

PenFinancial
Credit Union



20 Annual Report 22





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Table of Contents

ABOUT	
Who we are	04
2022 performance highlights	06
Message from the CEO	08

GOVERNANCE	
Report from the Board Chair	16
Board of Directors	18
Report from the Audit and Risk Committee	20
Report from the Governance and Human Resources Committee	21

COMMUNITY	
Enhancing the member experience	22
B Corp Certification	23
Reducing our environmental impact	24
Our Truly Local Commitment	25
Truly Local Ambassador program	26
Our people	27

FINANCIALS	
Independent Auditors Report	30
Summary Statement of Financial Position	32
Summary Statement of Comprehensive Income	33
Summary Statement of Changes in Members' Equity	34
Summary Statement of Cash Flows	35

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.

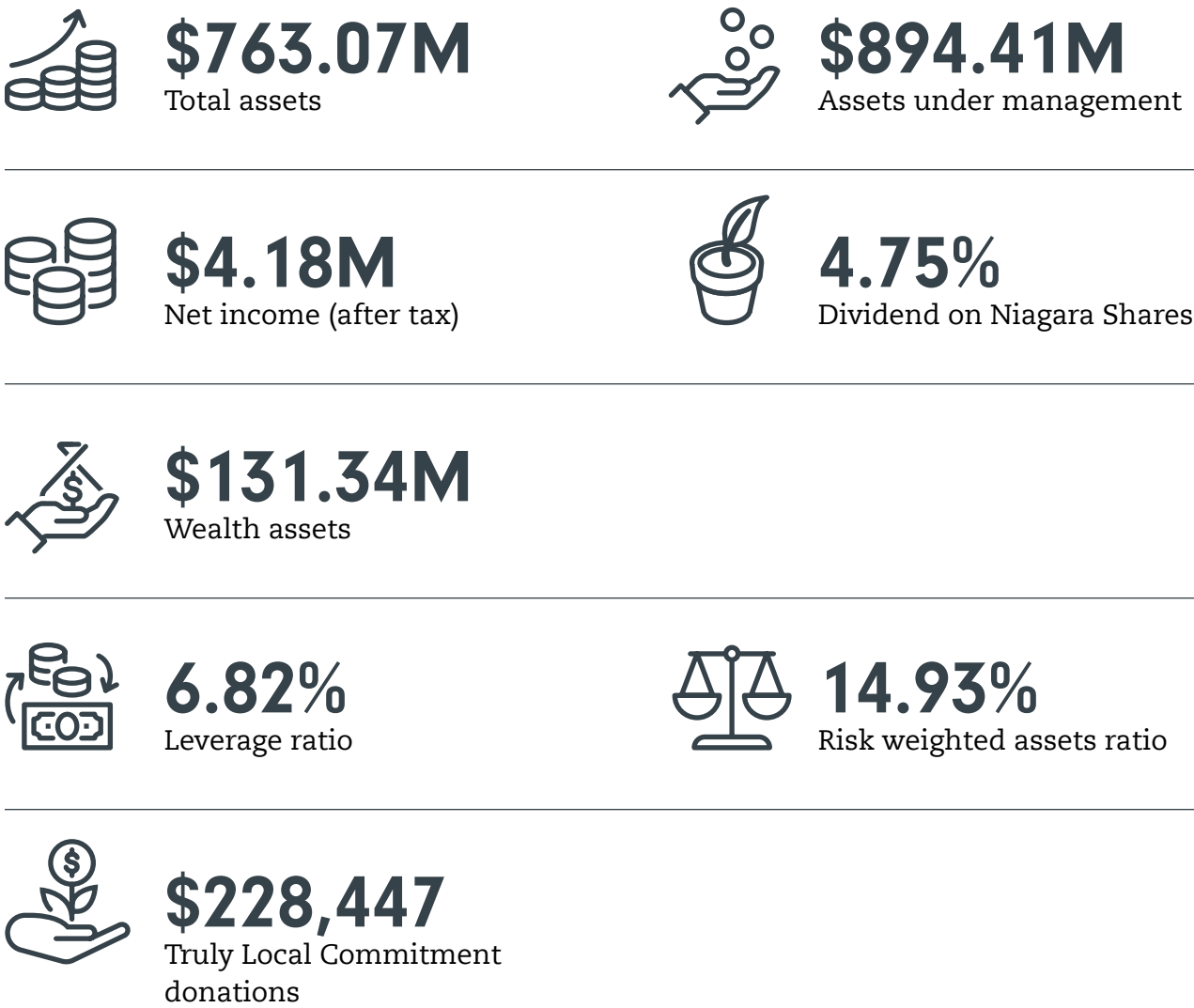


KNOWLEDGE

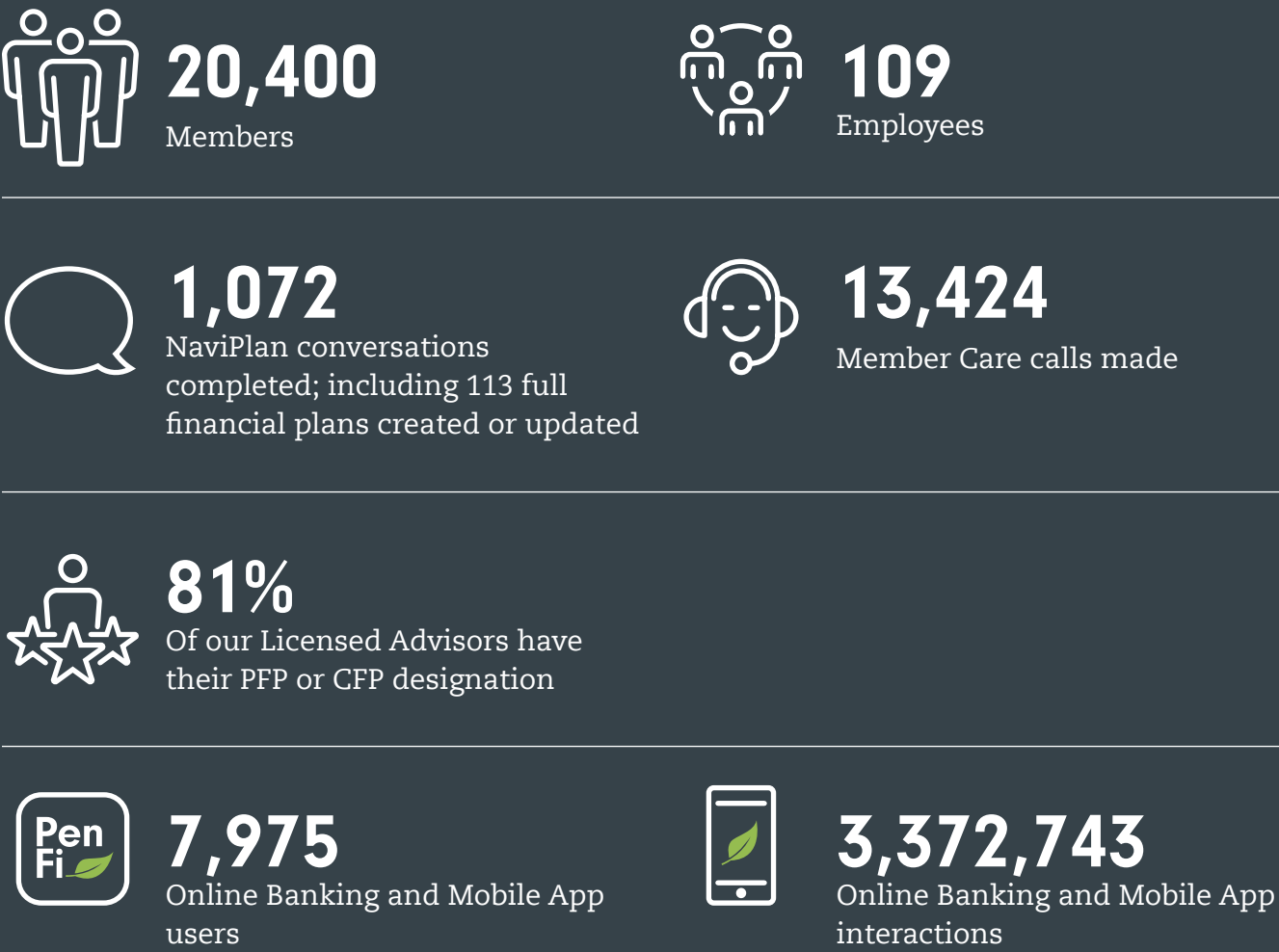
We are committed to continuous learning.



2022 performance highlights



By the numbers



For more information, refer to the Financials section beginning on page 30.



Welcoming Theresa Bird,

Chief Executive Officer



In September 2022, following an extensive nation-wide search, PenFinancial Credit Union welcomed Theresa Bird as the new Chief Executive Officer. Joining PenFinancial as Chief Retail Officer in January 2021, then becoming its Chief Operating Officer, Theresa comes to the role with nearly 40 years of experience in the financial services sector – experience that has shaped her belief that financial service to members and the community can and should be a rewarding and valuable experience, for staff and members alike. Theresa’s experience crosses a broad range of disciplines, including people development and membership, front-line member banking, operations, technology, credit and risk management, project management and strategic business planning.

In 2022, we strengthened our balance sheet, established new highs for employee and member experience and “showed up” for our community in countless ways.

Hello fellow members. It is both a privilege and pleasure to have the opportunity to lead the team at PenFinancial as their CEO. When I first joined PenFi, I was immediately drawn to the warm culture and caring staff and my feelings are only amplified in this new role. On behalf of our team, I want to thank Ken Janzen for his strong leadership and the support he provided to all staff. We will forever benefit from the many contributions he made to our Credit Union and I’m personally grateful for the ways in which he helped me to prepare for this new role. While I’m excited to take on the challenges this new role brings, I must admit, there are some significant external forces that we will need to navigate in the coming months.

