

SALAL CREDIT UNION

Annual Report 2021



A message to our members

We entered 2021 knowing many of the challenges and uncertainties brought on by the COVID-19 pandemic would likely still be with us and have a major impact on our daily lives. As the pandemic stretched into its second year, we continued to adapt to our changing world. We found new ways to serve our members better and made key improvements to existing products, tools, and services. Thanks to the support and loyalty of our members, we were able to remain a strong and thriving financial institution—and be there for our members and their communities through these uncertain times.

Despite the many pandemic-related headwinds we again faced this past year, Salal saw solid growth in many areas in 2021. For the first time in our 73-year history as a credit union, we surpassed the \$1 billion mark in total assets—a significant achievement. Deposits grew to \$949.4 million. Loan balances grew 8.3% to finish the year at \$702.2 million, while charge-offs continued to be well below industry averages. We finished the year with a net income of \$9.2 million and a healthy return on assets of 0.88%.



ANNETTE MURPHY
Chair, Salal Board of Directors



RUSSELL E. ROSENDAL
President and Chief Executive Officer

In 2021, we expanded the geographic reach of many of our products, giving us the opportunity to help many more people around the country afford solar energy, make home improvements, tap into their home equity, or buy their first home. Our Custom Fit Home Equity product became available in Oregon and California, and Salal Home Lending expanded to serve members in Idaho and Nevada. Our Dealer Direct Lending program added 11 new states and now serves a total of 31. Along with serving more states, in 2021 we were able to help three times as many families invest in solar power as we did in 2020.

As our member's banking needs have evolved, we've worked hard to evolve with them. The pandemic brought our digital banking services to the forefront, and in 2021 we continued our commitment to expanding and improving the technology our members have come to rely on to do their everyday banking. We upgraded our online application portal, significantly improving the application experience. We also added more helpful tools to our Mobile and Online Banking services, including a new balance transfer feature that lets members save money on interest in just a few quick steps.

This past year we also refreshed and updated how we communicate with our members and the wider world. This "brand refresh" was designed to help our communication efforts better reflect who we are as an organization today—and where we're hoping to go in the future. A key part of this initiative was to enhance and clarify Salal's approach to charitable giving, focusing and renewing our commitment to make a difference in the communities we serve.

Salal and five other local credit unions joined together with public and private investment to help fund the Solera housing development in the Renton Highlights. Construction broke ground in August 2021 on this mixed-use apartment community with nearly 50% of the units reserved for affordable and workforce priced housing. The successes we saw in 2021 also enabled us, once again, to make good on our 5% Promise, as we set aside \$460,000 for charitable donations. These funds power our community giving programs, with special focus given to housing insecurity, social equity, renewable energy, and support for our healthcare professionals.

We're proud to report that since 2017, we've committed \$1.8 million in charitable donations to our local communities. See the Community Impact section of this report to learn more about the difference our members made in 2021.

For 2022, we're very excited about continuing to grow our solar and energy efficiency lending throughout the country.

As legacy energy costs increase and sources become less reliable, our solar lending financing helps our members reduce their long-term energy costs, while helping to battle climate change at the same time. We hope to begin offering our unique Custom Fit Home Equity product in even more states, helping more members affordably access the equity in their homes. We're looking forward to adding more features to our Mobile and Online Banking products, making payments easier, delivering cost savings to members, and improving the digital banking experience for our growing nationwide membership. We're also looking to improve the products and services we offer to our cannabis business members. As always, we'll continue to be a trusted source of financial information and products to help members manage an uncertain world and unlock opportunities they have for a better future.

At the core of who we are as a credit union is the belief that **when people work together, they have the power to improve the lives of each other and their communities.** Salal's success this past year is just one more example of this spirit in action. Our many accomplishments in 2021 were due in no small part to the steadfast commitment of our members and the dedicated efforts of the Salal team. We remain deeply grateful to you, our members, for your continued trust and confidence, as we look forward to helping you achieve your financial goals and thrive in 2022.

