



PenFinancial
CREDIT UNION

Annual Report
2015

OUR COMMITMENT



At **PenFinancial Credit Union**,
we improve lives and strengthen communities.

≡ WE BELIEVE IN ≡

PASSION



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

INTEGRITY



We develop trusting relationships and maintain the highest ethical standards by taking care of the needs of others as we would our own.

RESPECT



We build mutual respect through honest and meaningful relationships.

KNOWLEDGE



We are committed to continuous learning.

SUCCESS



We secure growth while ensuring accountability, social responsibility and cooperative principles.

We are proud ambassadors of
PenFinancial Credit Union

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Truly Local Banking

At PenFinancial Credit Union, our values support **Our Commitment** to improve lives and strengthen communities right here in Niagara.

Quite simply, PenFinancial members are our owners. When you open an account with us you become a member, hold a share, and have a say. We are locally based and owned by residents in our neighbourhoods, so growing and nurturing our members' financial well-being is important to us. Building trust and solution based relationships are at the foundation of our success. Whether you're buying your first home, opening a small business or saving for your retirement, we've got everything you need. We place a high value on the timely, professional advice we provide, which will help you through all the stages of your life.

We believe supporting the community should mean much more than simply offering financial support. Through volunteerism, education and sharing our expertise, we can proudly say that we truly support the communities where we live and work.

No matter how we grow, we always remember where we came from and what separates us from other financial institutions. It's our caring and nurturing nature that makes the difference. We put the humanity back into banking.

Report from the Board Chair

There it was ... and then it was gone! Where did 2015 go so quickly? Do you remember much of what you did or accomplished in 2015?

We, at PenFinancial, experienced considerable activity during 2015 and would like to share some of it with you. Before I get started though, on behalf of the Board of Directors, I would like to thank you, our members, for your continued support and loyalty to PenFinancial Credit Union. Your support and loyalty help us to remain strong and sustainable, as we continue to grow.

Your Board of Directors has been hard at work representing you in all that we participate in. Some of the activities we were involved in include: Director training to ensure that we remain current with our education, community events where we represented PenFinancial in our many neighbourhoods, co-operative sector meetings where we are able to share our successes with other financial and retail co-operatives, attendance at our regularly scheduled and special Board meetings, and committee meetings. We have been very active in the area of governance, ensuring that we are in compliance with the regulations that dictate how we are to operate our business and have up to date policies in place, and that we are in compliance with those policies. We also participated in special meetings to provide input to our provincial government regarding potential changes to the Credit Unions and Caisses Populaires Act.

Your Board is committed to overseeing PenFinancial in its endeavours to improve the financial well being of our members and our communities, and to provide meaningful employment to our staff, while ensuring that our credit union is sustainable for future generations.

One thing that we are constantly aware of is change, and 2015 brought with it many changes to PenFinancial. In keeping with our strategic plan, your Board entered into discussions with the Board of Directors of Dunnville and District Credit Union with the intent to explore the possibility of merging our organizations into one. I am pleased to report that we recently learned that our business case for this proposed merger has been approved by the regulators. You will be hearing more about this at the time of our Annual General Membership Meeting.

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Report from the Board Chair continued...

Another major change for PenFinancial was the announcement by our CEO, Robert Watson, of his plan to retire at the end of August 2016. With this announcement, your Board has enacted our succession plan and, with the help of a consultant, have begun the task of recruiting a new CEO. I am happy to report that the process is well under way.

2016 is already shaping up to be a very exciting year for PenFinancial. We are doing well financially and we continue to improve lives and strengthen communities. We also place emphasis on our employees by supporting them in their educational pursuits and their career aspirations.

On behalf of our Board of Directors, it is with great pleasure that I thank Bob Watson, our CEO, for his support and leadership of PenFinancial, and for the many years of service he has provided to our members and our credit union. Bob and our staff continue to live our Brand and are determined to serve you, our members, in ways intended to help everyone achieve success. We wish Bob and his family many happy years of retirement.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'N. Reg Sonnenberg', with a stylized flourish at the end.

N. Reg Sonnenberg
Chair, Board of Directors, PenFinancial Credit Union

Board of Directors



Chair
Reg Sonnenberg



1st Vice Chair
Frank Perugino



2nd Vice Chair
Chris Walsh



Dave Chamberlain



Darryl Clemens



Bill Daley



Dave Jastrubecki



Diane Nieuwesteeg



Kirbi Simpson



Rick Tabaka



David Tsang



Bernie Villamil

Report from the Chief Executive Officer



Bob Watson, CEO

More than 70 years ago, people with vision and passion for financial independence came together to create credit unions in various locations across Niagara. During the years that followed, those credit unions seized opportunities to grow both organically and through mergers, resulting in today's PenFinancial Credit Union. Now serving 20,000 personal and business members, and with Loans, Mortgages, Deposits and Investments approaching \$900 million, PenFinancial is a leading financial institution that is truly local to the Niagara Region. PenFinancial's growth in size, assets and membership correlate perfectly with its relevance to the residents and communities of Niagara.

Every successful organization needs a firm foundation so that it might rise above whatever comes its way. Looking back on PenFinancial's history, the foundation that was passed on to us has undeniable strength and sustainability. Now, as we look to the future, we want to pay it forward by keeping the essence of our grass roots with an eye set firmly on achieving an enduring legacy.

