



2023 ANNUAL REPORT



message from the board

Dear Members:

In 2023, Kootenay Savings Credit Union embarked on a transformative journey, ushering in a vibrant era of renewal and innovation. Amidst this pivotal period, we conceived and meticulously developed a dynamic new brand identity, unveiling it to our members and the wider community in early 2024.

This unveiling marked the culmination of our efforts to craft a refreshed crest, tagline, and color palette, all emblematic of our essence and aspirations to transform our operations. Anchored by the motto, "Your path, our purpose," our new brand reinforces our unwavering commitment to guiding you through your financial journey.

What sets this endeavor apart is that it was a fully internal initiative, driven by the creativity and dedication of our exceptional team. Eschewing external consultants or marketing firms, we chose

to showcase the remarkable talent and ingenuity within our organization, a testament to our confidence in our workforce's ability to innovate.

Complementing our branding initiatives, we introduced new products tailored to meet the evolving needs of our members, reaffirming Kootenay Savings as your trusted financial partner. As we approach our 55th anniversary, we reflect on our rich history and eagerly anticipate the exciting opportunities that lie ahead.

Our journey thus far has been extraordinary, and we're filled with enthusiasm for the future we will continue to shape together. We extend our heartfelt gratitude for your enduring trust and partnership. This is just the beginning, and we eagerly anticipate many more years of serving you.

Sincerely,



Mike Konkin

Kootenay Savings Credit Union Board Chair

This year, we embarked on a transformative journey, ushering in a vibrant era of renewal and innovation.



2023 milestones

may

Our organization-wide **learning series** was launched. This gave employees opportunities to learn more about all areas of our business and gain a better understanding of how everything works together.

august

Our new **Three Summits Mortgage** had its debut – designed right here in the Kootenays with our members at the forefront. Engineered to cater to their needs, this mortgage offers distinctive features and benefits aimed at enhancing KSCU's appeal and providing value to our members.

february

KSCU granted \$15K to the **Selkirk College Bridging Homelessness Initiative**. This three-year project brings together diverse perspectives and expertise to collaboratively address homelessness in our regions, supporting individuals who are currently experiencing or have previously experienced homelessness.

march

Our CEO was invited to sit on the **BCFSA Advisory Committee**, and had this to say about it: "It's an honour for KSCU to have been appointed to this select group at such a critical time, to engage with our Regulator on issues facing the CU system. The system is at an inflection point, and this seat allows KSCU to have a voice in how we navigate our collective paths forward."

september

We proudly **reopened all branch locations** after three long years. Our goal was to reconnect with our origins, reaffirm our dedication to the communities we serve, and honor the importance of local service.

april

A new **risk-based pricing model for mortgages** was implemented, leveraging known variables to tailor pricing according to each member's risk profile. This not only enhances consistency but allows us to competitively price to the market.

november

Near the end of the year, we hosted an all-employee **Summit Event**, providing an opportunity to unite our staff for an in-person team building celebration. Our Summit Event set the stage for 2024 expectations and launched new initiatives all aimed at enhancing our service to our members and communities.

executive leadership team



Mark McLoughlin
President & CEO



Mike Bushore
Chief Risk &
Operations Officer



Ron Johnston
Chief Financial Officer



Troy Kusy
Chief Technology Officer



Brian Moroney
Chief Credit Officer

L to R: Owen Morris, Wendy Booth, Linda MacDermid, Roberta Schnider (Vice-Chair), Am Naqvi, Mike Konkin (Chair), John Stephens, Forrest Drinnan, John Brand, Keith Smyth

board of directors





As we reflect on the past year, it's important to acknowledge the challenges that our banking system faced in 2023.

The Canadian banking landscape continued to evolve, presenting both opportunities and obstacles for financial institutions across the country.

The economic environment in 2023 was marked by several significant factors that impacted the banking sector. Inflation, fueled by global economic conditions and supply chain disruptions, reached its highest levels in decades. The outbreak of war in Ukraine further exacerbated these challenges, leading to increased uncertainty and volatility in financial markets.

To combat rising inflation, the Bank of Canada implemented a series of interest rate hikes, aiming to stabilize prices and manage economic growth. These rate increases had a direct impact on borrowing costs for consumers and businesses, influencing spending and investment decisions across the country.

The banking sector also continued its rapid digital transformation in 2023, driven by changing consumer preferences and technological advancements.

Financial institutions, including KSCU, must find ways to invest in digital infrastructure and services to meet the evolving needs of our members.

