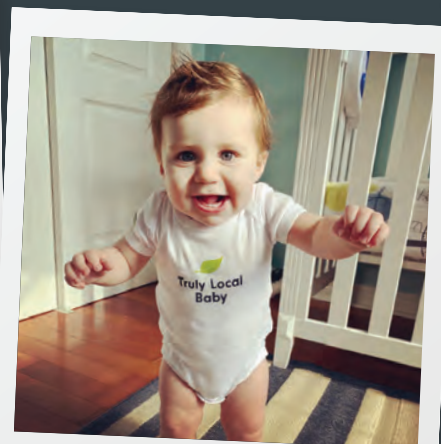




LOCAL WRITER MICHAEL JACQUES WAS A GUEST SPEAKER AT OUR EMPLOYEE RETREAT DAY



MEET COOPER, A TRULY LOCAL BABY!



OUR NEW FONTHILL BRANCH



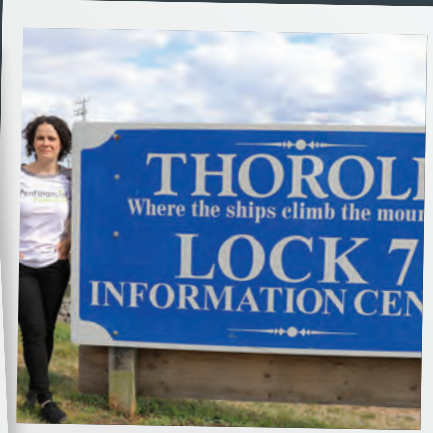
IN 2019, PENFI WAS AWARDED AN ACHIEVEMENT IN MARKETING AWARD

PenFinancial Credit Union

# 2019 FINANCIAL REPORT



WE ARE PROUD TO SPONSOR THE COMMUNITY CREW'S SUPER KIDS DAY



A GREAT VISIT TO LOCK 7 IN THOROLD



KEN AND THE PENFI TEAM PARTICIPATED IN WELLSRING NIAGARA'S WINTER WALK



JENNIFER JOHNSTON DELIVERS A HOUSEWARMING GIFT TO A HUGGINS STREET MEMBER



KPMG LLP  
 Commerce Place  
 21 King Street West, Suite 700  
 Hamilton Ontario L8P 4W7  
 Canada  
 Telephone (905) 523-8200  
 Fax (905) 523-2222

## 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, 2019
- 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 and 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, 2019 (the "audited financial statements").

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

### **Summary Financial Statements**

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

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

### **The Audited Financial Statements and Our Report Thereon**

On our report dated February 26, 2020, we expressed an unqualified opinion on the audited financial statements.

### **Management's Responsibility for the Summary Financial Statements**

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

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.

***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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Ontario  
February 26, 2020

**PENFINANCIAL CREDIT UNION LIMITED**

## Summary Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Assets</b>		
Cash	\$ 23,616,389	\$ 6,339,512
Investments	50,062,350	44,013,598
Loans to members	575,209,029	573,430,068
Other assets	766,898	605,515
Current income tax asset	209,008	-
Investment in joint venture	127,013	78,570
Property and equipment	13,741,349	10,995,555
Intangible assets	200,843	286,401
	<b>\$ 663,932,879</b>	<b>\$ 635,749,219</b>
<b>Liabilities</b>		
Deposits from members	\$ 552,349,858	\$ 511,716,371
Other liabilities	4,993,572	1,386,926
Mortgage securitization liabilities	61,811,163	78,680,321
Current income tax liability	-	49,794
Deferred income tax liability	127,468	77,127
Membership shares	220,129	222,595
	<b>619,502,190</b>	<b>592,133,134</b>
<b>Members' Equity</b>		
Class B special shares	24,164,957	23,570,415
Retained earnings	20,265,732	20,045,670
	<b>44,430,689</b>	<b>43,616,085</b>
	<b>\$ 663,932,879</b>	<b>\$ 635,749,219</b>

See accompanying note to summary financial statements.