We carefully unite our employees and our products and services to maximize the relationships we have with our members, and the financial success they might achieve. We are also mindful that technology empowers everyone to do complex things with simplicity and efficiency.

The Year in Review

Our 2015 financial results included asset growth of \$6 million, loan and mortgage growth of \$7 million, and member deposit growth of \$19 million. Our retail credit delinquency of .87% compared favourably to the 1.04% of our peers, and indicates the quality of our lending practices. Our "Capital Adequacy" ratio of 7.55% compares well to our peer ratio of 7.32%, and is an important indicator of our credit union's health and stability. We are pleased to have paid our Investment Shareholders an above market rate of 3.10% for their investments in 2015. This year, we proudly welcomed 1,264 new members to PenFinancial.

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Report from the CEO continued...

In December, an examination was performed on our organization by our regulator, Deposit Insurance Corporation of Ontario. We are proud of the excellent results achieved and are looking forward to future growth that will be supported by our sound and effective operations.

We implemented our plans to further develop two key areas of our business: wealth management and commercial-agricultural lending. This included the rebranding of our wealth offering to “PenFinancial Wealth Management”. We are now emphasising these services at both the branch and corporate level so that we might even more effectively manage the varying degree of complexity needed by our members. In the early fall, we sponsored member informational seminars to introduce them to some of the important aspects of financial management and retirement planning. The sessions were well attended and favourably received. As a result, we are now looking forward to them becoming an ongoing aspect of our commitment to financial literacy. We have considerable opportunity to grow our commercial-agricultural business and, for that reason, are planning to expand the department by adding a Senior Account Manager. Strong growth in this business division will provide additional revenue to fund many aspects of our credit union.

Our employees set high expectations for themselves and are proud of “Our Commitment” to “improve lives and strengthen communities”. An important feature of our culture includes the values that we believe in, and which guide us. This year, we made a slight revision to specifically include “integrity”. Our values are now: “Passion, Integrity, Respect, Knowledge and Success”.

Employee training and development continued to be areas of focus throughout 2015. PenFinancial is deeply committed to education and illustrates this in many ways. We have an internal Leadership Development Program, formal training programs for all positions, cross-training initiatives, and we sponsor our employees in professional designation programs such as Certified Financial Planner and Professional Financial Planner.

Renovations or revitalization work has been completed at our Bunting, Main and Huggins branches and we are now putting the finishing touches on our Dorchester Branch. The work has gone well and our members and employees have expressed how pleased and proud they are with the results. This important work to refresh our branches and to create a uniform look will continue into 2016.

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Report from the CEO continued...

Following the merger with the former Fort Erie Community Credit Union in 2014, we performed a successful conversion of their data system in September 2015 so that all of our branches are now operating on the same platform. This was an important and complex initiative to ensure that all members would have full access to the products and services we offer.

We recognize that our industry, like all industries, must adapt and evolve faster than ever, as technology continues to transform customer preferences and behaviour. We, therefore, continue to invest in technology and innovation initiatives that will enhance our ability to differentiate our company into the future. During the year, we introduced:

- Deposit Anywhere™
- Interac Online Payments
- U.S. cash in branch ATMs
- A new telephone system
- Me-to-Me Money Transfers
- “Accounts Plus” for PenFinancial Wealth Management clients
- Member Relationship Management System (all branches)

Investing in our communities and supporting local organizations that strive to improve the lives of others are very important to PenFinancial. During 2015, we invested in or otherwise supported more than 40 charities, local events and other activities. We are pleased to report that over \$90,000 was contributed on behalf of our members to improve the strength and vitality of our Niagara community.

Looking Forward

The low interest rate environment, global economic uncertainty and weak oil prices continue to impact stock performance in many sectors, as well as consumer and business confidence. The forecast is for a longer wait before economic growth and stability returns. Despite this, it is important to note that the fundamentals of our credit union are strong, as reflected in our balance sheet growth, stable credit quality and strong capital position. We are, therefore, looking to the future with optimism and confidence.

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Report from the CEO continued...

The following are some of the notable goals for 2016:

We are pleased to have been invited to participate in a merger with the Dunnville and District Credit Union. During much of 2015, considerable time and effort has gone into this opportunity and we are hopeful that Dunnville's members will approve the merger at their Annual General Membership Meeting on April 14, 2016. This merger will result in another branch location to serve our members, and another 8 branches for the Dunnville members. Seven employees and 2,000 members will be added to the PenFinancial family. Dunnville has \$25 million in assets and has Capital similar by percentage to PenFinancial. We are planning to do the banking system conversion this fall. We are very pleased to have Dunnville's confidence and trust in PenFinancial and are looking forward to the conclusion of this merger on May 31, 2016.

Our wealth management initiatives will include: our spring "Wealth Campaign", the return of our "Financial Literacy Fall Seminar Series", the introduction of a new "Wealth Specialist", the launch of new software to further improve the member experience, and the full integration of wealth into the retail branch environment, all for the convenience of our members.

Our investment in technology will continue. Among those included in our plans are:

- Advisors will have the capability to host web conference sessions with members
- Electronic signing of legal documents
- Enhancements to Member Direct Online Banking to enable budgeting and account aggregation. This will be called "Personal Financial Management" or "PFM".