Regulatory changes also played a significant role in shaping the banking system in 2023. Financial institutions faced increased scrutiny and regulatory requirements, particularly in areas such as risk management, cybersecurity, and consumer protection.

Despite these challenges, the banking system in Canada remains resilient. Financial institutions have adapted to the changing environment, leveraging technology and innovation to enhance services and improve efficiency. This adaptability has enabled banks and credit unions to continue serving their communities effectively, even in the face of adversity.

At KSCU, we have remained committed to our members and communities throughout these challenging times. We have focused on strengthening our financial position, enhancing our digital capabilities, and providing personalized service to meet the diverse needs of you, our members.

As we reflect on the past year, I am pleased to report that despite the challenging economic environment, KSCU remains financially strong, sound, and resilient, and we experienced a very successful 2023.



Despite the challenging economic environment, KSCU experienced a very successful 2023.

FINANCIAL PERFORMANCE

KSCU's assets under management increased by 4.83% year over year, reaching a total of \$1.6 billion.

We approved 1524 retail and commercial loans in 2023, totaling over \$324 million, reflecting an 8.31% increase in loan growth.

Deposit growth also saw a positive trend, increasing by 3.27% in 2023.

KSCU's net income for the year was \$3.11 million, a testament to our strong financial management and strategic planning.

Based on our overall financial performance for 2023, KSCU declared a 1% profit sharing dividend – distributing \$254,000 to members.

Our insurance subsidiary, Kootenay Insurance Services, had a very successful 2023. We saw the departure of our partner Summerland Credit Union from the partnership, and KSCU and Nelson District Credit union increased our ownership of KIS to 37.5%.

KIS continued to streamline operations to ensure there were no missed opportunities for growth within our credit union family.

KIS successfully launched their Commercial Department, restructuring to better serve clients, along with their Independent Business Unit which enabled commercial insurance brokers and managers to directly focus on obtaining new commercial business.

OPERATIONAL INITIATIVES

In 2023, over 70 initiatives were implemented by our management team to support our financial growth and targets. These initiatives were instrumental in driving our success.

One of the significant initiatives was the rollout of our new KSCU brand. This included a new crest, tagline, and colors, as well as updates to our website, app, and online banking tools. This rebranding effort, developed entirely in-house, reflects our commitment to enhancing our operations to better serve our members and each other.

Focus on our people, Enhanced Governance, and Enterprise Risk Management improvements were key components of our activities in 2023.

KSCU's assets under management increased by 4.83% year over year, reaching a total of \$1.6 billion.

Deposit growth also saw a positive trend, increasing by 3.27% in 2023.

We approved loans totaling over \$324 million, an 8.3% increase in loan growth.

Operationally, we made efforts to put the “R” back into Retail, repositioning our branch hours of operations and investing in front-line staff hiring.

We made significant progress with our digital Platform, introducing our KOOTS Knowledge Exchange and Virtual Team. We are very thankful and appreciative of the patience our members have shown us as we make and develop these much-required digital upgrades and developments at KSCU.

LOOKING AHEAD

We remain optimistic about the resilience of the banking system in Canada. By staying true to our values and focusing on innovation and collaboration, we believe that we can overcome any challenges that come our way.

We continue to see many opportunities ahead, including potential growth through strategic partnerships, continued enhancement in digital banking, innovation in our product offerings, and deepening our commitment to the community.

2023 was a year of significant achievements and growth for Kootenay Savings Credit Union. Our success would not have been possible without the dedication and hard work of our staff, the support of our members, and the guidance of our Board of Directors.

2024 is KSCU's 55th year of operation, and our purpose is, and always will be, to help members and communities thrive. We are fortunate to have a great team of passionate employees who have steadfastly managed the organization through these recent uncertain times, and we will continue to position KSCU as a leader in delivering financial services and advice.

I want to thank you, our members, for your continued trust and support. We are proud to serve you and look forward to continuing our journey together in the years to come.

Sincerely,



Mark McLoughlin
Kootenay Savings Credit Union CEO

KSCU invested \$214,817 back into the community this year.

KSCU gave \$254,000 in profit sharing to members.

We remain optimistic about the resilience of the banking system in Canada.



**Report of the Independent
Auditor on the Summary
Consolidated Financial
Statements**

To the Members of Kootenay Savings Credit Union:

Opinion

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

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

Summary 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 Credit Union's 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 21, 2024.

