

SALAL  CREDIT UNION
AnnualReport
2020

A message to our members

2020 was a year of profound challenges. As the new decade began, we saw our lives disrupted by the COVID-19 global pandemic. What followed was an unprecedented public health and economic crisis that tested us all and took the lives of far too many in our country and around the world. As a credit union that is proud to count many healthcare professionals among our membership, we would like to first express our immense gratitude for the hard work and sacrifices our healthcare workers have made to save lives in our communities.

For Salal Credit Union, life during the pandemic has meant having to adapt quickly and find creative solutions to many challenges we never imagined we'd face. It meant finding new ways to help members get their banking done. And it meant that much of the Salal team was suddenly serving members from our own kitchen tables and home offices, as many employees suddenly found themselves working 100% remotely. Through it all, we've been tremendously thankful to each and every Salal member for your patience and loyalty as we've worked hard to continue to provide you with the financial services you count on every day.



ANNETTE MURPHY

Chair, Salal Board of Directors



RUSSELL E. ROSENDAL

President and
Chief Executive Officer

Our first priority during the pandemic has been to ensure the health and well-being of our members and staff. Following the advice of public health experts and Governor Inslee's indoor restrictions, we took emergency steps in the spring of 2020 to limit foot traffic in our branch lobbies. To further enhance safety, we transitioned to contactless transactions when feasible.

We invested in new technology to increase automation, speed, and efficiency, while helping our members and staff feel more connected. When the Governor's initial restrictions were eased, we carefully reopened our branches for visits by appointment. We understand that these limitations on in-branch visits have been difficult for some of you and we thank you for your flexibility and understanding as we've all had to work together to keep each other safe.

When the magnitude of the pandemic's economic toll became clear, we developed an Emergency Relief Program to assist struggling members. The program included fee refunds, loan modifications, expanded option for skipping loan payments, along with access to free financial counseling and a number of relief solutions for members with home loans from Salal.

Despite the many challenges we have faced together, we're pleased to report that Salal Credit Union remains on solid financial footing. In 2020, we saw our total assets grow to \$993 million—another record high and a 35% rise year over year. Deposit balances grew 36% to \$871 million and gross loan balances were up 12% to \$657 million. We also finished the year with a net income of \$9.1 million—down just slightly from 2019 and a remarkable achievement, given the major economic disruptions of COVID-19 and historically low interest rates. Salal's credit quality also remained high and charge-offs were well below industry averages despite the year's widespread economic hardships.

The low interest rate environment led to Salal Home Lending experiencing historic mortgage growth in 2020, with mortgage loan balances rising to a record \$262 million. Despite temporary shutdowns in key regions, our Dealer Direct Lending program ended the year with loan balances of \$215 million, as we continued to expand access to home improvement and solar power financing to more people in more states. In the process, we were able to help 3,000 home owners afford to install solar systems. We also continued to expand banking for the licensed and regulated cannabis industry, providing thousands of members with essential banking services they might not otherwise have access to.

These successes enabled us to improve and expand the products and services we're able to provide our members. We added a number of great new checking account options, including more interest-earning accounts, to help members find the checking solution that best suits their money management needs. We added 900 new ATMs to our fee-free network so members have even more access to cash withdrawals around the U.S. We launched a new and improved Visa Rewards program, including a new online store with many more ways to redeem points. And we upgraded our Dealer Direct online application, making it easier for members to apply for solar and home improvement financing.

Our success also allowed us to be a stabilizing force in turbulent times through our significant community giving efforts. We're very proud to report that Salal was able to give back \$393,000 in charitable donations in 2020. As we provided vital support to our communities in this time of need, we continued to focus our giving efforts on causes related to housing insecurity, social equity, healthcare, and renewable energy. These four "pillars" are rooted in our core values and are areas we hope to make the greatest impact, today and in the future.