In January 2016, we launched our new "Member Support Department". This is a vital department located in Central Services and its purpose is to consolidate specific functions, such as electronic clearings, into one central location to improve efficiency, accuracy and the quality of our member service. We also launched our new "Member Experience Team". This team will focus on ensuring that your interactions with us continue to be second to none. We want you to feel our passion and commitment, and the value we provide to you.

Our Leadership Development program is an important investment in our people and the development of our future leaders. This program will, therefore, continue in 2016, and for the foreseeable future.

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Report from the CEO continued...

We are looking to the future with attention on an exciting project we refer to as our “Branching Strategy”. This special project began about 18 months’ ago and involves several important facets, including for example, demographic analyses involving: our branches, member transaction volumes and trends, current branch locations, potential sites for new branches, and more. While it is premature to discuss our progress at this time, we commit to keeping you informed as tangible developments and decisions are made.

We will perform an “Employee Engagement Survey” during the year because we want to ensure that we continuously foster a work environment comprised of engagement, openness, trust and opportunity.

On January 15, 2016, we launched our “Truly Local Banking” rebrand with a comprehensive online strategy, supporting videos, print and outdoor media, along with a new trulylocaladvice.ca blog. This was a major initiative that we believe does a perfect job in describing what we do at PenFinancial and why our credit union is so important to the residents, businesses and communities in Niagara.

Our success in 2015 is the result of the incredible hard work and commitment of our employees, the members of our Board of Directors and those who serve on our Member and Community Relations Committee. These individuals work tirelessly to bring our values, member experience and culture to life.

You may have heard that our April 2016 membership meeting will be my last as your CEO. I am looking forward to my retirement in August and will be taking with me countless memories to remind me just how much I have enjoyed the people with whom I have worked, and the wonderful relationships formed with so many of our members.

Thank you, everyone!

Bob Watson



CEO

Investing in Niagara to Keep our Communities Strong and Vibrant

Reinvesting our earnings to contribute to the strength and vitality of the Niagara communities we serve is a priority for PenFinancial Credit Union. Through our Community Investment Program, and our fundraising and volunteer efforts, we support Niagara based organizations, not-for-profits and community events that align with our Community Investment Pillars – Education, Social Wellness, Economic Vitality and Active Communities.

Through our signature social responsibility program - Skates for Kids – we continue to fundraise, partner and support elementary schools through the donation of gently used skates and new helmets for every student, to encourage sustainable school-wide skating programs. To date, with the support of our members, our employees and the public, we've donated over 3,500 pairs of skates and 2,000 new helmets to 15 schools across Niagara.

Niagara is home to all of us, so we have a vested interest in ensuring we do what we can to grow together to make our communities strong, vibrant, healthy and sustainable. In 2015, we took great pride in strengthening existing and building new partnerships, volunteering and providing monetary support to over 40 events and organizations, investing \$90,000 and countless volunteer hours to strengthen our communities.





1. Adam Rempel took a quick selfie at his alma mater, Sir Winston Churchill, while delivering a Financial Literacy presentation. Looks like all of their eyes are open!
2. CEO, Bob Watson, helps a couple of St. Mary's students tie their skates to hit the ice in Welland. St. Mary's Elementary School was one of two schools that **Skates for Kids** supported in 2015.
3. We attended the Family & Children's Services Niagara annual Thanksgiving event to celebrate and enjoy a meal with many youth connected to the organization. CEO, Bob Watson, accepted this beautiful autumn tree from FACS Niagara Executive Director, Chris Stevens, in recognition of our support for their **New Outlooks and Beginnings Program**.
4. In the fall of 2015, we all had a ton of fun golfing in the dark at our Annual Glo-Ball Tourney in memory of our dear friend and former colleague, Bonnie Barron. The proceeds (\$7,890) from the tourney were donated to **Wellspring Niagara and Hospice Niagara**.
5. PenFinancial proudly pledged \$25,000 in scholarships to Brock University students over the next five years. The scholarships will be given to community-minded students making an impact in Niagara.
6. In 2015, we partnered with **Niagara Peninsula Homes' Team ENERGI** program. Through the partnership, we were able to work with them to create a matched-saving program and provide financial literacy training to help youth facing barriers create and work towards their savings goals.
7. We proudly supported the arts and culture scene in Niagara by sponsoring the **In the Soil Arts Festival** in downtown St. Catharines. Pictured here, our friends at the Garden City Food Coop took a quick break to snap a photo by our tent.



8. Our Garrison Road Branch hosted a BBQ fundraiser in support of Tristan Romeo and his family. Tristan is battling an aggressive brain tumor and all proceeds from the BBQ were used to help ease the financial burden for the Romeo family.
9. Our Lake Street branch proudly supported **Random Acts of Kindness Day** by donating a variety of children's mitts, hats and gloves to **Community Care of St. Catharines & Thorold**.
10. PenFinancial proudly pledged \$25,000 in scholarships to **Niagara College** students over the next five years. The scholarships will be given to community-minded students making an impact in Niagara.
11. Our Main Street branch in Welland presented the **Open Arms Mission** with a cheque for \$500. The money was raised at a charitable BBQ put on by the branch and supported by the community.
12. Our Huggins Branch had some fun following a very successful Business After 5 event at their newly renovated branch. The event was held through the **Niagara Falls Chamber of Commerce**.
13. Governor Simcoe graduate and current Brock University Student, Raiven de Souza was the winner of our 2015 **Sprowt Video Scholarship Contest**. Here is Raiven celebrating with our CEO, Bob Watson.
14. We proudly celebrated Co-op week with our Niagara Co-op partners including **Cowork Niagara** and **Garden City Food Co-op** to name a few.