As hard as it may be to believe, we have reached the end of the third year responding to the impacts of the COVID-19 global pandemic. In 2022, it was easier (relatively speaking) to deal with the access restrictions and health protocols we faced earlier on in the pandemic, but 2022 was the first year where we started to experience the significant downstream social and economic impacts which proved challenging. Combined with the lingering impacts of the pandemic, Russia’s invasion of Ukraine in early 2022 put additional pressure on the already fragile global supply chain leading to record high inflation in the world economies, including Canada. In response to increased

A tribute to Ken Janzen

In late 2022, Ken Janzen, PenFinancial’s Chief Executive Officer, officially retired. A graduate of Brock University’s Business and Economics program, Ken joined PenFinancial in July 2016, bringing with him 35 years of experience within the credit union system. Under Ken’s leadership, PenFinancial built on its reputation as a Truly Local Credit Union, and increased assets by over 46% to \$764 Million. During Ken’s tenure, PenFinancial realized many other significant milestones, including the opening of three branches, launching a new Online Banking and Mobile App, leading the organization to becoming a Certified B Corporation and champion level Living Wage employer, and formalizing our commitment to giving back to the community through our Truly Local Commitment. Ken’s personal philanthropic contributions within the Niagara region and beyond have also been significant. A long-time Rotarian, Ken also served as a member of the Board of Directors for the Niagara Children’s Centre for more than 25 years, and the Red Roof Retreat in Niagara-on-the-Lake for 20 years. Ken’s co-operative and humanitarian efforts extend nationally and internationally as a member of the Board of Directors for the Foundation for International Development Assistance, a Canadian Charitable

organization that provides resources to rural communities in Haiti who are motivated to advance themselves economically by forming a productive agricultural co-operative.



We extend our **sincere and heartfelt thank you to Ken** for his service to the Credit Union, the community, and members of PenFinancial.

inflationary pressure, the Bank of Canada raised its overnight rate in seven consecutive cycles. This was the most aggressive quantitative tightening action taken by our central bank in more than a decade and had significant impacts not only on the business, but also in the lives of our members.

