



PenFinancial
Credit Union

ANNUAL REPORT 2021

IMPROVING LIVES.
STRENGTHENING COMMUNITIES.

TABLE
OF
CONTENTS

GOVERNANCE



COMMUNITY



WHO WE ARE

OUR MISSION

At PenFinancial Credit Union, our mission is to improve lives and strengthen communities.

OUR VISION

We will be your truly local financial partner of choice, committed to inclusive and authentic relationships. Trust us to make your experience personal and simple.



OUR VALUES

ACCOUNTABILITY

We take ownership for success while ensuring inclusivity, social responsibility, and cooperative principles.

PASSION

We deliver personal service by listening, guiding, nurturing, and caring.

INTEGRITY

We develop trusting relationships and maintain the highest ethical standards.

RESPECT

We build mutual respect through honest and authentic relationships.

KNOWLEDGE

We are committed to continuous learning.



2021

PERFORMANCE HIGHLIGHTS

\$748.04M

Total assets

\$891.41M

Assets under management

\$4.25M

Net income (after tax)

3%

Dividend on Niagara Shares

\$136.3M

Wealth assets

\$7.47M

CEBA funding administered

143

Local businesses assisted

\$197,000

Truly Local Commitment donations

For more information, refer to the Financial and other measures section beginning on page 27 of the 2021 Annual Report.

BY THE NUMBERS

18,030

Members

99

Employees

1,154

NaviPlan conversations completed

OVER 1,500

Virtual meetings attended

80%

Of our Licensed Advisors have their PFP or CFP designation

7,937

Online Banking and Mobile App users

2,897,099

Online Banking and Mobile App interactions





A MESSAGE FROM OUR CHIEF EXECUTIVE OFFICER

The Credit Union showed its collective strength in 2021. The continuation of the pandemic created an environment which necessitated frequent changes aimed at keeping us safe, while also requiring we dealt with the amplification path of other changes, such as the increased adoption and reliance on technology.

As we continue to adapt to our changing environment, it is clear that the consumer has also changed their views on how they approach major purchases, and their expectations for service providers have evolved as well. This is also clear in financial services where the general public now seeks to better understand the impact financial decisions have on their ability to achieve financial wellbeing.

Throughout recent years, the one aspect that has not changed is the need to be able to trust financial providers. Our membership is no different. Today, our members are seeking increased levels of communication and advice while receiving products in a more friendly and streamlined fashion. They also want to deal with an institution they trust. I am pleased to say that our members continued to advise that they have substantial trust with the Credit Union, and that during 2021 we were able to improve our member experience levels while also achieving strong financial results.

The Credit Union moved forward under all five of its strategic pillars – from Member Experience to Financial Stewardship. We also were able to support the community with record levels of investment and support. The Credit Union did not simply accept the changing environment but proactively moved forward to strengthen the lives of our members and improve the financial stability of the Credit Union.

DEMONSTRATE FINANCIAL STEWARDSHIP

Over the past year, the Credit Union proved its ability to navigate continued uncertain economic times.

During 2021, the Credit Union's assets grew by +\$51.4M, representing growth of +7.4% (exceeding 2020 & 2019 asset growth of +4.9 & +4.4% respectively). Assets at year-end totaled \$748.04M.

Our members continued to show their commitment to the Credit Union by investing in our deposit and wealth products. Deposits grew by +\$41.1M or +6.9%, while wealth grew by +\$18.7M. The Credit Union managed \$136.3M in wealth assets as of year-end. This represents the strongest results in our

history and endorses our value advice proposition amongst a growing number of members.

Investment in the local economy was accomplished through unprecedented loan growth of +\$80.6M. This reflects substantial lending activity to both our retail members as they invest in homes for their families, and for our business owners who continue to invest in the Niagara economy. We are pleased to report that our delinquency rates and loan loss experience are below the credit union system average.

Stronger than anticipated revenues, coupled with continued strong expense control, allowed the Credit Union to post after-tax net income of \$4.3M, which represented an increase of +\$2.7M over the \$1.6M achieved in 2020.

This after-tax net income is reinvested in the Credit Union and added to our capital position. As of December 31, 2021, our capital leverage ratio was 6.84% which exceeds the regulatory minimum of 4.00%, while our risk weighted asset ratio totaled 12.70% with the regulatory minimum being 8.00%. Our strong capital position contributes to the stability and sustainability of the Credit Union.

Based on these financial results, the Board of Directors declared a dividend payment of 3.00% for our Class B special shares.

During 2021, the Credit Union completed and passed all required regulatory examinations, including an examination from FINTRAC (The Financial

As a member-owned cooperative, it is always critical that we continue to evolve our Credit Union to accommodate the needs of our members, whose needs are also changing.

Transactions and Reporting Analysis Centre of Canada).

We continued to invest in, and proactively enhance our Information Technology (IT) systems to guard our members' funds and data. Cyber security remains a high priority for the Credit Union. To this end, we engaged with external experts to review our policies, practices and systems. These experts confirmed that we are taking all necessary steps as digital transaction levels continue to increase. I am pleased to report we passed all audits in this regard.