The resilience that Salal has shown this year was made possible by you, our members. It was also due, in no small part, to the tireless work, dedication, and adaptability of the Salal team, along with the careful long-term planning of the Salal leadership team. Our success and stability this past year is a testament to the power of the cooperative spirit our credit union was founded on. It shows us once again that when we work together—members, employees, and community—we can accomplish great things. As we look ahead to 2021, we see many glimmers of hope on the horizon—first among them the continued rollout of the COVID-19 vaccines. We thank you, our members, for your continued support and trust, and for the privilege of serving as your financial institution. We look forward to brighter days around the corner and to the new opportunities we will unlock together in 2021.

Sincerely,

Annette Murphy, Chair, Salal Board of Directors
Russell E. Rosendal, President and Chief Executive Officer



JOHN ZIELONKA
Chair, Supervisory Committee

SUPERVISORY COMMITTEE REPORT

The mission of the Supervisory Committee

is to oversee the operations of the Credit Union to protect the investments of its members. The Committee meets with management staff, independent external auditors and governmental examiners to ensure the Credit Union operates in compliance with the requirements of state and federal regulatory agencies.

The Supervisory Committee meets regularly with management staff to review and evaluate the Credit Union's operating policies; ensure internal controls are defined, effective and followed; review and recommend policy changes to the Board of Directors; and ensure sound operating procedures are adhered to in accordance with established policies.

The Supervisory Committee works with the Credit Union's internal auditor to make certain the activities of the internal audit department are reported to the Board of Directors. The Committee also serves as the Board of Director's liaison with the independent auditors in carrying out the annual opinion audit as well as reporting the auditors' findings and recommendations to Credit Union members at the annual meeting. In the 2019 audit, our independent auditors, Moss Adams LLP, CPAs, issued an unqualified opinion.

The Supervisory Committee finds the reporting and operating procedures of the Credit Union, as well as the actions and policies of the Board of Directors, Committees and Management, to be in compliance with applicable laws and regulations.

BOARD OF DIRECTORS



ANNETTE MURPHY
Chair



BRIAN LUONG
Vice Chair



BEN STEINER
Secretary



ALI SEALS



CATHERINE BAILEY



JOE LePLA



DICK WOO



ALAN LEDERMAN



SOPHIE BROUGHAM



NISHAT AKHTER

SENIOR LEADERSHIP



RUSSELL E. ROSENDAL
President & CEO



BOB SCHWEIGERT
SVP, Chief Lending Officer



RANDY CLOES
CMA, SVP, Chief
Financial Officer



TARA SEEVER
SVP, Chief Human
Resources Officer



SKOTT POPE
SVP, Chief Retail
Banking Officer

SALAL COMMITTEES

EXECUTIVE

Annette Murphy - *Chair*
Brian Luong
Ben Steiner
Russell E. Rosendal
Joe LePla

SUPERVISORY

John Zielonka - *Chair*
Catherine Bailey
Ben Steiner
Chad Cheney
Eric Oliner
Quynh Nguyen

LOAN

Kevin Knowles - *Chair*
Ali Seals
Russell E. Rosendal
Bob Schweigert
Randy Cloes

RISK

Randy Cloes - *Chair*
Annette Murphy
Joe LePla
Sophie Brougham
Russell E. Rosendal
Bob Schweigert
Brett Ballman

ASSET/LIABILITY

Alan Lederman - *Chair*
Brian Luong
Nishat Akhter
Russell E. Rosendal
Bob Schweigert
Randy Cloes
Skott Pope
Brett Ballman

GOVERNANCE

Catherine Bailey - *Chair*
Ben Steiner
Dick Woo
Annette Murphy
Joe LePla
Alan Lederman
Ali Seals
Brian Luong

2020 FINANCIALS

Best viewed on desktop/tablet.