The war for talent fueled by an ultra-low unemployment rate and a post-pandemic change in employee preferences on how they work, created a new pressure for all employers, including PenFinancial, to hire and retain top talent.

And finally, everyone knows someone who has been impacted by the social isolation and anxiety caused by COVID-19 making wellness and wellbeing equally high priorities for all employers last year.

These collective headwinds forced us to constantly pivot to meet evolving needs and demands, and to lean into our collective resilience to respond to an ever-changing set of internal and external challenges.

Based on these strong financial results, the Board of Directors declared a dividend payment of **4.75%** for our Class B special shares, otherwise known as **Niagara Shares**, for 2022.

SO HOW DID WE DO?

Notwithstanding the downstream economic effects of the pandemic and the current geopolitical and inflationary pressure, I’m pleased to report that the financial projections for PenFinancial Credit Union remain healthy.

In 2022, we strengthened our balance sheet, established new highs for employee and member experience scores and “showed up” for our community in countless ways.

Employee pride and sense of community has never been stronger and, being that we are in the people business, we performed exceptionally well in how we helped our members, supported our employees and strengthened our ties in the local communities where we operate. At the end of the day, it’s all about people and we are very proud of all the ways we continue to excel in this area.

The Credit Union moved forward under all five of its strategic pillars – ranging from Member Experience to Financial Stewardship and once again proved our collective ability to navigate uncertain economic times and deliver solid results. Here are some key highlights from 2022.

DEMONSTRATE FINANCIAL STEWARDSHIP

While modest, the Credit Union grew our assets by +2.01% or +\$15.03M in 2022 (compared with 2021 and 2020 asset growth at +7.4% and +4.9% respectively). Assets at year-end totaled \$763.07M.

Our members continued to show their commitment to the Credit Union by investing in our deposit and wealth products. Deposits grew by +\$15.09M or +2.38% (compared with 2021 and 2020 deposit growth at +6.9% and +7.4% respectively) while our wealth portfolios grew by +\$3.492M. Constantly changing market conditions contributed to the volatility in the valuation of the wealth portfolio in 2022. Our wealth assets under management at the end of 2022 were \$131.34M.

Stronger than anticipated revenues combined with prudent expense management allowed the Credit Union to post after-tax net income of \$4.18M, one of the strongest years we have ever reported!

Based on these strong financial results, the Board of Directors declared a dividend

payment of 4.75% for our Class B special shares, otherwise known as Niagara Shares, for 2022.

After distributing declared dividends to our Niagara share holders, the remainder of the after-tax net income was reinvested in the Credit Union and added to our capital position. As of December 31, 2022, our capital leverage ratio was 6.82% which exceeds the regulatory minimum of 3.00%, while our risk weighted asset ratio totaled 14.93% with the regulatory minimum being 10.50%. Our strong capital position contributes to the stability and sustainability of the Credit Union.

We continued to invest in, and proactively enhance our Information Technology (IT) systems to guard our members’ funds and data. Cyber security remains a very high priority for the Credit Union and, given the increasing prevalence of cyber security risks around the globe, we must remain vigilant in this area.

Employee pride and sense of community has never been stronger and being that we are in the people business, we performed exceptionally well in how we helped our members, supported our employees and strengthened our ties in the local communities

FOSTER TRULY LOCAL BANKING

By giving back a generous portion of our pre-tax profits, PenFinancial is showing up for the communities we serve. 2022 was another incredible year for helping others.

Across all of our programs, we donated just over \$228K to local charities and not-for-profits bringing our community giving to over \$1.24M since the Truly Local Commitment (TLC) program began in



PenFinancial continued its legacy of giving back to the community through support of local organizations like the Niagara Children’s Centre. The NCC is Niagara’s one-stop organization supporting nearly 6,000 children and youth to meet their communication, developmental, physical and behavioural goals each year. By sponsoring events like the annual Superhero Run and through donations, PenFinancial is able to support the important work the NCC does.

2014. Our employees also gave back to our communities through volunteer work as part of our Truly Local Ambassador program. There are no shortages of organizations in need, particularly in the wake of the pandemic. In 2022, much of our charitable giving was focused on health and wellness; poverty and homelessness; and education reflecting areas of increased need in our community, and a strong alignment to our values. We also continued to do our part for the environment by partnering with Bullfrog Power to help offset our carbon footprint, and through our sponsorship of Shelly, the official turtle mascot of the Canada Games, youth in Niagara learned about the importance of conservation and local Indigenous heritage.

[A comprehensive summary of our community engagement is covered later in this document.](#)

Across all of our programs, we donated just over **\$228K** to local charities and not-for-profits bringing our community giving to over **\$1.24M** since the Truly Local Commitment program began in 2014

IMPROVE EFFICIENCY AND SIMPLICITY

In 2022, we continued to focus on improvements to our core banking operations. Our goal is to make it easier for members to do business with us by leveraging tools and technology (such as e-sign capability). While we still have more opportunities to pursue, we are proud of the progress we have made in making our processes more efficient and in digitizing our credit files which strongly aligns with our B Corp values and commitment to the environment.

We also dedicated significant resources to improving employee training and onboarding programs. A knowledgeable employee will not only be more efficient and effective but they will make sure our members are well taken care of. We remain firmly committed to the ongoing journey toward continually improving how we operate in order to better support our members.

OPTIMIZE THE USE OF HUMAN RESOURCES

The support and wellness of our employees has always been embedded in our culture. This year, as we dealt with the downstream impacts of the pandemic, the war for talent increased in intensity and resulted in higher than usual employee turnover, requiring us to support our employees more than ever before. In 2022, we welcomed more than 30 new employees - all of whom were trained and on-boarded. We also managed through some stressful events such as the unexpected passing of a co-worker, turnover of the CEO position and a number of employees dealing with serious illnesses. These events take a toll on everyone. Despite these challenges, I am pleased to report that we maintained our healthy employee engagement score of 81 as measured by our annual survey. This was consistent with where we ended 2021 but significant given the volume of change impacting all employees. As well, a strong sense of community has emerged as a notable strength at PenFinancial in 2022. Other areas of strength that we will work to maintain in 2023 and beyond are flexibility in how we work, recognition and employee growth opportunities.