CREATE A PERSONAL MEMBER EXPERIENCE

PenFinancial was created by its members for the improvement of the lives of its members and the community. As a member-owned cooperative, it is always critical that we continue to evolve our Credit Union to accommodate the needs of our members, whose needs are also changing.

COVID-19 RESPONSE

The impacts of the pandemic continued to be felt in 2021. Not only were there economic impacts, but the impact on wellbeing was felt by our members and our employees. Safely supporting our members, our community, and our employees remained a priority throughout the year.

SUPPORTING OUR MEMBERS AND COMMUNITY (ECONOMIC SUPPORT)

- COVID related donations to the community: \$27,000
- CEBA loans: \$7.47M
- Additional paid days provided for staff to invest in their wellbeing
- Revised health and safety policies as recommendations from public health changed
- Provided paid time off for employees to be vaccinated and implemented a vaccination policy
- Continued with enhanced cleaning and provision of PPE

During 2021, we placed renewed emphasis on our member touch points. We were able to improve on our standards of ensuring each transaction was handled in a timely efficient fashion and completed accurately. Our member surveys requested improved communication be provided, and to that end we completed a record number of care calls touching base directly with our membership, as well as improving other communication channels such as our social media presence. We improved the use of our member engagement customer relationship management tool, to ensure we are able to track and proactively meet the needs of members.

From a technology standpoint, we launched Forge, our new Online Banking and Mobile App. We continued to experience a growth in usage of mobile pay for Samsung, Apple and Google Pay, providing many with improved convenience. We also continued to utilize electronic signature capabilities, and completed over 1,000 member interactions through this improved convenience. In our branch network, we listened to feedback from our membership and ensured the ATM at our former Bunting Road location remained.

These technology investments were balanced with improved service levels in our branch network through the expansion of back office supports which allow our frontline staff more time with you, our members. We also continued to provide pandemic supports through the expanded CEBA program to our small business members - processing a further 99 loans totaling \$2.5M.

Members supported and responded to the changes. At the end of 2021, our member experience rating, or Customer Experience Composite Analysis (CECA) of 86.50 points improved over 2020 and remains 13.47 points above the credit union average, and 16.65 points above the overall financial services average.

Over the past year we invested a record **\$197,000** supporting causes in our community. Our investments include the pillars of poverty, health & wellness, education, and the environment.

FOSTER TRULY LOCAL BANKING

Support of the local community continues to be important to our members. I am pleased to advise that in 2021, we achieved several substantial milestones.

Over the past year we invested a record \$197,000 supporting causes in our community. This included our newly announced partnership with **Bullfrog Power**, an organization which supports companies in the reduction of their carbon footprint. I was also very honoured to be asked to act as a Community Ambassador for **Gillian’s Place** in their **Walk a Mile-YOUR Style** campaign to support some of the most vulnerable families in our region. We also continued to support many local organizations with a further \$27,000 in COVID-19 donations, continuing support established in 2020.

Our membership in **B Corporation**, a worldwide organization whose mission is to use business as a force for good, was also recognized. In 2021 we were named in the top 5% of B Corp members for our governance model and practices. We were also pleased to launch the **Truly Local Ambassador** program, which allows employees to direct a donation made by PenFinancial to a registered charity to which they devote their personal time.

A comprehensive summary of our community work is covered later in this document.

IMPROVE SIMPLICITY AND EFFICIENCY

The need to support member experience is reflected in our focus on improving efficiency and simplicity. Over the past year, we made substantial strides in this regard. The largest component was the introduction of our Continuous Improvement program with our employees. We received over 150 suggestions from employees who applied their personal knowledge and experience to offer suggestions to improve our system and procedures. This program is ongoing, and has already resulted in numerous changes directly benefiting our members.

We implemented paperless strategies and training videos for use by employees to allow them to streamline their individual work plans. Microsoft Teams was integrated within our online appointment system to enable members to have a conversation with expert advisors from the comfort of their own home. We also continued to improve our use of analytics to guide our members in their personal journey, and as a basis to make corporate decisions.

OPTIMIZE THE USE OF HUMAN RESOURCES

A strong employee culture is a founding trait of PenFinancial, and one on which we will not compromise. Entering the second year of the pandemic, we were challenged with the need to support enhanced communication and support our employees in their wellbeing. We developed specific strategies to support our most import asset – our employees.

We supported our employees by integrating on site and work from home requirements. We enhanced communication to make sure all employees understood the current environment as it pertained to the pandemic, as well as the impacts of a changing business environment.

In regards to COVID-19, we continued to follow all public health guidelines to protect our employees and members.

We continued our investment in our people by providing training based on Stephen Covey’s timeless **The 7 Habits of Highly Effective People**. We also introduced **Unconscious Bias** training.

Through investments like these, we not only sustained our strong culture with employees, we improved. I am very pleased to report our employee engagement score improved from 80% to 81% in 2021. This is considered a healthy level, and our wellness and communication scores also increased despite the very difficult environment.

PREPARING FOR THE FUTURE

Moving forward, the Credit Union continues to prepare for the future. We have completed a lease agreement for our new Niagara Falls location at 7190 Morrison Street. The new branch is located in the highly visible and vibrant Canadian Tire shopping centre. This location is exactly halfway between the former Huggins and Dorchester locations. It will provide a state of the art 3,000 sq. ft. retail space with improved parking and accessibility for our members, opening in April 2022. We will also be retaining the ATM at the Dorchester Road location to support our Niagara Falls membership.