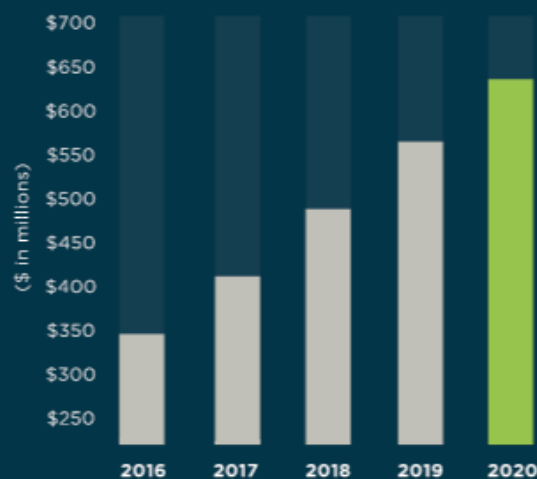
Loans, net

Assets

Deposits

Net Worth

| Year End | Loans, net (\$ in millions) |
|----------|--------------------------------|
| 2020 | 648.2 |
| 2019 | 577.1 |
| 2018 | 501.7 |
| 2017 | 419.6 |
| 2016 | 355.4 |



Loans, net

Assets

Deposits

Net Worth

| Year End | Assets (\$ in millions) |
|----------|----------------------------|
| 2020 | 992.8 |
| 2019 | 737.2 |
| 2018 | 656.2 |
| 2017 | 536.7 |
| 2016 | 495.2 |



2020 FINANCIALS

Best viewed on desktop/tablet.

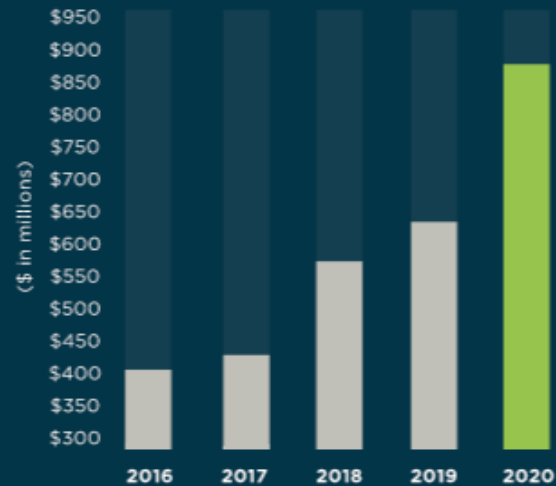
Loans, net

Assets

Deposits

Net Worth

| Year End | Deposits (\$ in millions) |
|----------|------------------------------|
| 2020 | 870.9 |
| 2019 | 638.6 |
| 2018 | 570.8 |
| 2017 | 434.9 |
| 2016 | 404.3 |



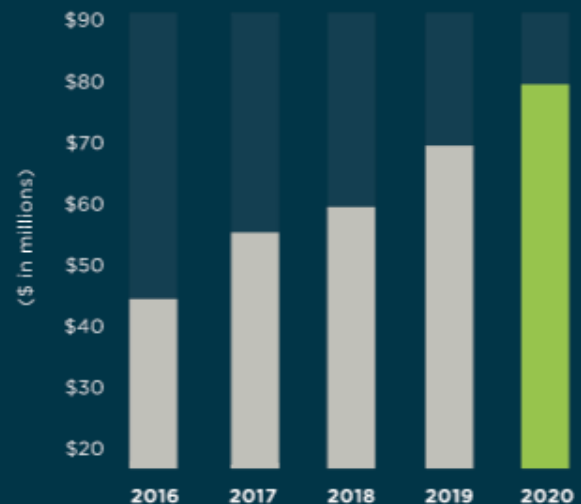
Loans, net

Assets

Deposits

Net Worth

| Year End | Net Worth (\$ in millions) |
|----------|-------------------------------|
| 2020 | 78.7 |
| 2019 | 67.9 |
| 2018 | 58.4 |
| 2017 | 54.3 |
| 2016 | 43.2 |



