

INDEPENDENT AUDITOR'S REPORT ON THE
SUMMARIZED FINANCIAL STATEMENTS

To the Members of Summerland & District Credit Union

Opinion

The summary consolidated financial statements of Summerland & District Credit Union (the "Credit Union"), which comprise the summarized consolidated statement of financial position as at December 31, 2022, and the summarized consolidated statements of income and comprehensive income, changes in members' equity and cash flows for the year then ended are derived from the audited consolidated financial statements for the year ended December 31, 2022.

In our opinion, the accompanying summarized consolidated financial statements are a fair summary of the audited consolidated financial statements.

Summary Consolidated Financial Statements

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited 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 in our report dated March 2, 2023.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summarized 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 Standards (CAS) 810, Engagements to Report on Summary Financial Statements.

Kelowna, British Columbia
March 2, 2023

MNP LLP

Chartered Professional Accountants
1500 - 1700 Dickson Avenue, Kelowna, BC V1Y 0L5

Members may obtain a free copy of the full consolidated financial statements from the Credit Union

SUMMERLAND & DISTRICT CREDIT UNION
Consolidated Statement of Changes In Members' Equity
For the year ended December 31, 2022

	Member shares	Retained earnings	Accumulated other comprehensive income	Total
Balance December 31, 2021	173,215	27,628,712	(511,876)	27,290,051
Comprehensive income	-	2,266,319	-	2,266,319
Distributions to members	-	(6,261)	-	(6,261)
Change in member shares, net	(17,072)	-	-	(17,072)
Unrealized fair value losses on mandatory liquidity investments, net of income tax	-	-	(400,905)	(400,905)
Foreign exchange	-	-	(701)	(701)
Balance December 31, 2022	156,143	29,888,770	(913,482)	29,131,431

SUMMERLAND & DISTRICT CREDIT UNION
Summarized Consolidated Statement of
Financial Position

As at December 31, 2022

	2022	2021
Assets		
Cash and cash equivalents	16,568,440	34,875,179
Receivables and other assets	237,659	311,361
Investments	38,078,605	38,790,604
Member loans receivable	312,921,821	301,108,037
Property and equipment	3,291,815	3,303,080
Intangible assets	360,095	467,959
Investment in associate	3,285,207	3,595,433
Investment properties	364,885	364,885
	375,108,527	382,816,538
Liabilities		
Member deposits	343,323,054	352,015,720
Income taxes payable	158,042	60,324
Payables and other liabilities	1,943,543	2,919,878
Deferred tax liability	462,999	457,644
Member shares	89,458	72,921
	345,977,096	355,526,487

Members' equity		
Member shares	156,143	173,215
Retained earnings	29,888,770	27,628,712
Accumulated other comprehensive loss	(913,482)	(511,876)
	29,131,431	27,290,051
	375,108,527	382,816,538

Approved on behalf of the Board



Lorrie Forde,
Board Chair



Connie Denesiuk,
Audit & Risk Management
Committee

SUMMERLAND & DISTRICT CREDIT UNION
Summarized Consolidated Statement of
Income and Comprehensive Income

For the year ended December 31, 2022

	2022	2021
Financial income	11,332,484	9,595,251
Financial expense	3,252,312	2,535,127
Financial margin	8,080,172	7,060,124
Provision for credit losses	(10,441)	(10,230)
Other income	1,269,534	2,439,637
Operating margin	9,360,147	9,509,991
Operating expenses	6,304,705	6,099,745
Income before income taxes	3,055,442	3,410,246
Patronage and dividends	108,496	107,006
Provision for income taxes	680,627	507,363
Net income	2,266,319	2,795,877
Other comprehensive loss, net of tax	(400,905)	(331,094)
Comprehensive income	1,865,414	2,464,783

SUMMERLAND & DISTRICT CREDIT UNION
Summarized Consolidated Statement of
Cash Flows

For the year ended December 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating activities	2,242,313	6,396,239
Financing activities	(8,806,468)	22,367,519
Investing activities	(11,744,363)	(55,120,793)
Decrease in cash and cash equivalents	(18,308,518)	(26,357,035)
Cash and cash equivalents, beginning of year	34,875,179	61,232,214
Cash and cash equivalents, end of year	16,566,661	34,875,179

AGM & Directors' Election Update

We are pleased to announce that our incumbent director, Bev Skinner and our new director Christine Petkau were both elected by acclamation. Each director will serve on the Board for a three-year term.