We also are in the planning stages of creating a Contact Centre. This will improve access for members conducting their credit union business. We anticipate a phased introduction of a Contact Centre beginning in the summer of 2022. We also continue down the path of payments modernization. The first step of enhancing inbound e-Transfer amounts has already



PenFinancial continued its legacy of giving in 2021 – including our partnership with **Gillian’s Place**. As one of Ontario’s first shelters for those experiencing abuse, Gillian’s Place has been providing safe refuge and support programs in an effort to end domestic violence.

been accomplished. When completed, payments modernization will provide for the future state of the flow of funds and information in our system. This will also support the introduction of the first stage of open banking, which could come in the latter part of 2022.

We are also very pleased to be a supporter of the upcoming **Niagara 2022 Canada Summer Games** which will benefit the entire region. The games are scheduled for August 2022 and will not only provide an immediate boost to the local economy, but also create legacy facilities to be used by our community for years to come.

I am pleased to report that 2021 was a success on all levels for our Credit Union. We were able to guide through the unknown of a second pandemic year, while achieving financial success and improving member experience levels, and support for our employees and community.

I would like to thank the employees of our Credit Union for their work and devotion during the past year. Your commitment to our membership is commendable. I would also like to recognize and thank the Board of Directors for their insight, direction and support. I would also like to recognize Dave Teutenberg who will be leaving the Board after three years of dedicated service.

Respectfully submitted,



Ken Janzen
Chief Executive Officer

USING BUSINESS
**AS A FORCE
FOR GOOD®**

As a Certified B Corporation since 2019, PenFinancial is part of a global movement of companies that commit to using business as a force for good. Certification requires we meet the highest standards across five key areas:

**GOVERNANCE**

**MEMBERS**

**ENVIRONMENT**

**COMMUNITY**

**WORKERS**






Becoming a B Corp, and maintaining our certification, adds measurable standards of social and environmental responsibility, and helps inform how we balance profit and purpose. It also supports PenFinancial’s mission of improving lives and strengthening communities.

- 2021 UPDATES**
- Amended our corporate By-Laws to better clarify the roles of the Directors to ensure that B Corp values are considered in decision making.
 - Out of 4,000 Certified B Corporations worldwide, PenFinancial was among the top 5% B Corps in the Governance impact area making us one of the Best For The World™ for 2021.
 - Initiated re-certification process – requiring an extensive re-evaluation of our business every three years.

OVERALL B IMPACT SCORE

Based on the B Impact assessment, PenFinancial Credit Union earned an overall score of **109.3**. The median score for ordinary business who complete the assessment is currently 50.9.

-  **109.3** Overall B Impact Score – PenFinancial 2019
-  **80** Qualifies for B Corp Certification
-  **50.9** Median Score for ordinary Businesses



REPORT FROM THE
BOARD CHAIR

The impact of the pandemic has touched everything and everyone. The need to change has come at a pace never experienced before. Our lives have been reshaped, and time and time again, PenFinancial employees were called upon to do extraordinary things while dealing with their own fears, fatigue, and doubts. Never has so much been asked and yet never have we been so proud to be witness to such an extraordinary response from our employees.

PenFinancial, your Credit Union, has worked diligently on your behalf to stay on top of all the challenges. We have implemented new processes and procedures, introduced innovations, and made enhancements to improve our member experience. We also introduced new Board policies and revised existing ones. It is part of a roadmap, a playbook per se, that both employees and Board follow to ensure accountability to you, the members, and also to our regulators.

Guiding this progress was our focus on our strategic priorities:

- Fostering Truly Local Banking
- Creating a personal member experience
- Demonstrating financial stewardship
- Improving efficiency and simplicity
- Optimizing the use of Human Resources

Some of the things members may have noticed physically is our reorganization of our branches in St. Catharines and Niagara Falls. This was a necessary transition as the smaller branches were not able to accommodate the social distancing requirements dictated by the pandemic.

However, when the new branch on Morrison Street in Niagara Falls opens near the end of this April, I am sure you will agree that this investment will enhance your in-branch experience.

In fact, every dollar we make on your behalf goes back into the Credit Union operations, and benefits you, our members, in the form of better services and share dividends, and to our communities in Niagara and Haldimand.

The Board was very happy to approve a 3% share dividend for your investments in our Niagara Shares and existing Class B Special Shares Series 1 for 2021. This was a



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rate significantly higher than current GIC rates. It amounted to a return of over \$805,000 to our members.

Still talking about dollars, in 2021 we had our best year on record. Net income was over \$4.25 million, net lending growth was over \$80 million and net deposit growth was over \$42 million.

We hit yet other milestones. PenFinancial, a **Certified B Corp** since 2019, was recognized last July for being among the “Best for the World” B Corps, in recognition of its exemplary performance beyond commercial metrics in the area of Governance. That meant we were in the top 5% of all B Corps worldwide.

