



2022 Annual Report



Community Minded

As a community minded financial co-operative, we're committed to the well-being of our employees, our members and our community. A large part of that commitment to our community is supporting local organizations and charities through monetary donations and sponsorships, with a goal of giving 5% of our pre-tax profits each year. In 2022, these donations totalled \$179,512!

Hike for Hospice

The Hike for Hospice was able to be held in person once again in September 2022. As the title sponsor of the Hike, SCU was proud to be a part of such a special event and provide a donation of \$25,000. The rain didn't stop attendees from walking in memory of their loved ones who have passed away at the Maison McCulloch Hospice, while also raising funds for the hospice.



International Credit Union Day

In honour of ICU Day, and to celebrate the community-minded spirit of credit unions, SCU made donations to five local organizations whose work supports and enriches the community. Donations of \$2,500 each were provided to Sudbury Rainbow Crime Stoppers, Sudbury Indie Cinema, Inner City Home of Sudbury, Sudbury Food Bank, and Better Beginnings Better Futures – Good Food Project.



\$179,512
In Donations &
Sponsorships



A donation of \$20,000 given to the Robinson Park Outdoor Rink revitalization project.

65
Local Organizations &
Groups Supported



A donation of \$5,000 given to the Sudbury Food Bank's Annual Edgar Burton Christmas Food Drive.

A Message from the CEO

Sudbury Credit Union is a financial institution which was incorporated in 1951. We've come a long way from our humble beginnings when the treasurer kept deposits in a shoe box under the bed!

As a financial institution we are heavily regulated, and rightfully so. The Financial Service Regulatory Authority of Ontario (FSRA) is the provincial regulator for Ontario credit unions. Through monitoring and required reporting, they ensure credit unions operate within the rules established through the Ontario Credit Union and Caisses Populaires Act and associated Regulations. In addition to the Act and Regulations, FSRA has various 'Authority Rules'. Collectively, the Act, Regulations and Rules set out requirements such as how a credit union operates; power and duties of the credit union board of directors; requirement to have an audit committee and the duties of that audit committee; requirement of each credit union to have bylaws and much more.

Regulations, rules, and reporting are complex, stringent and time consuming but necessary, as that structure helps to safeguard member deposits.

While regulations have changed dramatically since those early days in 1951, one thing that hasn't changed, and continues to guide us today is the premise of people helping people.

Staff Helping Staff.....

The SCU staff family help each other. From helping the brand-new employee as they learn our procedures and practices, to helping an employee prepare for their own retirement. In 2022, we welcomed 9 new people to our SCU staff family, and wished 2 long-tenured people well as they moved to retirement. In addition, there were five internal promotions. Considering we have about 72 employees, that is a sizeable amount of movement. We have an extensive back office staff, which makes up over one-third of our team. Our staff family working behind the scenes provides services and assistance to other staff enabling them to serve our members with pride and excellence.

Staff Helping Members.....

In 2022 we invested \$13 million in loans to local businesses in our community. This includes

businesses which provide office space to other businesses; residential housing and apartment buildings; retail businesses; mining; hospitality and more. For our personal members, we assisted many members with their mortgage needs, renovation and vehicle loans, and of course with their saving and retirement planning needs.

Beyond providing products and services to our members, our staff educate members to help protect themselves from online fraud. Our staff have prevented many questionable transactions, and thanks to staffs' caring nature, a member was saved from providing money to someone posing as their grandchild.

Throughout 2022, we followed our business plan focusing on service delivery; financial resiliency; and member, staff and community engagement.

Service Delivery....

We continue to provide in-branch services at our 6 locations in the Sudbury area; while also maintaining virtual services through online and mobile applications. Our Bouchard location was expanded in 2022 to allow for more space for both our commercial team and our retail advisors. We also created new office space at our Second Avenue and Levack locations, providing two back-office employees with new working space. Unfortunately, our ATM locations also kept us busy with issues of people using the space for needs other than ATM services. That forced us to make the decision to lock the door to our lobby ATMs after business hours. We have plans to replace our outdoor cash-dispensing ATMs with full-service ATMs in the coming year.

Online services were increased during the year, as we introduced Mobile Wallet. Mobile Wallet is an app on your mobile device that stores your payment information enabling contactless payments. Members can choose Apple Pay, Google Pay or Samsung Pay.