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 ever changing needs of our members. We remain deeply committed to this objective.

A commitment we made to our members for 2022 was to find a new branch location in Niagara Falls. We are pleased with our newly constructed branch located at 7190 Morrison Street which opened last April. Members are able to comfortably meet the team in our newly furnished offices or the conference room to receive the advice they need to meet their goals.

In July, we opened the doors to our Contact Centre. This newly formed team, located in Welland, Ontario was hand selected to service to our members. More than 80% of the team came from our existing employee base and brought advanced product knowledge, system knowledge and familiarity with our members. We took the summer to carefully transition all branches to the Contact Centre support model and by October, we were fully operational and answering more than 84% of all incoming calls in less than 90 seconds. We realize that the call answer times were impacted earlier this year, but as of the time of writing, we are trending back towards our pre-January wait times. For those members calling in, please note that the way to reduce your wait time is by holding on the line for the next available representative. Hanging up and redialing will actually make your wait time longer. Now that the team is in place, we have a hard time imagining what we did without them!

Leading with advice was another member focused initiative. In 2022, we completed and delivered more than 1,000 financial planning

tools for our members. Our team of qualified advisors are available to help you and would welcome the opportunity to prepare a plan for you or a family member.

At the end of 2022, we continued to improve our member experience rating, or Customer Experience Composite Analysis (CECA) at 86.47. What's more impressive is that our score improved when others in the financial services industry did not, meaning that our overall performance when compared to the credit union average and the financial services average continues to be higher.

In 2022, we completed and delivered more than **1,100** financial planning tools for our members

A WORD ABOUT CYBER SECURITY

As you may be aware, in January 2023, PenFinancial was subjected to a brute force attack whereby fraudsters attempted to gain access to Online Banking by specifically targeting accounts with weak passwords. Our security systems acted as expected by alerting us to unusual activity and then automatically locking any Online Banking accounts after multiple failed attempts to guess passwords. While it may not seem like it, this is very positive as it protected accounts against losses, and reinforces that the vast majority of our members had selected secure passwords. Unfortunately, these fraudulent access attempts resulted in a large number of member accounts being locked by our security system. I would like to personally thank all of our members for their patience during this time. I recognize that this has been an incredibly frustrating situation for all involved, but it has shown us that the security systems we already have in place have been incredibly effective.

I want to personally thank the employees of our Credit Union for their many contributions to our success in 2022

I encourage all members to read our security tips available on penfinancial.com/DigitalBanking and make sure you are doing your part by creating and maintaining a strong password. For an added layer of security, 2-Step Verification was also implemented in 2023.

PREPARING FOR THE FUTURE

As we look forward, the Board and the leadership team will meet to review and discuss the strategic direction for our Credit Union in the next 3-5 years. Our intention is to build on the many successes we have achieved over the last 5 years while assessing the impacts of changing member preferences, advancements in technology and an ever-changing economic environment.

Our objective will be to develop a plan that enables us to continue to put our members and employees first by building and developing a sustainable business model, while also prioritizing ways to give back to the communities where we operate. I look forward to providing an update to the membership later this year.

I want to personally thank the employees of our Credit Union for their many contributions to our success in 2022. Your commitment to our membership is commendable. I would also like to thank and recognize the Board of Directors for their confidence in me and their ongoing support and direction.

Respectfully submitted,



Theresa Bird
Chief Executive Officer



Improving lives. Strengthening communities.



Here are just a few of the organizations we support.



Report from the Board Chair

Another challenging year has come and gone. The effects of COVID-19, uncertain economic times, real-estate highs and lows, global unrest and political issues were among the top influencers in our world throughout 2022.

We survived. Not only that, we were able to grow. Strategic planning and being able to execute the plan were the key factors for this success. I will speak to this shortly.

Your Board of Directors is comprised of 11 dedicated individuals. Having been a member of our Board for 20 years, this is the most diverse Board we have ever had – a true representation of our members. As we continue to navigate the changing regulatory requirements under which we operate, we are looking to enhance Board skills and expertise in several key areas. If you have ever thought about representing the members of PenFinancial as a Board member and you possess governance, legal, financial, IT, or entrepreneurial skills, please consider running for a position on your Board at an upcoming election.

The responsibilities of your Board of Directors as described by our regulator include:

- Setting the strategic plan of the Credit Union and providing oversight to monitor the achievement of strategic goals;
- Establishing the Credit Union’s business objectives;
- Establishing the Credit Union’s risk appetite and risk tolerance with respect to the management of key financial and operating risks, as well as strategic risks;
- Reviewing and approving the Credit Union’s policies and annual business plan;
- Ensuring that qualified and competent management is appointed to implement appropriate risk measurement techniques and risk management procedures;
- Ensuring the succession plans are in place for key members of the management and staff of the Credit Union;

- Reviewing and approving the annual internal and external audit plans;
- Reviewing reports of the Audit Committee and ensuring that all recommendations are appropriately addressed;
- Monitoring the performance of the Credit Union to ensure adherence to policy and the annual business plan; and
- Overseeing community relations and protecting member’s rights.

I am pleased to report to you, the members/owners of PenFinancial Credit Union, that your Board of Directors has fulfilled the requirements of our regulator, and the Credit Union is operating within the regulatory requirements set forth.

Now, let’s talk about strategy and execution.

Five years ago, the Board and Senior Leadership Team (SLT) set a strategic plan. When you set plans in place, a lot has to happen to ensure the plan actually works. In our plan we had a couple of investment years, then a couple of stability years and then growth years. The plan worked as designed. The key to making it work was a dedicated team of staff who understood and believed in the plan. It was this strong alignment that allowed us to face and surpass all of the unexpected challenges that occurred over the past five years.