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, 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 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 internal auditor's reports and recommendations have increased the Committee's visibility and effectiveness internally and externally. This is reflected in the positive feedback received from Salal surveys, regulators, and independent auditors. The Committee also serves as the Board of Director's liaison with the independent auditors in carrying out the annual audit opinion, as well as reporting the auditors' findings and recommendations to credit union members at the annual meeting. In the 2020 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



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BRIAN LUONG
Vice Chair



BEN STEINER
Secretary



ALI SEALS



CATHERINE BAILEY



JOE LePLA



DICK WOO



ALAN LEDERMAN



SOPHIE BROUGHAM



NISHAT AKHTER

SENIOR LEADERSHIP



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President & CEO



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SVP, Chief Lending Officer



RANDY CLOES
CMA, SVP, Chief Financial Officer



JUDY LOVELESS-MORRIS
SVP, Chief Diversity & People Officer



SKOTT POPE
SVP, Chief Digital & Strategy Officer

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Brian Luong
Ben Steiner
Russell E. Rosendal
Joe LePla

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Ben Steiner
Chad Cheney
Eric Oliner
Quynh Nguyen

RISK

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Annette Murphy
Joe LePla
Sophie Brougham
Russell E. Rosendal
Bob Schweigert
Brett Ballman

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Ali Seals
Russell E. Rosendal
Bob Schweigert
Randy Cloes

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Ben Steiner
Dick Woo
Annette Murphy
Joe LePla
Alan Lederman
Ali Seals
Brian Luong

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Brian Luong
Nishat Akhter
Russell E. Rosendal
Bob Schweigert
Randy Cloes
Skott Pope
Brett Ballman

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Nishat Akhter
Quynh Nguyen
Russell E. Rosendal
Skott Pope
Michael Bishop
Natalie VanderVegt
Matt Vance
Megan Wozniak
Christian Grunert
Matthew Holland

LOANS, NET

ASSETS

DEPOSITS

NET WORTH

Year End	Loans, net (\$ in millions)
2021	702.2
2020	648.2
2019	577.1
2018	501.7
2017	419.6



LOANS, NET

ASSETS

DEPOSITS

NET WORTH

Year End	Assets (\$ in millions)
2021	1076.8
2020	992.8
2019	737.2
2018	656.2
2017	536.7



LOANS, NET

ASSETS

DEPOSITS

NET WORTH

Year End	Deposits (\$ in millions)
2021	949.4
2020	870.9
2019	638.6
2018	570.8
2017	434.9



LOANS, NET

ASSETS

DEPOSITS

NET WORTH

Year End	Net Worth (\$ in millions)
2021	85.9
2020	78.7
2019	67.9
2018	58.4
2017	54.3



SUMMARY FINANCIAL STATEMENTS

Assets (\$ in 000's)	YE 2021	YE 2020	YE 2019
Cash and Cash Equivalents	149,412	197,729	48,765
Investments	168,687	87,246	66,472
Loans to Members	711,681	657,290	584,994
Less: Allowance for Loan Losses	(9,511)	(9,122)	(7,942)
Loans, net	702,170	648,168	577,052
Fixed Assets, net	32,392	35,408	34,725
Federal Share Insurance Fund Deposit	5,267	4,836	3,960
Other Assets	18,907	19,364	6,214
Total Assets	1,076,835	992,751	737,188
Liabilities and Members' Equity (\$ in 000's)	YE 2021	YE 2020	YE 2019
Member Savings	175,593	155,353	117,303
Checking Deposits	563,235	449,690	272,877
Premium Plus Deposits	125,569	158,857	137,777
Certificates	85,003	107,034	110,634
Total Deposits	949,400	870,934	638,591
Borrowings	14,034	14,419	12,359
Other Liabilities	27,484	28,738	18,303
Reserves, Undivided Earnings & Other Comprehensive Income	85,917	78,660	67,935
Total Liabilities & Members' Equity	1,076,835	992,751	737,188

Income Statement (\$ in 000's)	YE 2021	YE 2020	YE 2019
Interest on Loans to Members	29,724	30,904	30,624
Interest on Investments & Cash Equivalents	1,585	1,496	2,413
Total Interest Income	31,309	32,400	33,037
Interest Paid to Members	1,028	2,718	2,905
Interest on Borrowings	193	333	323
Total Interest Expense	1,221	3,051	3,228
Net Interest Income	30,088	29,349	29,809
Provision for Loan Losses	274	2,258	1,453
Net Interest Income After Provision for Loan Losses	29,814	27,091	28,356
Fee and Other Income	24,321	22,669	14,010
Gains on Investment Activity	-	-	108
Total Non-Interest Income	24,321	22,669	14,118
Employee Compensation and Benefits	28,169	25,509	19,569
Operations	12,240	11,032	10,036
Occupancy	4,520	4,033	3,462
Total Non-Interest Expense	44,929	40,574	33,067
NET INCOME	9,206	9,186	9,407