We introduced e-statement email notifications, and now send an email to members to let them know when their statement is available in online banking.

To aid in online safety, we introduced two-step verification, which is an extra layer of security for our



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online banking and mobile banking users. We also added a self-serve personal access code reset option for our members who accidentally lock themselves out of online or mobile banking.

Financial Resiliency.....

We are a prudent organization which continually exceeds regulatory minimums year over year. As the numbers in this report show, our credit union is financially strong with a capital leverage ratio more than double the percentage required by regulations.

Engagement.....

Employee Engagement

We’re proud to say that our employee engagement score was 84% in 2022, which was an increase from the last survey of 82% in 2020. We strive to create a great environment for employees to learn, thrive and grow; and we work hard to recognize their efforts.

Member Engagement

Late in 2022 we undertook a member survey, and were extremely happy to achieve the highest customer experience score the surveying company had ever seen. The score measures member confidence, satisfaction, championship and loyalty. We are currently waiting for survey results of Sudburians to gauge their perception of SCU.

Community Engagement

In 2022 we provided nearly 5% (4.96%!) of pre-tax profit to local organizations and other cooperatives. That does not include the volunteer hours spent by many of our staff and directors with various

community organizations and events. This year, as the returning corporate sponsor of the Hike for Hospice, many of our staff came out to help organize and work at the event. It was exciting to hold the in-person event after having been cancelled for the last two years, but the weather did not cooperate. While many participated despite the rain, the overall turnout was not as hoped, and fundraising efforts did not meet target. We look forward to sponsoring the hike again this year, and are hopeful for a great turn out for this wonderful community organization. In addition to supporting our Hospice, SCU helped more than 60 other organizations in 2022 with financial support totalling approximately \$180,000.

We will continue to live by and work within the complex rules, regulations, requirements of this stringent financial services industry, and we will continue to be a financially strong and stable organization. And we will not lose sight of our simple rule of people helping people; and will continue to help our members achieve their financial goals, provide meaningful careers for our staff family, and collectively give back to our local community to keep it strong.

I thank our members for choosing SCU for your financial needs, and hope you know that you are supporting a local organization that cares about you and your community. My sincere thank you to our dedicated SCU Staff Family and to our Directors for their commitment and excellent stewardship.

Mimi Regimbal,
Chief Executive Officer

A Message from the Board Chair

To the Members of Sudbury Credit Union:

The Board of Directors and I have the honour to bring our perspective of external business, finance, and social issues to the discussions and deliberations at Sudbury Credit Union Board meetings. We are cognizant of the challenges facing the Membership in the financial marketplace and general economy, including rising-interest rates, higher cost of living, and the impacts on our local market and workforce. The Board of Directors have provided effective oversight of the decisions, plans, processes and policies presented by Sudbury Credit Union's Senior Management, and as implemented by Management and Staff. I am pleased to report to the Membership of the Board of Director's fulfillment of its governance and stewardship duties and responsibilities.

Since April 2022, we have embraced a new regulatory environment that was proclaimed into force by the Legislative Assembly of Ontario. Senior

Management has provided immaculate capacity and translation of the new Sound Business and Financial Practices Rule. Throughout 2022 and into 2023, we have made changes to various policies to reflect the complex and fluid regulatory environment. These policies will serve to guide future decisions, and ensure that we meet our regulated responsibilities. Each policy is reviewed regularly through the Board and sub-committee schedule, with a core attention to manage the embracement of risk on behalf of all Members.

Over the past year, the Board and Senior Management have held two special meetings, in addition to the 10 regular board meetings and numerous sub-committee meetings. The first special meeting in June was dedicated for the discussion of the business plan and potential emerging issues that may come following the beginning of the Bank of Canada quantitative tightening. During the second special meeting in October, we reflected on our values, mission, and vision statements, and

“It is these unwavering commitments to the co-operative principles that strengthen, and give meaning to the Credit Union.”



if they clearly state why we matter in today's financial services environment. We also discussed the evolution of Enterprise Risk Management (ERM) as a decision-making tool and not just a reporting metric. These special meetings summated the reaffirmation of our continued strategic approach for 2023: Service Delivery (digital strategy), Engagement (Member, Employee, Community), and Financial Resiliency.