I am proud to report that our 2022 financial results are very strong. Look at the financial statements and you will see strong net income, strong liquidity position and a very stable capital position. All of these results show we are in a very sustainable position moving forward.

These results only happen if you have, as I mentioned before, the staff to believe in the plan and make the plan a reality.

In 2023, we will once again look at the future and set a strategic direction for our Credit Union. The ever-changing landscape and economic environment will be front and

center during these strategic discussions but the most important item in the discussions will be you, the members, and ensuring your deposits are protected now and into the future.

2022 was a year of major change for PenFinancial but also one of constant improvement. We experienced the retirement of our former CEO Ken Janzen. While leading us through some very challenging times, Ken was able to keep us pointed in the direction of our strategic plan and as mentioned, he and his team achieved some wonderful results.

On behalf of the Board and staff of PenFinancial, I thank Ken for his service to PenFinancial and wish him a very happy and healthy retirement.

Your Board of Directors undertakes an oversight role in the business of PenFinancial. One important role of the Board is to ensure we have qualified individuals running the business. With the retirement announcement of Ken Janzen, your Board began a search for a new CEO. This search was conducted over several months with the help of an outside consultant. We received applications from all across Canada and from within our own business and we are very pleased to have selected Theresa Bird, our former COO, as our CEO. Your Board looks forward to working with Theresa as we set our future direction in 2023 and as we continue to move forward with the work already in progress from the last strategic plan.

Your Board continues to engage in governance education in order to stay apprised of emerging trends and regulatory changes. We have attended education courses, industry conferences and online learning seminars in order to accomplish this. Two of our Directors have achieved the accreditation of ACCUD

(Accredited Canadian Credit Union Director). Congratulations to Sandy Henderson and Steve Gandour for completing the required education courses and the exam. This demonstrates how your Board stays current with industry standards and with regulatory requirements.

One other area of engagement that we are involved with is the community. Our strategic plan included community involvement as an important part of growing our business. The details included in this 2022 Annual Report to the Members will show how we are involved with the community and how we are striving to improve.

In order for me to fill my role as Chair, in a successful manner, a lot of support has to be in place. Thank you to all of the Board members for helping me fill my role. Without them, I would not have been able to do my job.

Thank you to all of the staff for believing in our Credit Union and to you, the members, for having remained loyal to PenFinancial. Our promise to you is that we will strive to improve and make your financial experience with PenFinancial the best it can be.

It has been a pleasure serving, first as a Board member, and then as Chair of the Board. I strongly believe that we, at PenFinancial, have the ability and capability of “Improving Lives and Strengthening Communities”.

N. Reg Sonnenberg
Chair, Board of Directors



I am proud to report that our 2022 financial results are very strong. Look at the financial statements and you will see strong net income, strong liquidity position and a very stable capital position. All of these results show we are in a very sustainable position moving forward.

Board of Directors



N. Reg Sonnenberg
Board Chair



Evan Acs
Board Vice-Chair



Angie Walker
Chair of Audit and Risk Committee



Sandy Henderson
Chair of Governance and Human Resources Committee



Elizabeth Grimmond
Chair of Nominating Committee



Dave Chamberlain



Steve Gandour



Laurie Ryan-Hill



Kirbi Simpson



Rick Tabaka



Chris Walsh

2022 Meeting attendance

	BOARD MEETINGS ATTENDED	COMMITTEE MEETINGS ATTENDED*	HONORARIUM PAID	PLACE OF RESIDENCE
N. Reg Sonnenberg Board Chair	9/9	6/6	\$ 11,700	Niagara Falls
Evan Acs Board Vice-Chair	9/9	6/6	\$9,550	St. Catharines
Angie Walker Chair of Audit and Risk Committee	9/9	6/6	\$10,825	Fonthill
Sandy Henderson Chair of Governance and Human Resources Committee	9/9	6/6	\$10,250	St. Catharines
Elizabeth Grimmond Chair of Nominating Committee	9/9	6/6	\$10,400	Niagara Falls
Dave Chamberlain	9/9	6/6	\$11,775	St. Catharines
Steve Gandour	5/5	5/5	\$5,200	Dunnville
Laurie Ryan-Hill	9/9	5/6	\$9,175	St. Catharines
Kirbi Simpson	9/9	6/6	\$8,775	Wainfleet
Rick Tabaka	2/2	2/2	\$1,058	Niagara Falls
Chris Walsh	5/5	5/5	\$4,525	Niagara Falls
Dave Teutenberg (Term expired in April 2022)	4/4	1/1	\$4,625	Niagara Falls

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

2022 BOARD EXPENSES

- Total honorarium paid — \$98,258
- Total expenses paid including education, conferences and other related expenses — \$62,040
- Total Board expenses — \$160,298

Report from the Audit and Risk Committee

PenFinancial operates within a comprehensive regulatory framework underpinned by provincial legislation, specifically the Credit Unions and Caisses Populaires Act, 2020, S.O. 2020, c. 36, Sched. 7 (“the Act”). Credit unions are regulated by the Financial Services Regulatory Authority (FSRA), which administers regulations under the Act, as well as Rules and Guidance. FSRA oversees both market conduct and prudential regulation of all credit unions – including compliance with solvency rules – and provides deposit insurance held in Ontario Credit Unions and Caisses Populaires, up to prescribed limits.

The primary responsibility for overseeing both the Enterprise Risk Management Framework and PenFinancial’s risk management activities, as they relate to the categories of credit risk, market risk, and operations risk, falls upon the Audit and Risk Committee (ARC). The ARC oversees the design and implementation of internal controls to support both the risk management framework and the integrity of financial reporting, as well as compliance with regulatory matters. Further, the Committee provides oversight of the external and internal audit functions, and facilitates the independence of same.