Report from the Member & Community Relations Committee

The role of the Member and Community Relations Committee is to ensure that PenFinancial develops and pursues objectives to maximize member engagement in the credit union and foster self-reliant, sustainable Niagara communities. Additionally, the Committee gains assurance that appropriate processes are in place to communicate effectively with members and other stakeholders. The Committee is also responsible for supporting the Credit Union's commitment, value discipline and brand promise.

Delivering a listening, guiding, nurturing and caring approach to member service

By treating our members like we would a family member, taking a listening and guiding approach to member service and always offering products that are in the best interests of our members, our **Life Events** conversations are building relationships that will last a lifetime. In addition to helping our members make solid financial decisions, this past year was filled with new digital service offers, exciting new products, brand awareness for our Credit Union and continued community support in the Niagara neighbourhoods we serve.

Over the past year we've initiated many new products, services and programs that have positively impacted our level of member service and engagement, while reaching some exciting milestones along the way. Here is a snapshot of some of the **HIGHLIGHTS**

- Continued to support the **Ontario Awareness Campaign**, partnering with over 30 credit unions from across the province to encourage Ontarians to consider their local credit union as their primary financial institution
- Implemented a policy to ensure that we are compliant with Canada's Anti-Spam Legislation while still being able to communicate important updates and information to our membership
- Developed a Branching Strategy which will be implemented in 2016
- Completed our Bunting, Main and Huggins branch revitalization and will continue with our branch facelifts into 2016, to allow our members and employees to enjoy working in newly decorated and refreshed environments.
- Launched our **Life Events Member Seminar Series**

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Report from the Member & Community Relations Committee continued...

- Met with over **700** members, to have **Life Events Conversations** to ensure that we are providing advice based solutions to help our members achieve their financial goals
- Bolstered PenFinancial's social media presence in 2015. By actively participating in conversations and establishing relationships through social media, we now have 1,700 Twitter followers and almost 2,000 Facebook fans
- Enhanced PenFinancial's digital presence by investing in search engine optimization and digital advertising platforms
- Partnered with Performance Auto Group to bring our members spring and fall **Car and Loan Sales**, offering members discounted pricing on used cars and car loans
- Introduced **Interac Online Payments**- an easy, secure way to shop online with your PenFinancial debit card
- Implementation of new phone system providing members with a seamless and efficient means to communicate with our employees
- Launched our **#TrulyUglyRoom** Contest via Pinterest and along with our SunMedia partners, garnered 98 entries from across Niagara and awarded a local Welland couple with the \$3,000 prize to renovate their circa 1960 kitchen
- Launched Deposit Anywhere™, a safe, secure and convenient way to deposit cheques using a mobile device
- Implemented **Accounts Plus** for Credential – a service where members can register and link accounts they have with Credential Securities and Credential Asset Management to their online banking at PenFinancial
- Introduced **Me-To-Me** money transfers – an online banking feature that enables members to securely transfer money between their own PenFinancial accounts and accounts they may have at other Canadian Financial Institutions
- Installed a new fleet of state of the art **ATMs** at our branches, which include access to US cash 24/7.

Improving Lives and Strengthening Niagara Communities

While other financial institutions focus on providing profits to shareholders, PenFinancial's purpose is to provide service to members and communities.

"PenFinancial is committed to build, grow and strengthen business achievements in Niagara. We are fortunate to call them a trusted and valued community partner."

Mishka Balsom
President/CEO
Greater Niagara Chamber of Commerce



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Report from the Member & Community Relations Committee continued...

Building strong and vibrant communities requires focus to understand the underlying systemic issues impacting each Niagara neighbourhood. The pillars of our Community Investment Program closely align with the twelve critical indicators that are outlined in the 2014 “**Living in Niagara Report**”. We believe that while ‘giving back’ is part of our co-operative DNA, it’s important that we reinvest in a way that is meaningful and drives community economic development, supports members’ financial empowerment and is impactful to the sustainability of our communities.

"Leadership Niagara is proud and thankful for our recent partnership with PenFinancial Credit Union. PenFinancial not only sends one employee a year to our program, they also sponsor one of our learning days and support us in various LN related community projects. We know we have a loyal and committed partner in PenFinancial as we work to inspire leaders and build community in Niagara."

Mario De Divitiis
Executive Director
Leadership Niagara



Here is an overview of a few of our community investment **MILESTONES**

Through our Community Investment Program we invested in, through both monetary and volunteer support, over 40 charities, local events and other activities and organizations that align to our Corporate Social Responsibility pillars – Education, Social Wellness, Economic Vitality and Active Communities. From the Niagara Mental Health Association to the Niagara Nutrition Partners to Family and Children’s Services Niagara, our Member and Community Relations Committee had the pleasure of leading the investment of over \$90,000 to organizations that contribute to the strength and vitality of the Niagara community. In addition to our monetary contributions, our employees also donate hundreds of hours, volunteering at our sponsored events and lending their time and expertise on various boards and committees supporting a variety of organizations that are building a stronger Niagara.