The Board understands that the pillar of these strategic approaches lies in the dedication and day-to-day interactions of the Membership and Employees. We are proud of the contributions that our Members and Employees make to our organization, and the propagation of community that comes with each interaction. It is these unwavering commitments to the co-operative principles that strengthen, and give meaning to the Credit Union.

In conclusion, we have taken steps to manage risk on behalf of our Members, embrace digital innovation, and remain focused on our mission, values and cooperative principles. Looking ahead, we will continue to become educated and adaptable to changing Member needs, an unpredictable economy, and disruptive technologies and competitors. It is incumbent upon the Board of Directors to investigate these issues, ask difficult questions, and conduct proper evaluation to ensure that Sudbury Credit Union remains positioned for long term sustainability. Sudbury Credit Union will continue to be known as a strong, responsive, Sudbury-based financial co-operative, and be viewed as "Sudbury's Credit Union".

David Vares,
Chairperson

Our Mission

With pride and excellence, Sudbury Credit Union is dedicated to identifying and fulfilling your financial needs and those of our community.

Our Vision

Committed to the well-being of our employees, our members and our community.

Our Values

We are approachable; dependable; fair; ethical; professional; trustworthy... we are people helping people.

Board of Directors



David Vares
Chairperson



Lindsay Liske
Vice Chairperson



Leo Racette
Past Chairperson



Bette Choquette
Secretary



Michael Bellmore
Director



Jamie Conroy
Director



Pat Marcuccio
Director



Grace Navarro
Director



Lise Roy
Director

As per the Credit Union and Caisses Populaires Act, 2020, section 103: "The board of every credit union shall report annually on the gender diversity of the board."

Sudbury Credit Union Board of Directors includes three female and six male directors.

Key Financial Results

2022 Highlights

\$541.4M
Total Assets

\$13.5M
Increase in Total Assets

9.1%
Increase in Member Loans

2%
Increase in Member Deposits

\$2.8M
Net Income

Balance Sheet

In 2022, SCU's total assets increased by \$13.5 million from \$527.9 million. At the end of the year, total assets were \$541.4 million, representing a moderate growth rate of 2.6%, near the 2022 financial plan.

As projected, member deposits grew modestly and excess cash and investments declined as member loans increased. The balance sheet movement was favourable, with member deposits continuing to fund 100% of member loans.

Member Loans

Loans to members increased by \$34.8 million or 9.1%. Growth occurred in the retail and business portfolios, with most representing lending to our local community. As the economic environment normalized, growth in lending was higher than planned and was welcome, using up a large portion of excess cash and investments (declined by \$21.9 million or 15.9%).



Key Financial Results continued

Member Deposits

Member deposits increased by \$9.7 million or 2%. For some members, regular savings continued to grow. For others, the recovering economy allowed them to use the excess funds they had accumulated over the prior two years. For those remaining funds, a rising rate environment resulted in a shift of member deposits out of chequing and savings accounts and into term investments.

Members' Equity and Regulatory Capital

Reinvesting earnings into the credit union for future strength increased members' equity by \$2.7 million, or 6.4%. Regulatory capital improved by \$2.1 million and, coupled with moderate asset growth, ensured SCU remained well above required regulatory ratios.

Income Statement

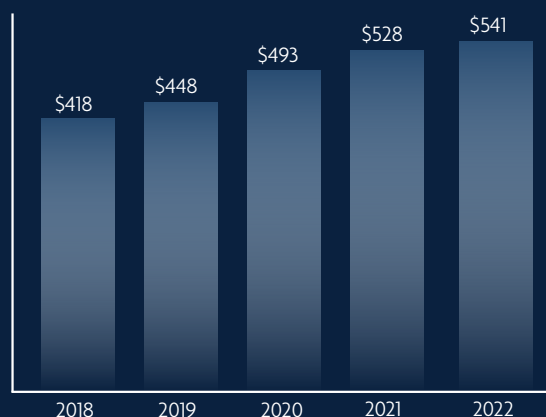
Net Interest and Non-Interest Revenue

Net interest income was \$11.7 million or 2.20% of average assets, up \$1.4 million from 2021. The rising rate environment positively affected revenue and, along with the increased loan portfolio volume, produced higher interest income. Interest expense was also higher due to the increasing rate environment and member shift of funds into higher-rate term investments. Overall, interest revenues increased more than interest expenses, improving net interest income over 2021. Non-interest revenue remained relatively stable at \$2.2 million.