The Audit Committee is specifically referenced in the Act, and the ARC must ensure that it meets the requirements prescribed therein.

As Chair, I have the pleasure of reporting that the PenFinancial Audit and Risk Committee has effectively conducted its affairs, as per Section 104 of the Act, and Section 36 of Ontario Regulation 105/22 therein. At this time, there are no matters requiring disclosure to the members pursuant to the Act or Regulations.

I am proud to say that this incredibly hard-working Committee has remained on task and on track with bi-monthly meetings fueled by an extensive checklist. In conjunction with management, a true team effort has been made and the ever-evolving list

- of regulatory requirements has been fully satisfied. Some highlights of the fulfilled mandate items include:
- Appointment of Internal Auditor, Jones and O’Connell LLP;
 - Review and approval of the annual internal audit objectives, plans, and priorities, including audit report of branches and central services provided by the internal auditor and subsequent responses from management;
 - Review and redesign of an internal audit score card which is unique to PenFinancial and is an excellent tool to track progress on a year-over-year basis. This unique tool is to be redeveloped for 2023 to foster continuous improvement;
 - Appointment of External Auditors, KPMG LLP;
 - Assessment of the effectiveness of the External Auditors, and acquisition of assurances that the External Auditors have complied with their obligations and report thereon at least annually to the Board;
 - Receipt and review of the results of the 2022 fiscal year; and
 - Oversight of the Enterprise Risk Management Framework.

I would like to express my deepest gratitude to this Committee for its tireless devotion to accomplishing all of our goals and fulfilling all requirements, and to the PenFinancial management team for their hard work, dedication and flexibility in the face of an ever-changing regulatory environment. Thank you for cooperation in and dedication to this undertaking and thank you for your trust in me.

Respectfully submitted,
Angie Walker
Chair, Audit and Risk Committee

Report from the Governance and Human Resources Committee

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

1. Ensures that governance policies and 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:

- Oversaw the review and implementation of ethics policy related to Director behaviour to ensure our commitment to the Credit Union’s values of integrity and accountability.
- Reviewed all Board governance 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.
- The new policy guiding Director Learning and Training was fully implemented to meet director competency requirements and continually improve the strategic leadership capacity of each Board member as well as the Board as a whole.

- The new policy to support Board Succession planning will be implemented following this year’s AGM to support transparent decision-making regarding the selection of Board members to executive positions.
- New policies were developed to address gaps in the area of Board Director Leave of Absences.
- Following the completion of a comprehensive review, established a revised remuneration framework for Directors to ensure fair and defensible compensation is provided for the effort and responsibility required by the position.
- Reviewed the Terms of Reference for all Board committees and Board chairs.
- Oversaw the evaluation process of all Board committees and Board chairs and ensured action plans developed to optimize Board effectiveness.
- As Committee Chair, participated in the selection process and hiring of the new CEO followed by the Committee supporting the annual CEO performance evaluation.
- Provided oversight to staff-recommended updates to human resources policies and recommended changes to the Board of Directors to ensure the right human resources policies were in place.

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 Resources Committee

Enhancing the member experience

Listening to feedback and improving the experience of our members continued to be a top priority in 2022, during which time we undertook several major projects, including:

ENHANCED ONLINE BANKING AND MOBILE APP

In January 2022, we launched an improved Online Banking platform and Mobile App that provide members with simplified and enhanced experience.

NEW NIAGARA FALLS BRANCH

Replacing the former branch on Dorchester Road, our new Niagara Falls branch at 7190 Morrison Street opened in May 2022. The new location offers a more convenient and accessible location, and a much larger and more modern space allowing us to better serve our members.

NEW CONTACT CENTRE

Through member feedback, one area that we heard we needed to improve was to make it easier for members to reach us. With this in mind, we opened a dedicated Contact Centre in the fall of 2022. Based in Welland, the Contact Centre provides extended hours and a dedicated team with local knowledge.

LEADING WITH ADVICE

Having a written financial plan and the support of an accredited financial advisor is one of the top drivers of financial wellbeing. In 2022, PenFinancial Wealth Advisors supported an increasing number of members with timely advice and meaningful support in a time of unprecedented changes.

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

81%

Of our licensed advisors have their PFP or CFP designation

Using business as a force for good®

At PenFinancial, we're committed to using business as a force for good. As a Certified B Corporation since 2019, we are part of a global movement of like-minded businesses.

And, by maintaining our B Corp certification, we are signalling our commitment to balancing purpose and profit – both for our local community, as well as for the planet.

To ensure we meet B Corp's rigorous standards of social and environmental responsibility, we must recertify every three years; requiring in-depth review of all aspects of our business which took place throughout 2022.

We are proud to report that PenFinancial has re-qualified as a Certified B Corp. Not only does the B Corp framework validate the work we have been doing, it also provides insights into where we can improve our impact in the future.

Certification requires we meet the highest standards across five key areas:

-  **GOVERNANCE**
-  **MEMBERS**
-  **ENVIRONMENT**
-  **WORKERS**
-  **COMMUNITY**



Reducing our environmental impact

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.



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

AS OF DECEMBER 31, 2022,
WE'VE AVOIDED

169 TONNES
OF **CO₂e** EMISSIONS

THAT'S EQUIVALENT TO:

 **32 CARS**
taken off the road for one year

 **6,401 LIGHTBULBS**
switched to LEDs

 **82 HECTARES**
of forest growing for a year

Across Canada, Bullfrog's green electricity comes from a blend of wind and low-impact hydro power sourced from Canadian renewable energy facilities. Bullfrog's green natural gas is sourced from methane-capture projects situated at various Canadian landfills, wastewater treatment facilities, and anaerobic digestion sites.



In 2022, PenFinancial signed on as the Presenting Sponsor of the inaugural Mother Earth Day in Niagara Falls. Organized and hosted by the Park in the City Committee, with the support of the Stamford Centre Volunteer Fireman's Association, the event is a celebration of the environment. Offering a range of family-friendly activities, the event enabled residents to participate in environmental initiatives, such as a community clean-up, tree planting and learning opportunities.