The Board is made up of people who have been elected from our membership, and who share an interest in setting policies that guide the direction of the Credit Union. The Board represents the real owners of the Credit Union – the members – and is charged with the responsibility of overseeing the Credit Union's affairs so that its financial position is maintained and protected.

Notice of the
79th Annual General Meeting

This year's AGM will once again be held virtually online on:

Tuesday, May 9, 2023
Meeting starts at 4:45pm sharp
Zoom waiting room opens at 4:30pm

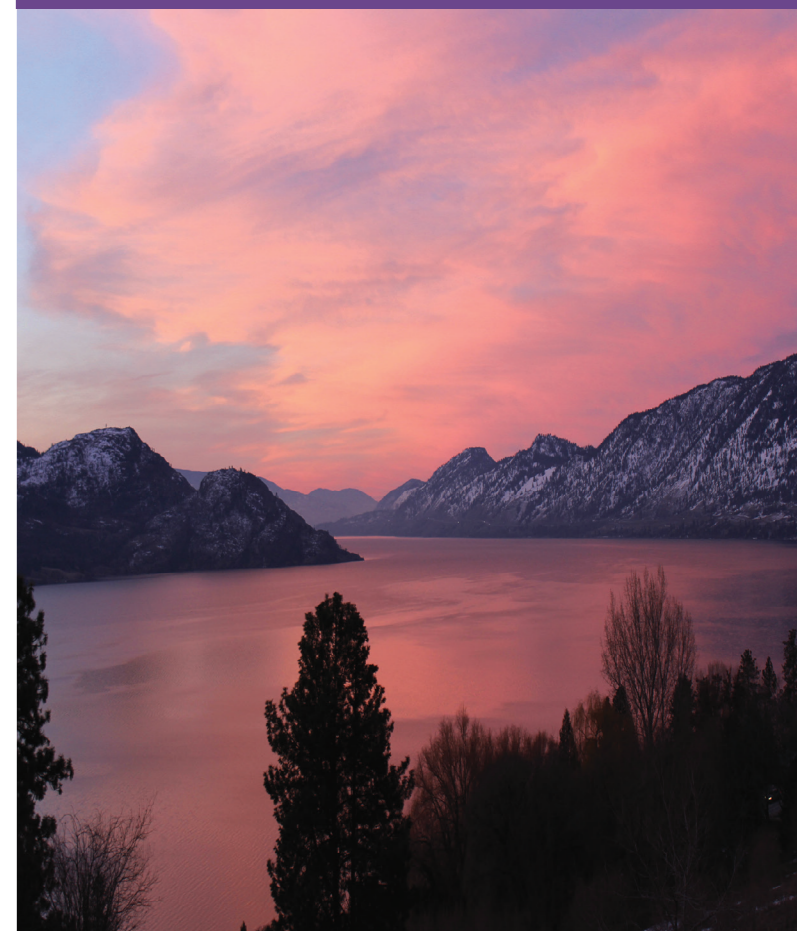
To register to attend the virtual AGM please contact Sandy Laidman via email at slaidman@sdcu.com or call her direct line at 250-494-6052 and she will help set up your authorization.

Annual General Meeting Agenda

1. Call to Order
2. Ascertainment of Quorum
3. Appointment of Recording Secretary
4. Adopt Agenda
5. Minutes of the 2022 Annual General Meeting
6. Business Arising out of Minutes
7. Report to Membership including Financial Results
8. Auditor's Report
9. Approval of the Auditor's Report
10. Appointment of Auditor
11. Results of Election
12. Unfinished Business
13. New Business
14. Good and Welfare
15. Adjournment



ANNUAL
REPORT 2022



We Enrich Lives!

SUMMERLAND & DISTRICT CREDIT UNION ANNUAL REPORT TO THE MEMBERSHIP

On behalf of the board of directors and management, we are pleased to present the Annual Report to our members for the fiscal year ending December 31, 2022.