In September of 2021, PenFinancial signed on to choose green electricity and green natural gas for all PenFinancial locations by partnering with **Bullfrog Power**. From September to the end of 2021, through this partnership, PenFinancial avoided 46 tonnes of CO2e which is equivalent to 10 cars taken off the road for 1 year, or 1,740 lightbulbs switched to LEDs, or 22 hectares of forest growing for a year. That’s pretty good for just a couple of months!

PenFinancial also committed to sponsor the **Niagara 2022 Canada Summer Games**. More than 5,000 up-and-coming athletes, their coaches and support staff will gather to compete for the podium in Canada’s largest multi-sport event being held from August 6th to 21st. Specifically, PenFinancial is co-sponsoring the Catch The Spirit and Mascot programs which were well underway in 2021, and we are also sponsoring a leg of the Torch Relay in Niagara Falls in summer 2022.

As a truly local values-based Credit Union, I am proud of PenFinancial’s commitment to improving the lives of our members and our communities.

On a personal side, I have had the honour to serve the membership and community for 22 years, and as Board Chair in 2021. I am privileged to sit alongside the most diverse and qualified Board members in my memory, and it is a source of pride. At the 2021 AGM in April, we welcomed three new Board members and we can proudly boast that our Board demographic is presently comprised of five female and five male Directors. Diversity, representation, and skill set is always on the top of our thoughts. Our Board members have a wide variety of credentials and higher levels of

educational backgrounds than I have ever seen. We, as a Board, planned this. It took time - it just didn’t happen overnight. Since the beginnings of the Credit Union in the 1940’s, a succession of PenFinancial Boards evolved and responded to provide excellent service to you, our members. You own this financial institution! Think about that. How many others do you know that can boast that they “OWN” where they bank?

To our Leadership Team and employees, thank you for your commitment that went beyond the call of duty. Thank you for demonstrating compassion in service to our members while contributing to the community at the same time.

Thank you to my fellow Board of Directors – PenFinancial benefits from your expertise, leadership, compassion, and generosity of your time. We shall continue to focus on cultivating growth and renewing our passion to adapt and evolve while holding our Commitment, Mission, Vision and Values close to our hearts.

I have been proud to serve the members of PenFinancial and the communities we work in. As Board Chair, this year has been thrilling. I am proud to be a small part of this legacy and thank you for giving me this opportunity of a lifetime. Stay healthy and safe

Personal Regards,
Dave Chamberlain
Chair, Board of Directors

BOARD OF DIRECTORS



DAVE CHAMBERLAIN
Board Chair



EVAN ACS
Board Vice-Chair



DAVE TEUTENBERG
Chair of Audit and Risk Committee



SANDY HENDERSON
Chair of Governance and Human Resources Committee



ELIZABETH GRIMMOND
Chair of Nominating Committee



DAVE JASTRUBECKI



LAURIE RYAN-HILL



KIRBI SIMPSON



N. REG SONNENBERG



ANGIE WALKER

2021 MEETING ATTENDANCE

	BOARD MEETINGS ATTENDED	COMMITTEE MEETINGS ATTENDED*	HONORARIUM PAID	PLACE OF RESIDENCE
DAVE CHAMBERLAIN Chair	9/9	8/8	\$11,500	St. Catharines
EVAN ACS Vice-Chair	9/9	7/8	\$9,550	St. Catharines
DAVE TEUTENBERG Chair of Audit & Risk Committee	9/9	6/6	\$9,250	Niagara Falls
SANDY HENDERSON Chair of Governance & Human Resources Committee	7/9	8/8	\$8,875	St. Catharines
ELIZABETH GRIMMOND Chair of Nominating Committee	5/5	6/7	\$4,250	Niagara Falls
DAVE JASTRUBECKI (on leave)	4/4	N/A	\$4,925	St. Catharines
LAURIE RYAN-HILL	5/5	5/5	\$4,250	St. Catharines
KIRBI SIMPSON	8/9	6/6	\$8,175	Wainfleet
N. REG SONNENBERG	9/9	6/6	\$11,500	Niagara Falls
ANGIE WALKER	5/5	5/5	\$4,250	Fonthill
DIANE NIEUWESTEEG (term expired in April 2021)	4/4	1/1	\$4,250	Niagara Falls
RICK TABAKA (term expired in April 2021)	4/4	1/1	\$4,250	Niagara Falls

*Including Audit & Risk Committee and Governance and Human Resources Committee.

2021 BOARD EXPENSES

- Total honorarium paid — \$85,025
- Total expenses including education, conferences & other related expenses — \$41,660
- Total Board expenses — \$126,685

REPORT FROM THE

AUDIT AND RISK COMMITTEE

In 2021, the members of the Audit and Risk Committee had six virtual meetings to review various reports from management, evaluate changes to existing policies, and to receive presentations and reports from PenFinancial Credit Union’s internal and external auditors.

As Chair of the Committee I would like to acknowledge the members of the Audit and Risk Committee for their preparation and input at every meeting. Each member brought their individual experiences and background to the Committee which raised the level of discussions at our meetings.

I would also like to thank management and employees for their cooperation and support, providing all of the Committee members with accurate and timely reports, information and insights which helped the collective group work efficiently throughout the year.

The members of the PenFinancial Audit and Risk Committee have effectively conducted its affairs as per Section 125 of the Credit Union and Caisses Populaires Act, 1994 and Section 27 of Ontario Regulation 237/09.