Our Truly Local Commitment

By giving back a generous portion of our pre-tax profits through our TLC investment program, PenFinancial is making a Truly Local Commitment to help improve lives and strengthen communities. Through collaborative work with local charities and

not-for-profits, we're addressing challenges like health and wellness, poverty, access to education, and the environment. Since 2014, we've donated more than \$1.24 million back into our local communities.

HEALTH AND WELLNESS	\$104,812	46%
POVERTY/HOMELESSNESS	\$16,777	7%
EDUCATION	\$15,432	7%
ENVIRONMENT	\$32,340	14%
TRULY LOCAL AMBASSADOR DONATIONS Various charities	\$9,400	4%
COMMUNITY SUPPORT Including Canada Games, OCUF, humanitarian relief donations, and other community support	\$49,686	22%
TOTAL	\$228,447	100%

Niagara 2022 Canada Games



In August of 2022, Niagara Region played host to the Canada Summer Games for the first time ever. PenFinancial was proud to be sponsoring the Catch the Spirit and Mascot programs for the Games. Through our co-sponsorship of Shelly, Niagara 2022's turtle mascot, we helped to get the word out to youth about the importance of environmental sustainability. And, as sponsors of the Niagara Falls leg of the Torch Relay, some of our employees and Board members were able to be a part of the action, while also celebrating the opening of our new Niagara Falls branch.



Truly Local Ambassador Program

The **Truly Local Ambassador** program encourages PenFinancial employees to get involved in their local 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.

Since its introduction in 2021 more than **\$18,500** has been directed to local charities on behalf of our employee ambassadors across a wide-range of causes.



Ken Janzen Truly Local Ambassador Award

Our former CEO, Ken Janzen, made his mark in the Niagara region with his commitment to bettering the lives of those in our community who were most vulnerable. Through his volunteer work with numerous charities, in both his personal life and as an Ambassador for PenFinancial Credit Union, Ken embodied our philosophy of Improving Lives and Strengthening Communities.

To recognize PenFinancial employees who show a similar commitment, the “Ken Janzen Truly Local Ambassador” award was introduced in 2022. This recognition will be awarded to an employee of PenFinancial who goes above and beyond through their personal contribution of volunteering their time to a registered charity or non-profit in the Niagara or Haldimand regions and includes a donation in the recipient’s name to a charity of their choice.



2022 Ken Janzen Truly Local Ambassador award recipient Lisa Caruso

Our people

The wellbeing of our employees has always been a priority at PenFinancial. Whether that’s through our investment in continuing education, our focus on maintaining high employee engagement, or our status as a Living Wage employer, exceptional member experience starts with happy employees.



EMPLOYEE ENGAGEMENT

Despite many headwinds in 2022 ranging from the lingering effects of the pandemic to the uncertain economy, employee engagement remained healthy.

- 81 engagement score
- 92% participation rate
- A notable 7% increase in our community score for strong teamwork and pride in PenFinancial



EQUITY, DIVERSITY AND INCLUSION (EDI)

We are proud of the steps we have taken to date to ensure a diverse and inclusive workplace.

- 45% of Board members identify as female
- 40% of our workforce is under the age of 24 or over the age of 50



LIVING WAGE

PenFinancial was the first financial institution in Niagara to pay all of our employees a Living Wage and we’re proud to see others following in our footsteps.

- Champion level Living Wage employer since 2018



CONTINUOUS LEARNING

PenFinancial provides employees with access to on-the-job skills development and opportunities for continuing education. By investing in our people, we can better support our members.

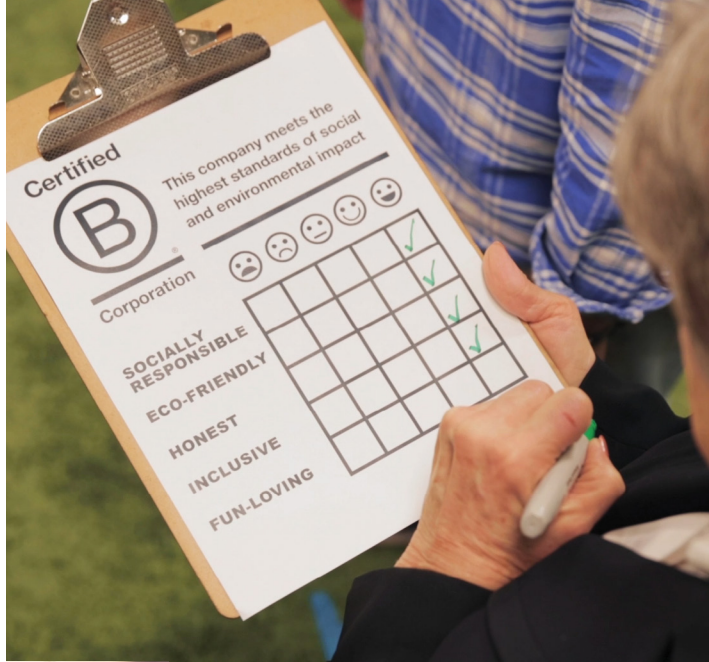
- 59 employees completed Leadership training
- Over 675 courses completed by employees to invest in skills development through continuous education



EMPLOYEE WELLBEING

We continue to support employees and encourage wellbeing through a variety of ways, including comprehensive benefits, Employee Assistance Programs, paid wellness days, and a wellness allowance. To provide added flexibility to employees, many roles are now supported through hybrid working arrangements.

A global movement of businesses that meets the highest standards of verified social and environmental performance, public transparency, and legal accountability.



2022

Financials



The PenFinancial Difference



The AIME Awards (Achievement in Marketing Excellence Awards) celebrate the most innovative and creative marketing campaigns across the Canadian credit union system.

In 2022, PenFinancial was named the **Winner of the Brand Awareness** category amongst our peer group for the **PenFinancial Difference** campaign. This campaign included a series of short videos aimed at spreading the message about what makes PenFinancial different and how we deliver on our purpose of **improving lives** and **strengthening communities**.