“Niagara Nutrition Partners is sincerely grateful for the ongoing and generous support of PenFinancial. Their financial contributions have helped us feed close to 17,000 children every day in schools across Niagara, ensuring that children eat right and learn. Thank you to the amazing team at PenFinancial!”

Anne Kirkpatrick
Program Manager
Niagara Nutrition Partners



In 2015, we were very proud to announce the creation of the **PenFinancial Credit Union Community Leadership Scholarships**. \$10,000 will be awarded annually to a group of first year students at Brock University and Niagara College who demonstrate leadership and commitment to volunteerism in the Niagara Region.

We continue to receive nominations for our **Who Cares? Community Investors in Niagara Program**. This award

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Report from the Member & Community Relations Committee continued...

winning program recognizes the many residents across our Region who are doing wonderful things to help make our Niagara communities strong, vibrant and healthy. We encourage members to nominate their 'good neighbours' to be highlighted in our **Who Cares?** Feature. Nomination forms can be found under the "Community" section of our website at penfinancial.com

Skates for Kids, our signature Corporate Social Responsibility program, has made a total contribution of over 3,500 pairs of gently used skates and over 2,000 new helmets to 15 schools across Niagara since 2009. We are very proud of our award winning program and will continue to work towards achieving our goal of assisting all Niagara schools in implementing school wide skating programs. Our third annual **Skates for Kids Trivia Night** was held in October and we raised over \$12,000 to assist us in funding the purchase of new helmets for our Program. Thank you to our employees, members and sponsors for your continued support of our Skates for Kids Program.

Our annual **Bonnie Barron Glo-Ball Tournament**, which celebrates the life of Bonnie Barron, a former CEO of Cataract Savings and Credit Union, was another great success this past September. Thanks to the support of Bonnie's friends and family and our PenFinancial family, the Tournament raised a total of \$7,890 which was donated to Wellspring Niagara and Hospice Niagara – two very important organizations that provide cancer care support and end of life care respectively, to hundreds of Niagara residents each year.

"The Skates For Kids program was wonderful for the entire St. Alfred Catholic School community. Newcomers to Canada, as well as many others who for whatever reason didn't have access to skates/helmets, were able to fully participate with their class. Once they had the equipment and basic skating skills, families were able to participate on week-ends and holidays as well. Through Skates For Kids skating, the great Canadian pastime, grew in our community! Thank you PenFinancial!"

Susan Tromanhauser
Principal
St. Alfred Elementary School, St. Catharines

"Support from PenFinancial Credit Union allows FACS to offer 5 holiday meal events each year, making sure that our youth have a place to "come Home for the Holidays," the way that all kids should. Nurturing youth toward success as adults is a great investment for our community. Thank you PenFinancial!"

Ann Godfrey
Director of Development and Public Relations
FACS Niagara



We sponsored six young members to attend **Co-operative Young Leaders Summer Camp**. This week-long initiative brings young people aged 14-18 together from all across Ontario to learn about, and practice, communication and leadership through co-operative activities.

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Report from the Member & Community Relations Committee continued...

Financial literacy is rapidly becoming the most impactful piece of our “Education” Investment pillar. We recognize that it’s essential to have the skills and knowledge to make informed and effective financial decisions. We are committed to growing the financial capacity of our community members and are providing opportunities that will help develop money management skills.

Through our newly established partnership with Niagara Peninsula Homes (NPH), we brought the first ever Independent Development Account (IDA) to Niagara. This **Growth IDA** is open to participants of NPH’s Team ENERGI Program (a work experience program for youth with barriers to employment).

The IDA is a matched savings program which encourages participants to save towards a particular goal which will assist them to move from poverty to prosperity. Participants must attend group-based financial literacy workshops along with one-on-one coaching sessions led by the PenFinancial team, to enhance their level of financial awareness.

"We had a dream to help young people save and learn. Much to our surprise and absolute delight the PenFinancial team loved the idea and the first IDA (Individual Development Account) was born outside the GTA. We cannot thank PenFinancial enough for all their support and kindness to the youth and our staff. They made a dream a reality for NPH and 4 very grateful youth."

Betty Ann Baker
Executive Director
Niagara Peninsula Homes Inc.
Niagara Women's Enterprise Centre
Niagara Presents

"CMHA Niagara is pleased to have received \$15,900 in support from PenFinancial since 2012. Mental illnesses and addictions in Ontario is more than 1.5 times the burden of all cancers, and seven times the burden of all infectious diseases. Every penny donated goes to direct service for citizens in Niagara who live with this illness. We are truly thankful for the staff and management for supporting our community members in need."

George Kurzawa, M.S.W., RSW, CAE
Executive Director
Canadian Mental Health Association,
Niagara Branch



Our in-school **Financial Literacy Program Presentations** are very popular across elementary and secondary schools in Niagara and in 2015, our employees delivered over 20 workshops to over 600 students.

During Financial Literacy month, we offered neighbourhood **Wealth Seminars** to our members and our **Truly Local Advice Social Media Contest** gave Niagara the opportunity to ask our Advisors financial questions via Facebook and Twitter.