Activities

This past year we were able to move on from pandemic related impacts that we had lived through for the previous two years. Life, for at least a moment began to feel normal again. That reprieve was short lived as conversations quickly shifted to the war in Ukraine, supply chain issues, commodity prices and consumer demand. Collectively, these factors contributed to rapidly rising inflation and prompted the Bank of Canada to react with seven rate increases in 2022. The “bank rate” rose a whopping 4% during the year, moving from 0.25% to 4.25% including an unprecedented 1% rate hike in July. The rate of increase was something our country has not seen since the central bank began pre-emptively targeting inflation back in the early 1990’s and was the greatest absolute change in interest rates since 1994. The bright spot is that Canada now has the second lowest inflation of the G7 countries and both economic and employment growth remain strong.

Shifting to activities and initiatives that have taken place at Summerland & District Credit Union this past year; we introduced a new online banking and mobile platform to modernize the digital experience for members and provide more flexibility for future enhancements in security, products and digital developments. We began offering new index-linked deposit products that provide the investor with the opportunity to participate in the rise of certain stock indexes without the downside risk to your initial investment and provides a guaranteed rate of return. These new index-linked products are available for three – and five – year terms.

A couple years ago, we also began to research the potential for launching a new reverse mortgage product recognizing that as people aged, more and more were choosing to remain in their own homes versus downsizing or selecting other alternative living arrangements. The reality that many faced were the rising costs of living in the Okanagan region and the challenges of remaining independent while relying primarily on fixed incomes that weren’t keeping pace. In response we launched our own proprietary reverse mortgage product, where homeowners aged 55 and over can apply to unlock up to 45% of the current value of their home and are not obligated to make any payments for as long as they reside in their home.

This past year, media and news articles were constantly filled with commentary on the occurrence of fraud, data and security breaches. Cyber fraud continues to rise and is a term used to describe crimes committed by sophisticated cyberattackers or scammers with the intent to steal sensitive information or gain access to accounts

or emails to exploit for financial gain. There are many different kinds of cyberfraud and it’s important for everyone to take time to research and understand the various types to help reduce the risk of becoming a victim. Some effective risk mitigation steps are: to make sure your devices have the latest security enhancements, to ensure your computers are equipped with antivirus and malware protection software and to use strong and complex passwords. To help enhance security, we implemented “strong password” for access to our online banking platform to ensure a minimum standard for password complexity and further reduce risk exposure. Members also have the option to go into the transfer section of online banking and set email money transfers to “Autodeposit” which significantly reduces the risk of having an email money transfer intercepted by a fraudster.

We completed an agreement with Interior Savings Credit Union’s Wealth Management Division to have them provide professional wealth services to members of Summerland Financial Services. This change will ensure ongoing continuity in service levels as well as unlock access to a team of experienced investment specialists and wealth and estate planners that specialize in delivering the full range of wealth products and services.

In 2022, we also adopted a new Market Code of Conduct for the credit union and our members. The policy is available online and includes details such as business practices, fair treatment, access to services, transparency/disclosure and our complaint handling process.

Summerland Credit Union moved up 4 notches to 86th place in the top 100 credit unions in Canada in terms of asset size and remains the 2nd largest single branch credit union in the country.

At the start of 2022 we budgeted for a contraction in our balance sheet as a result of the economic headwinds and a reduction in income as a result of non-recurring one-time revenues that we experienced in 2021. Loan demand was strong for the first quarter of the year and then diminished during the year with interest rates curtailing demand. The end financial results met our projections and expectations.

Financial Results

On the Consolidated Statement of Financial Position, Assets declined by \$7,708,011 or 2% from 2021 results to \$375,108,527. The most significant changes include Cash and Cash Equivalents decreasing by \$18,306,739 or 52.5% to \$16,568,440 as a result of deposit reductions and loan demand. Investments decreased by \$711,999 or 1.8% to \$38,078,605 and Loans increased by \$11,813,784 or 3.9% to \$312,921,821. Investment in associate reduced by \$310,226 primarily because of a write-down of the

carrying value of our insurance licenses held by Kootenay Insurance Services (KIS) of which Summerland & District Credit Union holds a 25% interest in that subsidiary. The remaining balances in each of the other asset categories remained relatively consistent year over year.

On the liability side of the balance sheet, Member Deposits decreased by \$8,692,666 or 2.5% to \$343,323,054. This reduction was anticipated as consumer spending began to increase. Payables and other Liabilities declined by \$976,335 or 33.4% primarily as a result of outstanding official checks declining year over year which dropped by \$1.16 million when compared to 2021’s results. Other Liabilities remained relatively unchanged during the year.