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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, 2022
- 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, 2022 (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 March 1, 2023, we expressed an unqualified opinion on the audited financial statements.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



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
March 1, 2023

PenFinancial Credit Union Limited

Summary Statement of Financial Position

DECEMBER 31, 2022, WITH COMPARATIVE INFORMATION FOR 2021

ASSETS	2022	2021
Cash	\$ 22,239,849	\$ 23,475,963
Investments	50,201,033	43,231,464
Income taxes receivable	98,836	–
Loans to members	676,789,059	666,149,785
Other assets	1,341,298	3,044,769
Investment in joint venture	77,487	77,487
Property and equipment	12,158,678	11,924,717
Intangible assets	166,349	134,672
	\$ 763,072,589	\$ 748,038,857
LIABILITIES		
Deposits from members	\$ 649,248,823	\$ 634,158,271
Other liabilities	7,157,585	6,637,332
Mortgage securitization liabilities	52,143,768	56,027,681
Current income tax liability	–	413,720
Deferred income tax liability	107,561	103,621
Membership shares	204,100	208,168
	708,861,837	697,548,793
MEMBERS' EQUITY		
Class B special shares	26,710,718	25,884,241
Retained earnings	27,500,034	24,605,823
	54,210,752	50,490,064
	\$ 763,072,589	\$ 748,038,857

See accompanying notes to financial statements.

PenFinancial Credit Union Limited

Summary Statement of Comprehensive Income

YEAR ENDED DECEMBER 31, 2022, WITH COMPARATIVE INFORMATION FOR 2021

	2022	2021
Interest income	\$ 23,880,701	\$ 20,768,811
Investment income	1,046,212	521,272
	24,926,913	21,290,083
Interest expense	7,805,647	5,822,254
Other interest expense	1,263,848	1,585,392
	9,069,495	7,407,646
Net interest income	15,857,418	13,882,437
Provision for impaired loans	267,793	(458,684)
NET INTEREST MARGIN	15,589,625	14,341,121
Net gain (loss) from other financial instruments carried at fair value through profit or loss	(1,876)	592
Gain (loss) on disposal of property and equipment	420,194	157,853
Gain on disposal of other assets held for sale	551,549	10,513
Other income	4,324,685	5,342,927
TOTAL OPERATING INCOME	20,884,177	19,853,006
Deposit insurance premium	529,934	508,901
General and administrative	4,659,701	4,446,814
Occupancy	1,564,570	1,640,618
Personnel expenses	9,352,487	8,247,709
TOTAL OPERATING EXPENSES	16,106,692	14,844,042
Income before income taxes	4,777,485	5,008,964
Income tax expense	601,931	754,101
NET INCOME AND COMPREHENSIVE INCOME	\$ 4,175,554	\$ 4,254,863

See accompanying notes to financial statements.

PenFinancial Credit Union Limited
 Summary Statement of Changes in Members’ Equity

YEAR ENDED DECEMBER 31, 2022, WITH COMPARATIVE INFORMATION FOR 2021

	CLASS B SPECIAL SHARES	RETAINED EARNINGS	TOTAL
As at January 1, 2021	\$ 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
Total comprehensive income	-	4,175,554	4,175,554
Total dividends declared on Class B special shares	-	(1,281,343)	(1,281,343)
Dividends reinvested in Class B special shares	826,477	-	826,477
AS AT DECEMBER 31, 2022	\$ 26,710,718	\$ 27,500,034	\$ 54,210,752

See accompanying notes to financial statements.

PenFinancial Credit Union Limited
 Summary Statement of Cash Flows

YEAR ENDED DECEMBER 31, 2022, WITH COMPARATIVE INFORMATION FOR 2021

CASH PROVIDED BY (USED IN):	2022	2021
Operations:		
Net income	\$ 4,175,554	\$ 4,254,863
Items not involving cash:		
Provision for impaired loans	267,793	(458,684)
Interest income	(23,880,701)	(20,768,811)
Interest expense	7,805,647	5,822,254
Depreciation and amortization	1,023,999	1,050,841
Net gain from other financial instruments carried at fair value through profit or loss	1,876	(592)
Gain (loss) on sale of property and equipment	(551,549)	(10,513)
Gain on sale of other assets held for sale	(420,194)	(157,853)
Proceeds received on disposal of other assets held for sale	2,343,779	543,766
Income tax expense	601,931	754,101
	(8,631,865)	(8,970,628)
Change in operating assets/liabilities:		
Change in loans to members	(10,677,850)	(80,276,391)
Change in deposits from members	13,169,338	42,194,836
Change in other assets and liabilities	1,061,562	(622,061)
	(5,078,815)	(47,674,244)
Interest received	23,651,484	20,904,755
Interest paid	(5,884,433)	(6,953,076)
Income tax paid (net of recoveries received)	(1,110,550)	(546,364)
	11,577,686	(34,268,928)
Investing:		
Net change in investments	(6,971,446)	40,953,772
Purchase of intangible assets	(160,602)	(23,275)
Purchase of property and equipment	(1,391,343)	(144,024)
Proceeds received on disposal of PPE	177,254	17,751
	(8,351,771)	40,804,224
Financing:		
Proceeds from securitization of mortgages	12,374,852	32,198,370
Repayment of mortgage securitization liabilities	(16,258,765)	(27,892,802)
Redemption of membership shares – net	(4,068)	(5,981)
Issuance of Class B special shares	826,477	738,787
Dividends on Class B shares	(1,281,343)	(805,549)
Repayment of lease liabilities	(119,182)	(68,933)
	(4,462,029)	4,163,892
(Decrease) increase in cash	(1,236,114)	10,699,188
Cash, beginning of year	23,475,963	12,776,775
CASH, END OF YEAR	\$ 22,239,849	\$ 23,475,963

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, 2022 and for the year then 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 stat;
- 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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