14 students entered our **Sprowt.ca Video Scholarship Contest** in 2015 and we awarded \$4,000 in scholarship prizes to five winning entries. It was tough for our guest judges to narrow down the entries to their top five as they were all very well executed videos that creatively expressed the “What I Want to Be When I Grow

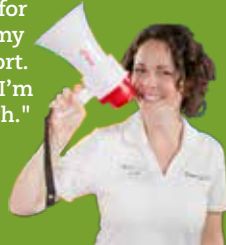
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Report from the Member & Community Relations Committee continued...

Up" theme. We pushed the top five out to the public to vote to determine the top 5 placement, and we were pleasantly surprised to receive over 20,000 votes! Our Grand Prize winner was Raiven de Souza, a graduate of Governor Simcoe Secondary who is now enrolled in Brock University's Sport Management Program.

"I'm so thankful to the community for taking the time to help me pursue my dream to learn and work within sport. I had a blast making the video and I'm glad that my passion shined through."

Raiven de Souza, 2015 Sprowt.ca Video Scholarship winner



The best way to predict the future is to create it

In the coming year, we look forward to continuing the evolution of our Service Commitments, which will always be centered around our members' needs and expectations. The year 2016 will be a busy one, including the expansion and relocation of our branch network, continued branch revitalization work, and product and service enhancements that will elevate and delight our member's banking experiences. We'll be sure to continue to keep the lines of communication open so that we never lose sight of the needs of our members and communities.

"PenFinancial's annual sponsorship of Prom Project Niagara brings head-to-toe formal wear at no cost to hundreds of Niagara students! On their behalf, a heartfelt thank you from the Education Foundation of Niagara. Through PenFinancial's support, students have been able to join their peers at their proms and graduations feeling stylish, confident and proud."

Cindy Paskey
Executive Director
Education Foundation of Niagara

We are very excited about the future of our Credit Union and we will be working hard to maintain your respect as a genuine, local, co-operative and professional financial provider. As your representatives, we are pleased to present this report to you and we thank you for your continued support, feedback and loyalty.

Co-operatively yours,

E. Acs, J. Amodeo, D. Chamberlain, W. Colli, K. Hunermund, J. Nicklefork, D. Nieuwesteeg, K. Porter, C. Priest, B. Villamil, C. Walsh,

Member & Community Relations Committee



Cliff Priest
Chair



Evan Acs



Joanna Amodeo



Dave Chamberlain



Wayne Colli



Kathy Hunermund



Jada Nicklefork



Diane Nieuwesteeg



Karrie Porter



Bernie Villamil



Chris Walsh

Report from the Governance & Human Resources Committee

PenFinancial's Governance & Human Resources Committee is comprised of four (4) members who are appointed each year from and by the Board of Directors. Any member of the Board of Directors may attend the meetings of this Committee as participants, however, they do not have a vote on matters placed before the Committee. The Governance & Human Resources Committee works to ensure PenFinancial Credit Union maintains high standards of credit union governance. Collaboratively, management and the Committee monitor the regulatory environment and corporate governance trends to identify opportunities for development and growth.

At PenFinancial, we believe in living our values and earning our members' trust. Our values are the foundation of our culture, and they define how we conduct our business. As a co-operative organization, we believe in being socially responsible and doing business with honesty and integrity and in compliance with all legal and regulatory requirements.

The Committee meets as required, but no less frequently than once per quarter. During this past year, the Committee met six (6) times. Our governance framework, in place to ensure PenFinancial is managed and operated in a sound and prudent manner, includes the following three (3) primary areas of responsibility:

1. Effective Governance of the Credit Union

The committee shall:

- Ensure that the Credit Union's governance practices evolve with the needs of the business
- Ensure the Board's own development and succession
- Assist the Board in holding Directors and Committee members accountable for fulfilling both their collective mandate and their individual duties

2. Protection of the Credit Union's Reputation

- The Committee shall oversee the development and monitoring of policies which provide for the required ethical conduct of Directors and employees, and to prevent the exercise of undue influence by related and restricted parties

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Report from the Governance & Human Resources Committee continued...

3. Human Resources Policy

- The Committee shall ensure that governing policies are in place and implemented by management to provide employees of the credit union with fair and meaningful employment in a safe and respectful workplace
- The Committee directs the evaluation and compensation process for the CEO

The Governance & Human Resources Committee is pleased to report that throughout 2015, all responsibilities were carried out in accordance with the Terms of Reference assigned to it by the Board of Directors. The following briefly outlines a few of the many important projects the Committee was involved in:

- The continuation of a comprehensive educational program for all Directors including: performance assessment, aptitude gap analysis and continuing education
- Reviewing all governance related policies for relevance, recommending changes to the Board of Directors where appropriate
- Conducting the CEO's annual performance review
- Reviewing adherence to governance related Standards of Sound Business Practice and considering appropriate improvements
- Considering and recommending changes to the governance of the Credit Union, including size of the Board of Directors and the composition of its various committees

PenFinancial Credit Union has always been committed to governance excellence as we believe this is essential to our continued success and maintaining your trust. We pledge to build a level of governance that will position our Credit Union to thrive and grow even stronger in the future.