The Committee utilizes a checklist process to ensure all requirements are tracked and completed on a timely basis. Key aspects of the Audit and Risk Committee mandate include receiving and reviewing reports from both the internal and external auditors, as well as direct discussions with both of those parties at various points during the year.

In relation to auditing, the Committee has:

1. Reviewed audit reports of branch locations, including Central Services, provided by the Internal Auditor, Jones and O’Connell LLP and subsequent responses from management.

The internal audit process continues to evolve thanks to the utilization of a scorecard approach which provides the Committee with a helpful tool to track the progress on a year over year basis. I am happy to report that internal audit scores have improved on a year over year basis thanks to the input of our internal auditors and the commitment of management and employees to fulfill those important obligations.

2. Obtained and reviewed the results of the 2021 PenFinancial financial reports provided by the External Auditor, KPMG LLP.

Detailed presentations related to annual audit plans and results have been received from audit company representatives, followed by in-camera sessions with the Committee.

Committee meeting minutes are provided to the Board along with a verbal report by the Committee Chair to ensure all Board members are apprised of key items.

I am happy to report, there are no matters requiring disclosure to the members pursuant to the Act or Regulations.

Respectfully submitted,

Dave Teutenberg
Chair, Audit and Risk Committee

REPORT FROM THE

GOVERNANCE AND HUMAN RESOURCES COMMITTEE

The Governance and Human Resources Committee is comprised of five Directors who are appointed each year from, and by the Board of Directors.

The corporate governance framework encompasses the principles of fiduciary duty and accountability. The Committee has three primary areas of responsibility:

1. Ensures that governance practices evolve with the needs of the Credit Union. The Committee makes certain that Board members have adequate development and succession plans, that the Board is accountable to stakeholders, and that duties and regulatory requirements are fulfilled.
2. Assists in protecting the reputation of PenFinancial through the oversight of the development and monitoring of ethical conduct policies followed by Directors and employees of the Credit Union.
3. Ensures Human Resources policies are in place to provide PenFinancial employees with fair and meaningful employment in a safe and respectful workplace.

The Governance and Human Resources Committee is pleased to report all responsibilities were carried out in accordance with the Terms of Reference assigned to it by the Board of Directors, including the following highlights:

- Reviewed all governance-related policies to ensure alignment with regulatory requirements and sought out opportunities to continually improve existing policies to reflect best practices in the credit union system.
- Oversaw the review and implementation of ethics policy related to Board member behaviour to ensure our commitment to the Credit Union principles of integrity and accountability.
- Conducted an analysis of current Board member skills, experience, diversity to:

- Inform short term and longer term nominations/ elections.
 - Identify training/development strategies to maintain and continually improve the strategic leadership capacity of each Board member as well as collectively.
 - Supported the onboarding and orientation of newly elected Board members.
 - Developed a succession plan to support transparent decision-making regarding the selection of Board members to executive positions.
 - Provided oversight to staff-recommended updates to human resources policies and recommended changes to the Board of Directors to ensure the right HR policies were in place.
 - Supported the review process of the annual CEO performance evaluation.
 - Continued to review the elements of a remuneration framework for Directors to ensure fair compensation is provided for the effort and responsibility required by the position.
- PenFinancial Credit Union is committed to achieving high standards of effective governance as we continually improve our structures, processes and relationships to allow us as a Board to uniformly act as a high performing team; collaboratively partner with the CEO on substantive matters; and sharpen our focus on our long-term success.

Respectfully submitted,

Sandy Henderson
Chair, Governance and Human Resource Committee

BEST FOR THE WORLD: GOVERNANCE

The Best for the World are B Corps whose scores in one or more of the five impact areas assessed towards B Corp certification reach the top 5% of all B Corps worldwide.

In 2021, PenFinancial was recognized for our efforts in the Governance area - which considers a company’s overall mission, engagement around social/environmental impact, ethics, and transparency.

The B Corp Governance pillar also evaluates how a company protects their mission and formally considers stakeholders in decision making.



ENHANCING THE
MEMBER
EXPERIENCE

For the past few years, we’ve surveyed our members to understand how we can better serve their needs. The feedback we receive from these surveys has helped us to identify the areas for improvement that are most important to our members.

While we already had strong member satisfaction scores, in 2021, we prioritized further improving the member experience and were pleased to introduce the following enhancements:

- Continued outbound calls to members throughout the pandemic to connect and offer financial guidance
- Increased emphasis on ensuring every interaction with members is “First Time Right”
- Improved our Online Banking and Mobile App
- Implemented new e-sign capabilities to reduce unnecessary branch visits
- Introduced a new “in-training program” for Financial Service Specialists and Financial Advisors to support learning and enhance skills, which in turn, enable us to better support our members

MEASURING MEMBER SATISFACTION

We introduced a new methodology to measure member satisfaction. The Customer Experience Composite Analysis (CECA) that considers overall satisfaction, the likelihood to recommend PenFinancial to friends and family, the confidence that PenFinancial can meet member needs, and their likelihood to continue to bank with PenFinancial.

Each quarter we reach out to a randomly selected group of members to invite feedback. Continuously improving this score is embedded into every employee’s goals, and it helps guide our strategic plan.