2020 FINANCIALS

SUMMARY FINANCIAL STATEMENTS

| Assets (\$ in 000's) | YE 2020 | YE 2019 | YE 2018 |
|---|----------------|----------------|----------------|
| Cash and Cash Equivalents | 197,729 | 48,765 | 47,266 |
| Investments | 87,246 | 66,472 | 63,798 |
| Loans to Members | 657,290 | 584,994 | 509,441 |
| Less: Allowance for Loan Losses | (9,122) | (7,942) | (7,708) |
| Loans, net | 648,168 | 577,052 | 501,733 |
| Fixed Assets, net | 35,408 | 34,725 | 34,744 |
| Federal Share Insurance Fund Deposit | 4,836 | 3,960 | 3,788 |
| Other Assets | 19,364 | 6,214 | 4,850 |
| Total Assets | 992,751 | 737,188 | 656,179 |
| Liabilities and Members' Equity (\$ in 000's) | YE 2020 | YE 2019 | YE 2018 |
| Savings Accounts | 155,353 | 117,303 | 121,771 |
| Checking Accounts | 449,690 | 272,877 | 209,773 |
| Money Market Accounts | 158,857 | 137,777 | 96,697 |
| Certificates of Deposit | 107,034 | 110,634 | 142,573 |
| Total Deposits | 870,934 | 638,591 | 570,814 |
| Borrowings | 14,419 | 12,359 | 13,202 |
| Other Liabilities | 28,738 | 18,303 | 13,775 |
| Reserves, Undivided Earnings & Other Comprehensive Income | 78,660 | 67,935 | 58,388 |
| Total Liabilities & Members' Equity | 992,751 | 737,188 | 656,179 |

2020 FINANCIALS

| Income Statement (\$ in 000's) | YE 2020 | YE 2019 | YE 2018 |
|--|---------------|---------------|---------------|
| Interest on Loans to Members | 30,904 | 30,624 | 25,011 |
| Interest on Investments & Cash Equivalents | 1,496 | 2,413 | 2,153 |
| Total Interest Income | 32,400 | 33,037 | 27,164 |
| Interest Paid to Members | 2,718 | 2,905 | 1,600 |
| Interest on Borrowings | 333 | 323 | 702 |
| Total Interest Expense | 3,051 | 3,228 | 2,302 |
| Net Interest Income | 29,349 | 29,809 | 24,862 |
| Provision for Loan Losses | 2,258 | 1,453 | 2,428 |
| Net Interest Income After Provision for Loan Losses | 27,091 | 28,356 | 22,434 |
| Fee and Other Income | 22,669 | 14,010 | 9,227 |
| Gains on Investment Activity | - | 108 | - |
| Total Non-Interest Income | 22,669 | 14,118 | 9,227 |
| Employee Compensation and Benefits | 25,509 | 19,569 | 16,764 |
| Operations | 11,032 | 10,036 | 7,224 |
| Occupancy | 4,033 | 3,462 | 3,422 |
| Total Non-Interest Expense | 40,574 | 33,067 | 27,410 |
| NET INCOME | 9,186 | 9,407 | 4,251 |

All 2020 financial numbers presented are unaudited. All 2018 and 2019 financial numbers are audited.

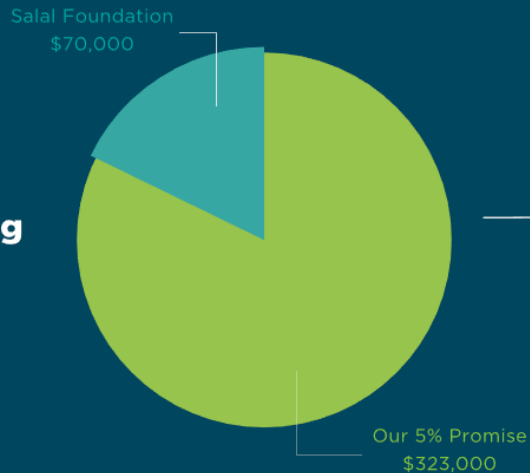
Reclassification - Certain reclassifications have been made to conform to the current-year presentation. The reclassifications had no impact on previously reported net income or members' equity. Audited financial statements are available upon request.