All 2021 financial numbers presented are unaudited. All 2019 and 2020 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 2021

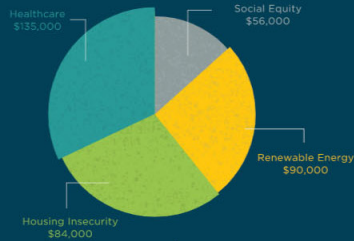
Power in Together

Salal Credit Union was founded on the belief that when people work together, they have the power to accomplish great things—both for themselves and their community. For over seven decades now, we've witnessed the outsized impact that many small actions can have when they're harnessed together. By choosing to do your banking or financing with Salal, you are helping make your community a more healthy, sustainable, and equitable place for everyone. Here's a look at some of the great things your membership helped make possible in 2021.

2021 Overall Giving



2021 Giving Breakdown



Total Giving: \$365,000

2021 Giving in Action

\$76,000

for critical home repairs.

\$56,000

to promote social equity.

\$55,000

in nursing scholarships and career development.

\$40,000

to solar energy access and workforce training.

GIVING & IMPACT HIGHLIGHTS

At Salal, we seek to be a driver of positive change in the communities we serve. Thanks to members like you, we were able to make targeted charitable donations focused on four areas: healthcare, housing insecurity, social equality, and renewable energy. This support is given both directly from Salal, as well as through the Salal Foundation. Along with this, we're committed to empowering our members to lower their carbon emissions with affordable financing for solar energy and electric vehicles. Below are just a few of the many causes we proudly supported this past year.



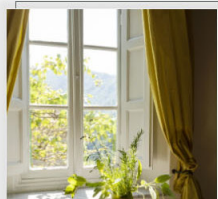
Healthcare

The pandemic has reminded us of the vital role our healthcare professionals play in our communities. In 2021, Salal continued our 70+ year commitment to healthcare professionals, including \$29,000 in funding for **King County Nurses Association**. Our support for KCNA helped fund scholarships, as well as a unique nurses-driven grants program. This program let nurses address specific needs they saw among the people they serve, such as providing high-quality masks to low-income mothers and their families to help prevent the spread of COVID-19.



Housing Insecurity

As part of our ongoing partnership with **Rebuilding Together**, Salal and the Salal Foundation helped support the **She Builds** program. Women-led and women-focused, **She Builds** provides critical repairs for women-headed households and women-focused community spaces to empower them to maintain safe and healthy homes, make a difference in their communities, and build a supportive community network.



"I am so excited about my new windows! I've lived in the house a long time and never understood why I didn't have a window that could open in my living room. Then the windowsills started to rot, and I didn't know what to do. I'm so grateful for your program so that I can have new windows that open!"

Ms. Joanne, Salal She Builds Grant Homeowner

past year.



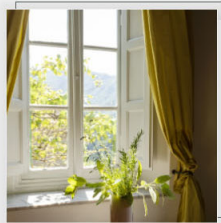
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**Ms. Joanne, Salal She Builds Grant Homeowner
Rebuilding Together South Sound**



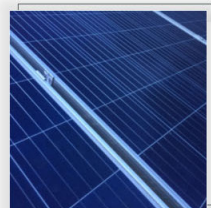
Renewable Energy

Part of our support for renewable energy this past year included \$40,000 for **GRID Alternatives**, an organization that works to build community-powered solutions to advance economic and environmental justice through renewable energy. Salal's financial support enabled GRID Alternatives to install solar power for four households, providing access to no-cost solar energy in low-income communities. Three of these installations were in California, one was in Colorado. Salal's funding also supported GRID's Collegiate Solar Spring Break Conference where 100 students gained skills for finding jobs in the solar industry, interacted with solar industry professionals, and learned how social injustices relate to current trends in climate and environmental injustices.



Social Equity

Through our partnership with **DAWN**, a domestic violence support and prevention agency based in King County, WA, we helped 42 domestic violence survivors. Our \$15,000 in funding provided grocery and gas cards, helped to cover utility bills, and provided moving expenses so families could start a new life free from violence. The funds also allowed DAWN to keep several families in their homes by providing rental assistance.



Through our Dealer Direct solar power financing program, we funded the installation of 8,035 solar systems in 2021—a 300% rise from the year before. When added together, these solar systems will produce an estimated 85,171,000 kwh for homeowners in their 12 months—eliminating 60,359 carbon emissions. That's the equivalent of 66,714,022 lbs. of coal burned or taking 13,127 passenger vehicles off the road for whole year.