Our score not only improved in 2021, but we also scored higher than both the credit union average, and the average of the financial services industry. For 2022, we’ll be continuing to focus on ways to further improve and better support our members.

HELPING OUR MEMBERS NAVIGATE
AN UNCERTAIN ECONOMY

Having a written financial plan and the support of an accredited financial advisor is one of the top drivers of financial wellbeing. In 2021, PenFinancial Wealth Advisors supported an increasing number of members with timely advice and meaningful support in a time of unprecedented changes.

1,154

NaviPlan conversations completed

OVER 1,500

Virtual meetings conducted

All PenFinancial advisors are highly accredited and committed to continuing education to improve their skills.

100%

Of our licensed advisors have their Responsible Investment Specialist (RIS) designation

80%

Of our licensed advisors have their PFP or CFP designation

LOOKING AHEAD TO
2022

We are committed to making continuous improvements to the member experience, and these are just a few of the investments we’re making in 2022:

NEW NIAGARA FALLS BRANCH

Replacing the existing branch on Dorchester Road, our new Niagara Falls branch at 7190 Morrison Street is set to open April 2022. It will provide members with a more convenient and accessible location, and provide a much larger and more modern space to support members both today, and into the future.

INTRODUCTION OF A
CONTACT CENTRE

Improving our ability to service and support members over the phone has been a common request from our members. Beginning in summer 2022, we will initiate a phased introduction of a dedicated Contact Centre which will allow us to be more responsive to members, and provide an additional layer of support for members transacting with us digitally.

CONTINUED INVESTMENT
IN DIGITAL BANKING

Building on the launch of our new Online Banking and Mobile App, we will continue to introduce additional digital capabilities in 2022 to provide even more choice to members in terms of how they can interact with us, while also ensuring we continue to provide a secure digital banking platform.

2021 AVISO PRACTICE STANDARDS
RECOGNITION PROGRAM –

2ND PLACE
GROWTH PARTNER
EXPERIENCE

Aviso Wealth’s new Practice Standards Recognition Program recognizes Wealth Leaders and Credit Unions across Canada for their focus and commitment to wealth management practice standards. PenFinancial is honoured to have been recognized by Aviso for the focus we’ve placed on improving the financial needs of our members.

virtualwealth

REDUCING OUR IMPACT ON THE ENVIRONMENT

We recognize the increasing importance of addressing our environmental impact. One way we are committed to doing this is by reducing the carbon emissions footprint of our operations and supporting renewable energy in Canada. Since September 2021, we’ve chosen green electricity and green natural gas for all PenFinancial locations through our partnership with Bullfrog Power, a Spark Power company.

Across Canada, Bullfrog’s green electricity comes from a blend of wind and low-impact hydro power sourced from Canadian renewable energy facilities.

PenFinancial Credit Union has been choosing green energy with Bullfrog Power since 2021.

Bullfrog’s green natural gas is sourced from methane-capture projects situated at various Canadian landfills, wastewater treatment facilities, and anaerobic digestion sites.

By the end of 2021, we’re already seeing the results of our partnership.



AS A RESULT, WE’VE AVOIDED
46 TONNES OF
CO₂e

THAT’S EQUIVALENT TO:

10 CARS
taken off the road for one year

22 HECTARES
of forest growing for a year

1,740 LIGHTBULBS
switched to LEDs

OUR TRULY LOCAL COMMITMENT

One way we deliver on our mission of improving lives and strengthening communities each year, is through our commitment to reinvesting a portion of our profits back into the communities we serve.

In 2021, this amounted to just under \$200,000 – the largest contribution we’ve made to date, and

exceeding the credit union industry average on a percentage basis. Through this program we were able to support a number of different organizations that address challenges like improving health and wellness, reducing poverty and homelessness, supporting our youth through education initiatives, and protecting our environment.

HEALTH AND WELLNESS	\$72,370.00	37%
POVERTY/HOMELESSNESS	\$55,533.00	28%
EDUCATION	\$25,315.00	13%
ENVIRONMENT	\$6,908.00	4%
OTHER COMMUNITY SUPPORT (including Canada Games)	\$36,741.00	19%
TOTAL	\$196,867.00	100%



CATCH THE SPIRIT WITH THE CANADA SUMMER GAMES

In August of 2022, Niagara Region is host to the Canada Summer Games for the first time ever.

PenFinancial is proud to be sponsoring the Catch the Spirit and Mascot programs for the Games. Specifically, through our co-sponsorship of Shelly, Niagara 2022’s turtle mascot, we’ll be helping get the word out to youth about the importance of environmental sustainability, indigenous peoples, and the Niagara 2022 Canada Summer Games.

This is a once in a lifetime opportunity for PenFinancial to contribute directly to the lasting legacy the Games will have on our region.



OUR PEOPLE

Investing in our employees continued to be a focus in 2021. After all, the better we can take care of our employees, the better they can support our members.



EMPLOYEE ENGAGEMENT

Culture is incredibly important at PenFinancial and it’s something we work hard to nurture and protect. Our employee engagement remains strong, and even increased in some areas during a time when other organizations experienced decreases. This is something we’re incredibly proud of.