Members’ equity increased by \$1,841,380 or 6.75% to \$29,131,431 after paying patronage rebates and dividends of \$111,430.

On the Consolidated Statement of Earnings and Comprehensive Income, earnings before income taxes was \$3,055,442 down \$354,804 or 10.4% from the previous year. Operating margin decreased by \$149,844 over the previous year and operating expenses increased by \$204,960. The main reasons for the decrease in the year over year earnings was tied to the mandatory liquidity investment restructuring in 2021 which resulted in a one-time gain of \$456,388 and a reduction in fee income year over year. The increase in operating expenses were tied to incremental increases in operating expenses for most expense categories.

As we look to the future, “We Enrich Lives” will continue to be at the heart of our strategy and remain our core purpose. In 2022 we launched a new strategic plan to map out our key focus areas for the next five years. We see technological advances driving financial service innovation and as a result we will be looking at launching an exclusively online “digital” version of our brand in 2025. This online brand will be structured to compete in the virtual world and complement our existing “bricks and mortar” retail services. We’re also looking at collaborating with a couple of British Columbia Credit Unions to drive synergies and efficiencies in our organizations. The goal being to eliminate duplication and overlap with a focus on enhancing each credit union’s capabilities by working together to create value for all stakeholders. The final key focus is on our people and the future of work. Our employees are critical to delivering a powerful member experience and are at the heart of our purpose. With growing demand and availability of anytime, anywhere service, we will evolve to meet those expectations through the development of a hybrid work environment. We anticipate that having a laser focus on executing this strategy will propel Summerland & District Credit Union to become the largest single branch credit union in the country by 2027.

Accountability and Disclosure

This report contains highlights and condensed information to provide readers with a snapshot of the previous year’s activities. We value engagement and transparency and have more detailed information available online at www.sdcu.com or in-branch. The additional detailed reporting includes the credit union’s Governance Disclosure Document, Financial Statements, the Credit Union Rules, Online Policies and our Profit Report. The information is updated every year in May and will be available following the Annual General Meeting which this year is set for May 9, 2023.

Conclusion

Our success this past year would not have been attainable without the commitment and outstanding leadership of our board of directors and the dedication to service excellence by our tremendous staff.

To our members, thank you for your continued patronage and support as we remain committed to being your financial service partner of choice and supporting you with products and services to help you achieve your financial goals.



Lorrie Forde, Board Chair



Kelly Marshall, President/CEO

Current Board of Directors

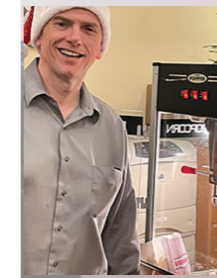
Lorrie Forde ~ Board Chair
 Terri Eriksen ~ Vice-Chair
 Sandy Berry Carsten Nielsen
 Connie Denesiuk Christine Petkau
 Abhi Lekhi Bev Skinner



13601 Victoria Road North,
 PO Box 750, Summerland, BC V0H 1Z0
 Tel 250-494-7181 • Fax 250-494-4261

www.sdcu.com

We Enrich Lives!



At Summerland Credit Union we believe that supporting the local community is our core purpose and a foremost corporate value.

We take pride in our exemplary record of community service and involvement supporting charitable programs and activities that enhance and enrich the well-being and quality of life for all members of our community.

2022 Member Patronage Rewards

10% BONUS ON DEPOSIT INTEREST

10% REBATE ON SERVICE CHARGES

4% LOAN INTEREST REBATES

Community Contributions

2022 signaled a return to a more normal year, after a few very challenging years due to the pandemic. Many community groups and events, which had been temporarily postponed due to public health mandates returned and Summerland was once again buzzing, hosting many in-person events which the credit union was proud to support. Some of these local events we’ve all come to know and love included: Action Fest, Giants Head Grind, Agur Lake Golf Tournament, Terry Fox Run, Festival of Lights and many more.

We are excited to continue to do our part for the community, whether it be through academic bursaries, showcasing local artists in our branch, supporting school athletic events, or helping non-profit organizations with their fundraising endeavors. We care deeply about the community of Summerland and surrounding areas, and remain committed to helping support charitable causes!