**Management's Responsibility for the
Summary Consolidated Financial Statements**

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

Auditor's Responsibility

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



MNP LLP
Chartered Professional Accountants
Kelowna, BC
March 21, 2024



**Summary Consolidated
Statement of
Financial Position**

AS AT DECEMBER 31, 2023
(000s Canadian Dollars)

	2023	2022
ASSETS		
Cash and deposits	\$ 32,810	\$ 81,648
Loans, net of allowance for impairment	1,336,798	1,234,228
Premises and equipment and investment property	14,033	14,461
Intangible assets	1,790	2,090
Other investments	176,192	134,254
Other assets	35,178	31,237
	\$1,596,801	\$1,497,918
LIABILITIES & MEMBERS' EQUITY		
Deposits from members		
- demand	\$ 780,560	\$ 801,870
- term	406,622	362,964
- registered plans	248,243	225,126
- shares	2,564	2,791
	1,437,989	1,392,751
Other liabilities	14,771	5,709
Borrowings	59,663	12,151
Accounts payable and accrued liabilities	4,337	10,364
Member's equity		
Equity shares	11,076	11,999
Retained earnings	69,785	67,377
Accumulated other comprehensive loss	(820)	(2,433)
	\$1,596,801	\$ 1,497,918

APPROVED BY THE DIRECTORS



Mike Konkin
Board Chair



Am Naqvi
Chair, Audit & Operational
Risk Committee

NOTE: Readers are cautioned that these condensed consolidated financial statements do not include all the disclosures required for complete and fair presentation.

The full 2023 consolidated financial statements and independent auditors' report can be obtained at [kscu.com/about-us/governance](https://www.kscu.com/about-us/governance) or at any Kootenay Savings branch.



**Summary Consolidated
Statements of Changes
in Members' Equity
and Cash Flows**

AS AT DECEMBER 31, 2023
(000s Canadian Dollars)

	2023	2022
Members' Equity, beginning of year	\$ 76,943	\$ 76,413
Net income	2,498	3,459
Patronage, net of tax	(90)	(98)
Net redemption of member shares	(923)	(882)
Unrealized fair value gains (losses) on investments, net of tax	1,613	(1,854)
Unrealized fair value gains (losses) on investment in associate, net of tax	-	(95)
Members' Equity, end of year	<u>\$ 80,041</u>	<u>\$ 76,943</u>
Cash flows provided by		
Operating activities		
Investing activities	\$ 8,754	\$ 7,065
Financing activities	(149,344)	(104,991)
	<u>91,739</u>	<u>31,095</u>
Decrease in cash and deposits	(48,851)	(66,831)
Cash and deposits, beginning of year	81,734	148,565
Cash and deposits, end of year	<u>\$ 32,883</u>	<u>\$ 81,734</u>



**Summary Consolidated
Statement of
Comprehensive Income**

AS AT DECEMBER 31, 2023
(000s Canadian Dollars)

	2023	2022
Interest income	\$ 58,355	\$ 42,191
Interest expense	31,646	13,582
Net interest income	26,709	28,609
Securitized loan expense	(312)	(295)
Other income	8,661	8,818
	<u>35,058</u>	<u>37,132</u>
Provision for (recovery of) credit losses	322	(13)
Net interest and other income, after provision	<u>34,736</u>	<u>37,145</u>
Operating expenses		
- Salary and employee benefits	20,626	20,338
- General and administrative	7,595	8,109
- Occupancy and equipment	3,763	3,952
	<u>31,984</u>	<u>32,399</u>
Net income before other items	<u>2,752</u>	<u>4,746</u>
Patronage and dividends		
Patronage dividends – 1.00% (2022 – 1.00%)	106	74
Dividends		
Membership equity shares – 1.00% (2022 – 1.00%)	1	1
Patronage shares – 1.00% (2022 – 1.00%)	24	26
Gain on assets	(431)	402
Contributions to Kootenay Savings Community Foundation	–	200
Discontinued operations, net of tax	618	194
Net income before taxes	<u>2,434</u>	<u>4,653</u>
Current taxes	(385)	827
Deferred taxes	321	367
Net income	<u>2,498</u>	<u>3,459</u>
Other comprehensive loss, net of tax		
Items that will be reclassified to net income	1,613	(1,854)
Items that will never be reclassified to net income	–	(95)
Total comprehensive income	<u>\$ 4,111</u>	<u>\$ 1,510</u>

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Corporate Offices

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Kaslo

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Kaslo, BC

Kimberley

200 Wallinger Avenue
Kimberley, BC

Nakusp

502 Broadway Street
Nakusp, BC

New Denver

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New Denver, BC

Radium Hot Springs

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Salmo

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Trail

1199 Cedar Avenue
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your path. our purpose.