Respectfully submitted by your 2015 Governance Committee,

K. Simpson (Chair), F. Perugino, R. Sonnenberg, R. Tabaka

Report from the Audit & Risk Committee

PenFinancial Credit Union Limited maintains an Audit & Risk Committee in accordance with Section 125 of the Credit Unions and Caisses Populaires Act of 1994, and Ontario Regulation 237/09. This Committee is comprised of four (4) members who are appointed each year from your Credit Union's Board of Directors. Any member of the Board of Directors may attend the meetings of the Audit & Risk Committee as participants, however, they are not permitted to vote on Committee matters.

The Audit & Risk Committee mandate is prescribed in the Regulations associated with the Act. The Committee works diligently to ensure our credit union complies with this mandate, industry best practices and other guidelines that are defined by our primary regulator, the Deposit Insurance Corporation of Ontario. Directors who are members of this Committee receive their appointments based on their professional skills, related experience and knowledge.

The Act requires the Audit & Risk Committee to meet at least quarterly. PenFinancial's Audit & Risk Committee chose to meet more regularly. During this past fiscal year, the Committee met seven (7) times. The duties of the Committee are primarily to assist the Board of Directors in fulfilling its responsibility to ensure the adequacy of: accounting functions, financial reporting, internal controls, policies and procedures. Based on findings, the Committee issues reports and/or recommendations to the Board of Directors and/or senior management. Follow up is also completed to ensure that recommendations are considered and implemented.

Below are some examples of the important work performed during 2015:

- Met periodically with management to discuss internal controls involving: financial reporting processes, auditing and reporting issues, and to review the internal financial reporting packages.
- Met with the external auditor, Deloitte LLP, to: discuss the audit plans, receive the management letter, and to review the draft financial statements for the period ending December 31, 2015.
- Met with the internal auditor, Belsby & Associates, to discuss: the annual internal audit plan, the organization's effectiveness and efficiency, and general business matters. During the year, the Committee also received regular reports and recommendations from the Internal Auditor regarding the operations of all branches, security, anti-money laundering processes, policy compliance, etc.

continued...

Report from the Audit & Risk Committee continued...

- Oversaw the Enterprise Risk Management program to provide reasonable assurance that the strategic, operational, financial and regulatory objectives of the credit union are achieved.
- Received the results and recommendations from the examination that was performed by our Deposit Insurer.
- Reviewed and approved the expenses of Directors and CEO.
- Regularly reviewed detailed audit checklists to ensure that numerous aspects of our operations are managed on an ongoing basis both effectively and efficiently. This would include, but is not limited to: new and revised policies, related operating procedures and outstanding legal matters.
- Received or participated in numerous training opportunities, seminars and conferences to ensure that professional skills are further developed, maintained and evolving so that Committee members might contribute as effectively as possible to our credit union. It is notable that all Committee members have received a “strong” rating in all nine (9) of the key competency areas.

The Audit & Risk Committee is pleased to report to the members that it continues to conduct its affairs in accordance with the Act and Regulations, and International Financial Reporting Standards. Management also continues to provide support and cooperation needed for the Committee to play an effective role in enhancing the overall control structure of the Credit Union.

There are no matters requiring disclosure to the members pursuant to the Act or Regulations.

As Chair of this Committee, I would like to acknowledge the performance and dedication of the members of the Audit & Risk Committee. I compliment them for the fine work accomplished during 2015.

Respectfully submitted by your 2015 Audit & Risk Committee,

D. Jastrubecki (Chair), Darryl Clemens, Bill Daley, David Tsang

2015 Meeting Attendance



Number of Meetings Held in 2015

	Board of Directors	Board	Audit & Risk	Governance & HR	MCR Committee	Honourarium
		9	7	6	5	
		Attendance				
	Reg Sonnenberg, Chair	9	2*	6		\$6,000.00
	Frank Perugino, Vice Chair	8	2*	5	1*	\$4,750.00
	Chris Walsh, Vice Chair	9	2*		4	\$4,750.00
	Dave Chamberlain	9	2*		4	\$4,000.00
	Darryl Clemens	9	7		1*	\$4,000.00
	Bill Daley	3	5			\$1,960.00
	Dave Jastrubecki	7	7			\$4,750.00
	Diane Nieuwesteeg	8	1*	1*	4	\$4,000.00
	Kirbi Simpson	7	1*	4		\$4,750.00
	Rick Tabaka	9	1*	5	1*	\$4,000.00
	David Tsang	9	7		1*	\$4,000.00
	Bernie Villamil	9	1*	1*	4	\$4,000.00
	Member & Community Relations Committee					
	Cliff Priest, Chair				4	\$448.00
	Evan Acs				2	\$224.00
	Joanne Amodeo				2	\$224.00
	Wayne Colli				5	\$560.00
	Kathy Hunermund				5	\$560.00
	Jada Nicklefork				4	\$448.00
	Karrie Porter - Appointed in June 2015				1	\$112.00

* Board representation at committee meeting

= Not on committee

Summarized Financial Statements





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Report of the Independent Auditor on the Summarized Financial Statements

To the Members of PenFinancial Credit Union Limited

The accompanying summarized financial statements, which comprise the summarized statement of financial position as at December 31, 2015, and the summarized statement of comprehensive income and summarized statement of changes in members' equity for the year then ended, are derived from the audited financial statements of PenFinancial Credit Union Limited for the year ended December 31, 2015. We expressed an unmodified audit opinion on those financial statements in our report dated February 17, 2016.