**PENFINANCIAL CREDIT UNION LIMITED**

## Summary Statement of Comprehensive Income

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Interest income	\$ 22,360,635	\$ 20,747,927
Investment income	1,103,746	1,050,242
	<b>23,464,381</b>	21,798,169
Interest expense	9,497,076	7,096,363
Other interest expense	1,599,428	1,718,072
	<b>11,096,504</b>	8,814,435
Net interest income	<b>12,367,877</b>	12,983,734
Provision for impaired loans	31,531	(301,710)
Net interest margin	<b>12,399,408</b>	12,682,024
Net gain (loss) from other financial instruments carried at fair value through profit or loss	603	(72,028)
Loss on sale of property and equipment	-	(17,385)
Other income	2,885,762	2,897,988
Total operating income	<b>15,285,773</b>	15,490,599
Deposit insurance premium	412,779	388,950
General and administrative	3,984,493	4,232,465
Occupancy	2,141,660	1,745,579
Personnel expenses	7,574,827	7,197,636
Total operating expenses	<b>14,113,759</b>	13,564,630
Income before income taxes	<b>1,172,014</b>	1,925,969
Income tax expense	71,447	322,155
Net income	<b>1,100,567</b>	1,603,814
Other comprehensive loss, net of income taxes	-	(263,725)
Total comprehensive income	<b>\$ 1,100,567</b>	\$ 1,340,089

See accompanying note to summary financial statements.

**PENFINANCIAL CREDIT UNION LIMITED**

## Summary Statement of Changes in Members' Equity

Year ended December 31, 2019, with comparative information for 2018

	Class B special shares	Retained earnings	Accumulated other comprehensive income	Total
As at January 1, 2018	\$ 23,167,988	\$ 19,213,298	\$ 263,725	\$ 42,645,011
Total comprehensive income (loss)	-	1,603,814	(263,725)	1,340,089
Total dividends declared on Class B special shares	-	(771,442)	-	(771,442)
Dividends reinvested in Class B special shares	592,525	-	-	592,525
Net shares issued	(190,098)	-	-	(190,098)
<b>As at December 31, 2018</b>	<b>\$ 23,570,415</b>	<b>\$ 20,045,670</b>	<b>\$ -</b>	<b>\$ 43,616,085</b>
Total comprehensive income	-	1,100,567	-	1,100,567
Total dividends declared on Class B special shares (net of tax recovery of \$199,867)	-	(880,505)	-	(880,505)
Dividends reinvested in Class B special shares	951,692	-	-	951,692
Net shares redeemed	(357,150)	-	-	(357,150)
<b>As at December 31, 2019</b>	<b>\$ 24,164,957</b>	<b>\$ 20,265,732</b>	<b>\$ -</b>	<b>\$ 44,430,689</b>

See accompanying note to summary financial statements.

# PENFINANCIAL CREDIT UNION LIMITED

## Summary Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Net income	\$ 1,100,567	\$ 1,603,814
Items not involving cash:		
Provision for impaired loans	(31,531)	301,710
Interest income	(22,360,635)	(20,747,927)
Interest expense	9,497,076	7,096,363
Depreciation and amortization	1,219,042	1,015,050
Net (gain) loss from other financial instruments carried at fair value through profit or loss	(603)	72,028
Loss on sale of property and equipment	-	17,385
Income tax expense	71,447	322,155
	(10,504,637)	(10,319,422)
Change in operating assets/liabilities:		
Change in loans to members	(1,805,845)	(52,123,659)
Change in deposits from members	39,404,242	44,355,413
Change in other assets and liabilities	343,364	(6,426,852)
	27,437,124	(24,514,520)
Interest received	22,419,050	20,565,921
Interest paid	(8,267,831)	(6,178,622)
Income tax paid (net of recoveries received)	(80,039)	(459,271)
	41,508,304	(10,586,492)
Investing:		
Net change in investments	(6,096,592)	(252,398)
Purchase of intangible assets	(93,986)	(144,887)
Purchase of property and equipment	(549,060)	(2,352,404)
Proceeds received on disposal of PPE	28,025	-
	(6,711,613)	(2,759,689)
Financing:		
Proceeds from securitization of mortgages	-	48,923,405
Repayment of mortgage securitization liabilities	(16,869,158)	(13,378,946)
Redemption of membership shares – net	(2,466)	(2,167)
Issuance of Class B special shares	951,692	592,525
Redemption of Class B special shares	(357,150)	(190,098)
Dividends on Class B shares	(1,080,374)	(771,442)
Repayment of lease liabilities	(162,358)	-
Repayment of borrowings	-	(18,500,000)
	(17,519,814)	16,673,277
Increase in cash	17,276,877	3,327,096
Cash, beginning of year	6,339,512	3,012,416
Cash, end of year	\$ 23,616,389	\$ 6,339,512

See accompanying note to summary financial statements.

# PENFINANCIAL CREDIT UNION LIMITED

Note to Summary Financial Statements

Year ended December 31, 2019

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**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, 2019 and for the year than ended.

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

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

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

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