legal firms as an educational and administrative consultant. David also volunteers as a director on the Board of the BC Tomorrow Society.

2019 Management Discussion and Analysis

SUMMARY

Within the consolidated operations of SASCU, we have four lines of business that are Retail Banking, Commercial Banking, Wealth Management Services and Insurance Services. Each of these business lines contribute to the overall earnings of SASCU. For 2019, earnings prior to distributions to income taxes were \$4.182 million compared to \$4.142 million, representing a small increase of 1%. It was a challenging year financially as member deposits were far greater than member loans at the start of 2019 and this impacted revenue as we make more money on member loans than at Central 1, our banker. As the year progressed member loans grew and outpaced member deposits. This will benefit earnings in 2020.

FINANCIAL MARGIN

Financial margin is the difference between interest earned on loans and investments and interest paid on deposits and other liabilities. In 2019, early in the year, we forecasted that our financial margin would decrease below acceptable levels. As a result, management had to aggressively manage the balance sheet so that we could end the year with flat financial margin and flat earnings.

This was achieved as management was able to lend out twice our normal volume and significantly curtailed deposits. The result was that financial margin remained steady at \$15.1 million.

OTHER INCOME

Other Income includes commissions and fees, service fees and earnings from our wholly owned subsidiaries, SASCU Wealth, SASCU Insurance and Shuswap Insurance. In 2019, other income was \$7.0 million, up from \$5.8 million, an impressive increase of 21%.

Our Wealth business offers investment products from third party suppliers and Insurance are brokers of third-party insurance products. Income earned from these important lines of business for 2019 totaled \$1.2 million up from \$956 thousand, an increase of 26%. The purchase of Shuswap Insurance in the latter part of 2018 along with more business being done by members in SASCU Wealth and SASCU Insurance contributed to these results. In 2020, earnings from subsidiaries are projected to rise slightly as members use more of these services.

OPERATING EXPENSES

In 2019, operating expenses were \$17.9 million compared to \$16.9 million, growing by 5.9%. Most of the growth in operating expenses was in salaries related to the purchase of our new insurance office in Enderby. In 2019, operating expenses increased in dollars but declined as a percent of assets from 1.3% to 1.2%. Operating expenses continue to be well managed and this is expected to continue moving into 2020.

LOANS

Member loans, net of allowances, increased to \$706 million in 2019 from \$632 million, representing very strong growth of 11.7%. We experienced strong growth in personal loans of \$56 million and commercial loans of \$18 million. In 2020, overall loan growth is forecast to drop slightly as the real estate market and economy are forecasted to slow.

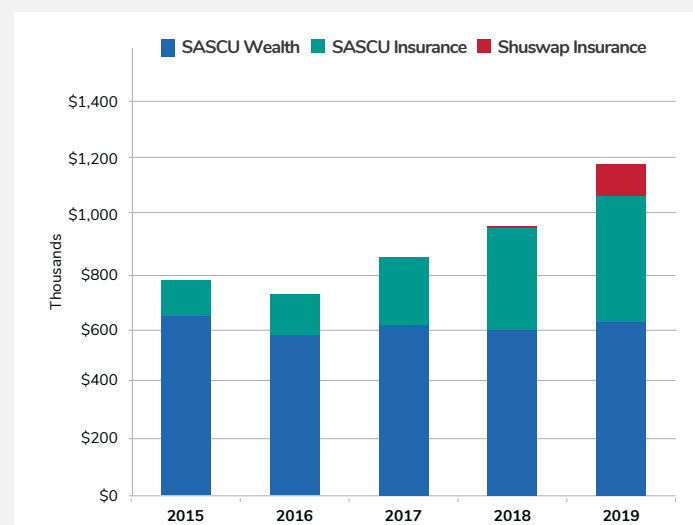
DEPOSITS

Member deposits increased to \$749 million in 2019 from \$731 million, growing by only 2.4%. Due to member deposits outpacing member loans in early 2019, we deliberately slowed down our deposit growth until member loans caught up with the deposits.

In addition to deposit products, we offer member investment products of third-party suppliers, such as mutual funds, for which we receive a commission. In 2019, funds under administration totaled \$220 million up from \$200 million the prior year.