The summarized financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized financial statements, therefore, is not a substitute for reading the audited financial statements of PenFinancial Credit Union Limited.

Management's Responsibility for the Summarized Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the summarized financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summarized financial statements derived from the audited financial statements of PenFinancial Credit Union Limited for the year ended December 31, 2015 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.

A handwritten signature in dark ink that reads "Deloitte LLP." The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
February 17, 2016

PenFinancial Credit Union Limited

Summarized Statement of Financial Position

PenFinancial Credit Union Limited

Summarized statement of comprehensive income

year ended December 31, 2015

(In Canadian dollars)

	2015	2014
	\$	\$
Interest income	16,112,085	14,816,895
Investment income	431,904	472,542
	16,543,989	15,289,437
Interest expense	5,824,461	5,333,693
Other interest expense	600,884	491,818
	6,425,345	5,825,511
Net interest income	10,118,644	9,463,926
Provision for impaired loans	(253,596)	(474,600)
Net interest margin	9,865,048	8,989,326
Net gain (loss) from other financial instruments carried at fair value through profit or loss	9,972	(63,002)
Other income	2,523,788	2,138,356
Total operating income	12,398,808	11,064,680
Deposit insurance premium	252,598	258,785
General and administrative	3,734,796	3,281,671
Occupancy	1,261,174	1,044,875
Personnel expenses	6,907,643	5,561,895
Total operating expenses	12,156,211	10,147,226
Amalgamation expenses	213,368	267,899
Dividends on Class B special shares	52,237	32,625
	265,605	300,524
(Loss) income before income taxes	(23,008)	616,930
Income tax (recovery) expense	(204,431)	36,000
Net income	181,423	580,930
Other comprehensive income	41,739	144,101
Total comprehensive income	223,162	725,031

PenFinancial Credit Union Limited

Summarized Statement of Changes in Members' Equity

PenFinancial Credit Union Limited

Summarized statement of changes in members' equity
year ended December 31, 2015

(In Canadian dollars)

	Class B special shares	Membership shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
	\$	#	\$	\$	\$	\$
As at January 1, 2014	13,895,687	178,131	-	11,950,094	589,982	26,613,894
Total comprehensive income (loss)	-	-	-	580,930	144,101	725,031
Acquisition	-	-	4,480,133	-	-	4,480,133
Re-classified to retained earnings	-	-	(4,480,133)	4,480,133	-	-
Total dividends declared on	-	-	-	-	-	-
Class B special shares	-	-	-	(506,861)	-	(506,861)
Dividends declared on Class B special shares qualifying as liabilities reclassified to expense	-	-	-	32,625	-	32,625
Dividends reinvested in Class B special shares	506,861	-	-	-	-	506,861
Net shares redeemed	1,272,883	37,398	-	-	-	1,310,281
Class B special shares reclassified to liabilities	(160,561)	-	-	-	-	(160,561)
As at December 31, 2014	15,514,870	215,529	-	16,536,921	734,083	33,001,403
Total comprehensive income	-	-	-	181,423	41,739	223,162
Total dividends declared on	-	-	-	-	-	-
Class B special shares	-	-	-	(522,371)	-	(522,371)
Dividends declared on Class B special shares qualifying as liabilities reclassified to expense	-	-	-	52,237	-	52,237
Dividends reinvested in Class B special shares	522,371	-	-	-	-	522,371
Net shares redeemed	(700,887)	(1,994)	-	-	-	(702,881)
Class B special shares reclassified to liabilities	(25,117)	-	-	-	-	(25,117)
As at December 31, 2015	15,311,237	213,535	-	16,248,210	775,822	32,548,804

PenFinancial Credit Union Limited

Summarized Statement of Cash Flows

PenFinancial Credit Union Limited


Summarized statement of financial position

as at December 31, 2015

(In Canadian dollars)

	2015	2014
	\$	\$
Assets		
Cash	10,060,044	11,377,368
Investments	39,463,220	38,632,860
Loans to members	404,330,217	397,809,556
Other assets	444,974	574,408
Investment in joint venture	77,487	118,083
Property and equipment	8,133,288	7,995,202
Intangible assets	746,034	946,249
Current income tax asset	-	58,484
	463,255,264	457,512,210
Liabilities		
Deposits from members	403,828,697	385,102,661
Borrowings	-	10,500,000
Other liabilities	1,614,874	1,539,454
Mortgage securitization liability	23,266,640	25,794,049
Deferred income tax liability	295,000	484,439
Class B special shares	1,701,249	1,090,204
	430,706,460	424,510,807
Members' equity		
Membership shares	213,535	215,529
Class B special shares	15,311,237	15,514,870
Retained earnings	16,248,210	16,536,921
Accumulated other comprehensive income	775,822	734,083
	32,548,804	33,001,403
	463,255,264	457,512,210

Approved by the Board

 Director

 Director

Angela Conner *ALAC*

[illegible]

[illegible]

Brand Promise

Listen • Guide • Nurture • Care

Truly local banking.





PenFinancial
CREDIT UNION