COMMUNITY IMPACT 2020

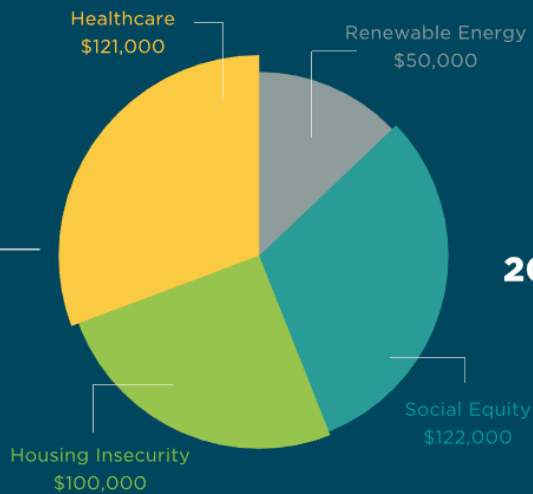
The Difference Your Membership Makes

The benefits of Salal membership go beyond good rates, low fees, and dedicated personal service. We're committed to giving 5% of our annual income to help people and causes in the communities we serve. Because we know that many small actions, when added together, can make big impacts. Every Salal member plays a part in making this impact, simply by doing your banking or financing with Salal.

2020 Overall Giving



2020 Giving Breakdown



Total Giving: **\$393,000**

2020 *Giving in Action*

\$70,000
for emergency
home repairs.

\$50,000
to social justice
causes.

\$36,000
in nursing
scholarships.

\$11,000
in PPE for local
healthcare workers.

GIVING HIGHLIGHTS

At Salal, we aim to make a difference for good in our communities, both through our targeted charitable giving and financial products that empower positive change. Our approach centers on four main areas of focus: healthcare, housing insecurity, social equality, and renewable energy. Below are just a few of the many causes we were proud to support in 2020.



Healthcare

During the COVID-19 pandemic, our local front-line healthcare professionals have been risking their lives to save the lives of others. But vital personal protective equipment was in short supply. Salal gave \$11,000 for gloves, masks, hand sanitizer, and disinfecting wipes to help keep our healthcare community safe.



Housing Insecurity

Through our partnership with Rebuilding Together, Salal and the Salal Foundation funded 11 emergency home repair projects in communities across the U.S., enabling 20 low-income individuals to remain in their homes during the COVID-19 pandemic.



"We are extremely grateful for our partnership with Salal Credit Union, which has made it possible for us to ensure that a frontline healthcare worker has a safe and dry home for herself and her children."

Michaela Brown
Grants Manager, Rebuilding Together Twin Cities



Renewable Energy

Through our Dealer Direct solar power financing program, we funded the installation of 3,000 solar systems in 2020. Each of these solar panel systems will produce around 30,000,000 kwh for homeowners in its first year. In total, these systems will eliminate an estimated 21,111 metric tons of carbon emissions a year—equivalent of 23,371,832 lbs. of coal burned or 52,633,251 miles driven by average passenger cars.



Social Equity

As part of our commitment to helping bring about lasting social justice change, in 2020 we made \$50,000 in donations to organizations working to promote social and racial equality. Our donation was split equally between Black Lives Matter Seattle/King County, the American Civil Liberties Union of Washington, and Not This Time—a Seattle-based organization focused on reducing fatal police shootings.

In the same spirit, on June 12, 2020 we closed our branches and headquarters for a day of reflection, giving Salal staff the opportunity to educate themselves, consider ways they can help bring about change, to volunteer within their community, and participate in peaceful demonstrations if they chose to.

Find out more about the impact Salal members are making in our communities at SalalCU.org/community-impact.

SALAL  **CREDIT UNION**

Federally Insured by NCUA

[Privacy Policy](#)