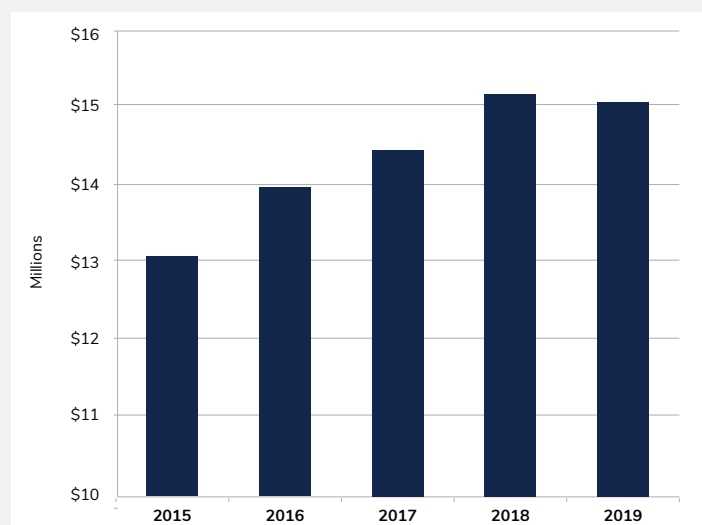
SASCU BORROWINGS

We use member deposits to create loans for our members. When we lend out more than the member deposits that we have on hand, we then borrow those funds from Central 1 Credit Union which is the bank used by BC credit unions. Our loan with Central 1 increases or decreases based on the difference in growth between loans and deposits and other cash flow needs. We had \$11 million in short-term debt at the end of 2019 which represented 33% of our total approved amount. In 2020, we are expecting to reduce or pay down short-term borrowings.



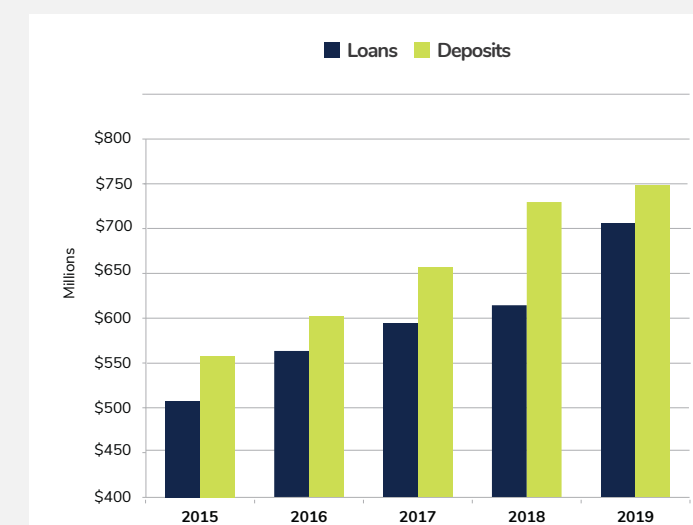
SASCU, SASCU Insurance and Shuswap Insurance Income

Earnings from our Wealth and Insurance subsidiaries are up 23% over 2018.



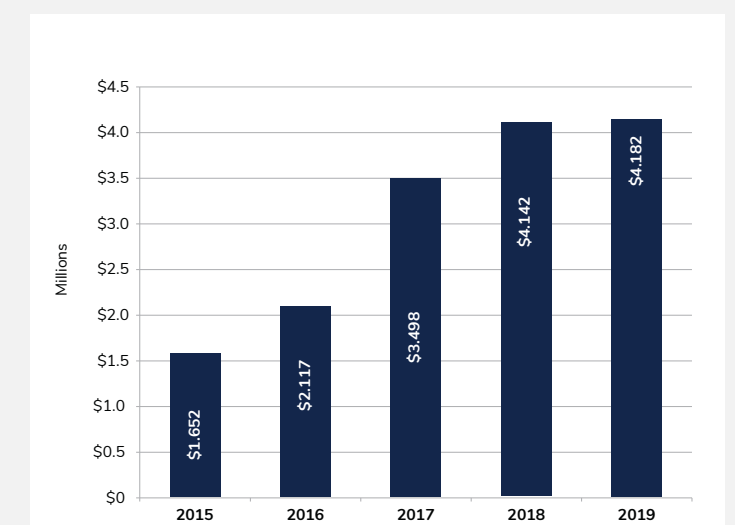
Financial Margin

Aggressive management of our balance sheet kept our margins steady despite the pressure to see a decline.



Growth

The strong growth in member deposits in 2018 was used in 2019 for member loans.



Earnings Prior to Income Taxes

Income flattened from 2019 due to a weaker financial margin.

2019 Management Discussion and Analysis

MEMBERS' EQUITY AND CAPITAL

Members' equity (also known as retained earnings) increased to \$42.6 million in 2019 from \$39.1 million in 2018. 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 13.76% and is well above the regulatory level set at 10% of risk weighted assets. There was a small decrease in our capital level due to our recent purchase of an insurance office in Enderby.



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.

Report from the Auditor



Report of the Independent Auditor on the Summary Consolidated Financial Statements

Opinion

The summary consolidated financial statements, which comprise the summary consolidated balance sheet at December 31, 2019, 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, 2019.

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, 2019 in our report dated March 10, 2020.