- 81**
2021 Engagement Score, considered “Healthy”
- A very high participation rate of **90%**
- Improvements seen in the categories of Leadership and Wellbeing.



EQUITY, DIVERSITY AND INCLUSION

While we realize there is always work to be done on Equity, Diversity and Inclusion (EDI), we are proud of the diversity of age and gender within our workforce.

- 50%**
of our Board are female
- More than **60%**
of staff are female
- More than **40%**
of our workforce is under the age of 24 or over the age of fifty

Understanding unconscious bias is critical to treating others with empathy and respect and an important consideration of EDI. All employees received formal training in 2021.

We also encouraged all employees to remember the tragic history and lasting effects of the Canadian Residential Schools on indigenous survivors and their communities by observing the first National Day for Truth and Reconciliation on September 30.



LIVING WAGE

Supporting all of our employees with a living wage is one way we help our communities thrive. We were the first financial institution in Niagara to make this commitment, and we’ve since seen a growing list of other businesses in Niagara follow suit. Additionally, we introduced an enhanced success sharing plan for all employees to better recognize and reward top performers.



EMPLOYEE WELLNESS

Safeguarding both the physical and mental wellbeing of our employees was something we take very seriously. Improvements in the wellbeing score were noted in our annual employee engagement survey. We achieved this in a variety of ways:

- Continuously updated procedures and policies in accordance with public health recommendations
- Provided all employees with appropriate PPE
- Supported work from home and hybrid working arrangements
- Provided additional paid days off for employees to invest in their wellbeing
- Continued to offer Employee Assistance through our benefits plan



CONTINUOUS LEARNING

Despite the disruption of the pandemic, we continued to invest in our employees with on-the-job skills development. Arming our employees with these additional tools and designations ensures our members receive qualified support.

- All new leaders participated in intensive leadership training sessions based on Stephen Covey’s **7 Habits of Highly Effective People**
- All staff participated in training to encourage innovation and continuous improvement
- Ongoing training and testing for all staff relating to data security
- Full compliance with all regulatory training and testing

TRULY LOCAL AMBASSADOR PROGRAM



Introduced in late 2021, the **Truly Local Ambassador** program encourages PenFinancial employees to get involved in the community as brand ambassadors.

Employees can identify a charity that is meaningful to them personally and volunteer in some way to support that organization. In turn, PenFinancial provides **\$200** to their chosen charity on behalf of the employee.

TRULY LOCAL AMBASSADOR PROGRAM



The program was a success resulting in countless volunteer hours and **\$9,000** directed to local charities on behalf of our employee ambassadors.



2021 FINANCIALS





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INDEPENDENT AUDITORS' REPORT

To the Members of PenFinancial Credit Union Limited

Opinion

The summary financial statements of PenFinancial Credit Union Limited (the "Credit Union"), which comprise:

- the summary statement of financial position as at end of December 31, 2021
- the summary statement of comprehensive income for the year then ended
- the summary statement of changes in members' equity for the year then ended
- the summary statement of cash flows for the year then ended
- and related notes

are derived from the audited financial statements of PenFinancial Credit Union Limited as at and for the year ended December 31, 2021 (the "audited financial statements").

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the criteria disclosed in Note 1 in the summary financial statements.

Summary Financial Statements

The summary financial statements do not contain all of the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditors' report thereon, therefore, is not a substitute for reading the Credit Union's audited financial statements and auditors' report thereon.

The summary financial statements and audited financial statements do not reflect the effects of events that have occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

On our report dated February 23, 2022, we expressed an unqualified opinion on the audited financial statements.



Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with the criteria disclosed in Note 1 in the summary financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard 810, Engagements to Report on Summary Financial Statements.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Ontario
February 23, 2022

PENFINANCIAL CREDIT UNION LIMITED

SUMMARY STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021, WITH COMPARATIVE INFORMATION FOR 2020

ASSETS	2021	2020
Cash	\$ 23,475,963	\$ 12,776,775
Investments	43,231,464	84,184,644
Loans to members	666,149,785	585,550,654
Other assets	3,044,769	1,203,068
Investment in joint venture	77,487	77,487
Property and equipment	11,924,717	12,612,262
Intangible assets	134,672	192,851
	\$ 748,038,857	\$ 696,597,741
LIABILITIES		
Deposits from members	\$ 634,158,271	\$ 593,094,257
Other liabilities	6,637,332	4,955,655
Mortgage securitization liabilities	56,027,681	51,722,113
Current income tax liability	413,720	264,712
Deferred income tax liability	103,621	44,892
Membership shares	208,168	214,149
	697,548,793	650,295,778
MEMBERS' EQUITY		
Class B special shares	25,884,241	25,145,454
Retained earnings	24,605,823	21,156,509
	50,490,064	46,301,963
	\$ 748,038,857	\$ 696,597,741

See accompanying notes to financial statements.

PENFINANCIAL CREDIT UNION LIMITED

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2021, WITH COMPARATIVE INFORMATION FOR 2020

	2021	2020
Interest income	\$ 20,768,811	\$ 21,138,605
Investment income	521,272	1,178,707
	21,290,083	22,317,312
Interest expense	5,822,254	8,677,999
Other interest expense	1,585,392	1,822,209
	7,407,646	10,500,208
Net interest income	13,882,437	11,817,104
Provision for impaired loans	(458,684)	590,411
NET INTEREST MARGIN	14,341,121	11,226,693
Net gain from other financial instruments carried at fair value through profit or loss	592	993
Gain (loss) on disposal of property and equipment	10,513	(37,024)
Gain on disposal of property and equipment	157,853	-
Other income	5,342,927	4,479,385
TOTAL OPERATING INCOME	19,853,006	15,670,047
Deposit insurance premium	508,901	450,232
General and administrative	4,446,814	4,107,086
Occupancy	1,640,618	1,706,644
Personnel expenses	8,247,709	7,493,126
TOTAL OPERATING EXPENSES	14,844,042	13,757,088
Income before income taxes	5,008,964	1,912,959
Income tax expense	754,101	351,209
NET INCOME AND COMPREHENSIVE INCOME	\$ 4,254,863	\$ 1,561,750

See accompanying notes to financial statements.

PENFINANCIAL CREDIT UNION LIMITED

SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY

YEAR ENDED DECEMBER 31, 2021, WITH COMPARATIVE INFORMATION FOR 2020

	CLASS B SPECIAL SHARES	RETAINED EARNINGS	TOTAL
As at January 1, 2020	\$ 24,164,957	\$ 20,265,732	\$ 44,430,689
Total comprehensive income	-	1,561,750	1,561,750
Total dividends declared on Class B special shares (net of tax recovery of \$149,287)	-	(670,973)	(670,973)
Dividends reinvested in Class B special shares	980,497	-	980,497
AS AT DECEMBER 31, 2020	\$ 25,145,454	\$ 21,156,509	\$ 46,301,963
Total comprehensive income	-	4,254,863	4,254,863
Total dividends declared on Class B special shares	-	(805,549)	(805,549)
Dividends reinvested in Class B special shares	738,787	-	738,787
AS AT DECEMBER 31, 2021	\$ 25,884,241	\$ 24,605,823	\$ 50,490,064

See accompanying notes to financial statements.

PENFINANCIAL CREDIT UNION LIMITED

SUMMARY STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021, WITH COMPARATIVE INFORMATION FOR 2020

CASH PROVIDED BY (USED IN):	2021	2020
Operations:		
Net income	\$ 4,254,863	\$ 1,561,750
Items not involving cash:		
Provision for impaired loans	(458,684)	590,411
Interest income	(20,768,811)	(21,138,605)
Interest expense	5,822,254	8,677,999
Depreciation and amortization	1,050,841	1,158,729
Net gain from other financial instruments carried at fair value through profit or loss	(592)	(993)
Gain (loss) on sale of property and equipment	(10,513)	37,024
Gain on sale of other assets held for sale	(157,853)	-
Proceeds received on disposal of other assets held for sale	543,766	-
Income tax expense	754,101	351,209
	(8,970,628)	(8,762,476)
Change in operating assets/liabilities:		
Change in loans to members	(80,276,391)	(10,880,885)
Change in deposits from members	42,194,836	42,084,015
Change in other assets and liabilities	(622,061)	15,263
	(47,674,244)	22,455,917
Interest received	20,904,755	21,085,435
Interest paid	(6,953,076)	(10,017,615)
Income tax paid (net of recoveries received)	(546,364)	191,242
	(34,268,928)	33,714,979
Investing:		
Net change in investments	40,953,772	(34,121,301)
Purchase of intangible assets	(23,275)	(96,280)
Purchase of property and equipment	(144,024)	(321,095)
Proceeds received on disposal of PPE	17,751	-
	40,804,224	(34,538,676)
Financing:		
Proceeds from securitization of mortgages	32,198,370	9,093,439
Repayment of mortgage securitization liabilities	(27,892,802)	(19,182,489)
Redemption of membership shares – net	(5,981)	(5,980)
Issuance of Class B special shares	738,787	980,497
Dividends on Class B shares	(805,549)	(820,260)
Repayment of lease liabilities	(68,933)	(81,124)
	4,163,892	(10,015,917)
Increase (decrease) in cash	10,699,188	(10,839,614)
Cash, beginning of year	12,776,775	23,616,389
CASH, END OF YEAR	\$ 23,475,963	\$ 12,776,775

See accompanying notes to financial statements.

1. APPLIED CRITERIA IN THE PREPARATION OF THE SUMMARIZED FINANCIAL STATEMENTS:

The summary financial statements are derived from the audited financial statements, prepared in accordance with International Financial Reporting Standards, as at December 31, 2021 and for the year than ended.

The preparation of these summary financial statements requires management to determine the information that needs to be reflected in them so that they are consistent in all material respects with the audited financial statements.

Management has prepared these summary financial statements using the following criteria:

- a) the summary financial statements include a statement for each statement included in the audited financial statements;
- b) information in the summary financial statements agrees with the related information in the audited financial statements;
- c) major subtotals, totals and comparative information from the audited financial statements are included; and
- d) the summary financial statements contain the information from the audited financial statements dealing with matters having a pervasive or otherwise significant effect on the summarized financial statements.

The audited financial statements of PenFinancial Credit Union Limited are available upon request by contacting the Credit Union.

PenFinancial
Credit Union



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