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 10, 2020

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

December 31, 2019

1. Summary Consolidated Financial Statements

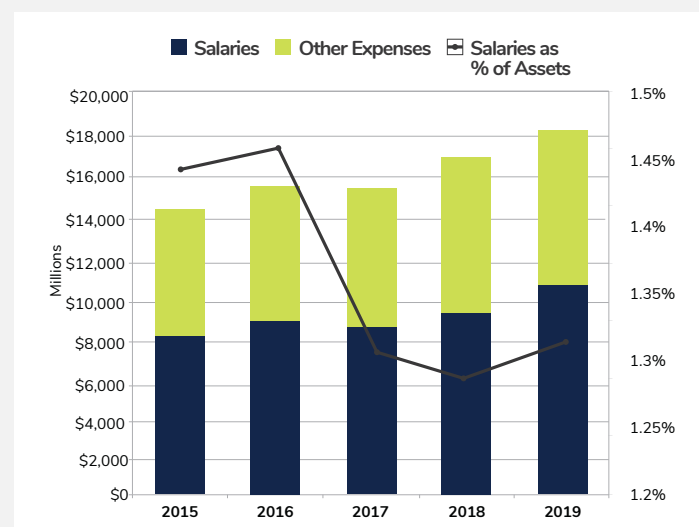
The summary consolidated financial statements are derived from the complete audited consolidated financial statements, prepared in accordance with international financial reporting standards as at December 31, 2019.

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:

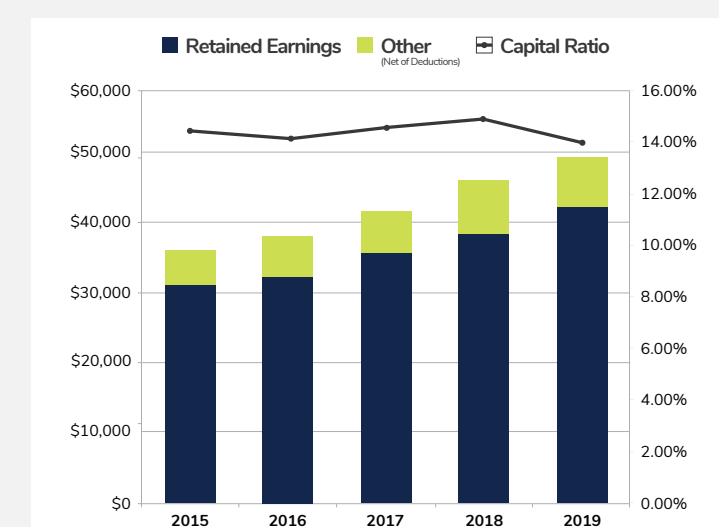
- the summary consolidated financial statements include the statement of consolidated balance sheet, statement of consolidated comprehensive income and members' equity and the statement of consolidated cash flows;
- information in the summary consolidated financial statements agrees with the related information in the complete audited consolidated financial statements including comparative information and all major subtotals and totals; and
- 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.



Operating Expenses

Salaries is our largest expense and effectively managed as a % of average assets.



Capital

The capital ratio declined slightly from 2018 due to the purchase of Shuswap Insurance and strong loan growth.

Summary of Consolidated Financial Statements

	December 31, 2019	December 31, 2018
Assets		
Cash	\$ 13,149,012	\$ 11,808,850
Investments	65,713,281	108,650,403
Derivative financial assets	873,306	387,594
Loans to members	705,751,311	632,219,616
Property, plant and equipment	14,366,924	14,829,671
Goodwill and intangibles	5,297,405	5,047,679
Investment property	522,272	540,614
Other assets	2,199,330	1,067,378
	<u>\$ 807,872,841</u>	<u>\$ 774,551,805</u>


Liabilities and Members' Equity		
Accounts payable and accrued liabilities	\$ 3,997,635	\$ 3,231,364
Member deposits	748,704,091	731,117,385
Derivative financial liabilities	873,306	387,594
Short-term debt	11,000,776	-
Member shares	739,801	748,270
Members' equity	42,557,232	39,067,192
	<u>\$ 807,872,841</u>	<u>\$ 774,551,805</u>

Statement of Consolidated Comprehensive Income and Members' Equity

	December 31, 2019	December 31, 2018
Financial income	\$ 26,110,831	\$ 23,460,905
Financial expense	11,034,164	8,232,155
Financial margin	15,076,667	15,228,750
Other income	6,967,727	5,808,399
	<u>22,044,394</u>	<u>21,037,149</u>
Operating expenses		
Distributions to members	14,199	36,537
Employee salaries and benefits	10,458,158	9,541,549
Other	7,389,771	7,316,841
	<u>17,862,128</u>	<u>16,894,927</u>
Income before income taxes	4,182,266	4,142,222
Income taxes	692,226	745,160
Comprehensive income for the year	3,490,040	3,397,062
Members' equity, beginning of year	39,067,192	35,670,130
Members' equity, end of year	<u>\$ 42,557,232</u>	<u>\$ 39,067,192</u>

Statement of Consolidated Cash Flows

	December 31, 2019	December 31, 2018
Cash flows from operating activities	\$ (51,698,877)	\$ 40,328,282
Cash flows from investing activities	42,236,166	(38,380,481)
Cash flows from financing activities	10,802,873	(23,351)
Net increase in cash	1,340,162	1,924,450
Cash at beginning of year	11,808,850	9,884,400
Cash at end of year	<u>\$ 13,149,012</u>	<u>\$ 11,808,850</u>


Chair of the Board


Chair of the Audit Committee

SASCU

FINANCIAL GROUP

CREDIT UNION • INSURANCE • WEALTH

SASCU

SASCU Credit Union

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