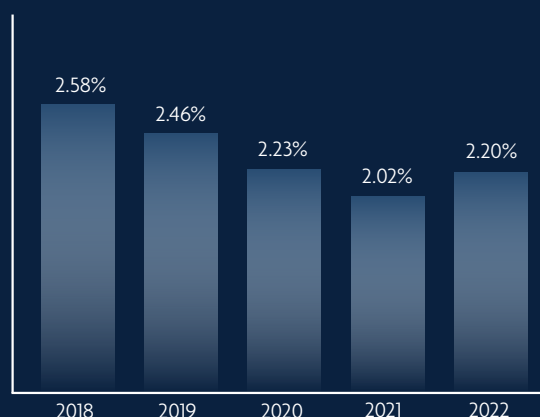
Regulatory Capital Ratios

	December 2022	Board Limit	Regulatory Minimum
Tier 1 Capital	20.3%	8.5%	6.5%
Retained Earnings to Risk Weighted Assets	18.3%	5.0%	3.0%
Risk Weighted Capital	20.9%	9.5%	8.0%
Capital Conservation Buffer	12.9%	2.5%	2.5%
Total Supervisory Capital	20.9%	12.0%	10.5%
Capital Leverage	8.9%	5.0%	3.0%

Assets (in millions)



Net Interest Income



Provision for Credit Losses

Loan losses for 2022 were low at \$65 thousand. Employment levels were good in Sudbury, and rising loan rates were only starting to impact borrowers in 2022. The allowance for future loan losses remained high due to concerns about the impact of high loan rates and uncertain economic conditions in 2023 and beyond.

Operating Expenses

Operating expenses increased by \$512 thousand, or 5.3%, with higher levels seen in all major categories. High inflation rates impacted many contractual and non-contractual payments.

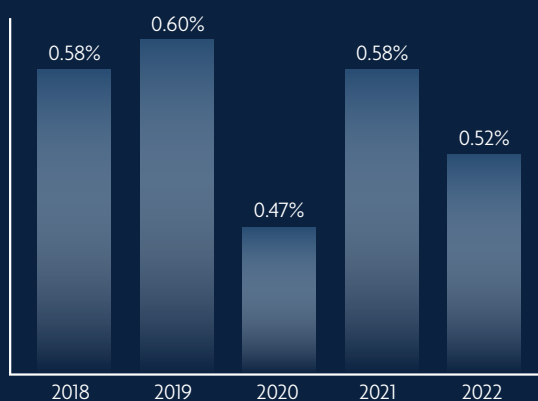
Net Income

Net Income was solid at \$2.8 million, a decrease of \$182 thousand from 2021 but well above historical averages. The 2022 return on assets was 0.52%. Rising net interest income helped offset rising

costs and, coupled with low loan losses, allowed for favourable performance in 2022.

Debbie Korzeniecki,
Chief Financial Officer

Return on Assets



Report of the Audit Committee

Sudbury Credit Union Limited's Audit Committee was formed pursuant to the Credit Unions and Caisses Populaires Act, 2020 (Ontario) ("Act"). The committee, composed of Board of Director members, has oversight responsibility for the Credit Union's financial reporting, risk management, ethics and compliance requirements. Written terms of reference prescribe the committee's objectives and responsibilities and how it functions. The committee met throughout the year to receive reports from management, internal audit, and KPMG LLP, our external auditors.

The committee met four times in 2022, and completed the following activities:

1. Reviewed and made recommendations to the Board of Directors regarding the annual external audit engagement letter, scope and plan of the audit;
2. Reviewed and approved the Audited Financial Statements and notes prior to Board approval;
3. Approved the Annual Internal Audit Plan and reviewed the Internal Audit reports to gain an understanding of important elements of internal controls that are important to safeguarding the assets of Sudbury Credit Union;
4. Reviewed all audits by external stakeholders and approved Management's response to them for any identified areas of risk;
5. Reviewed the Credit Union's risk management policies and assessments of risk to ensure processes were in place to measure, monitor, manage and mitigate significant risk exposures including appropriate policies, procedures and controls, and;

6. Initiated and completed requests for proposal for both internal and external audit services to be received in 2023.

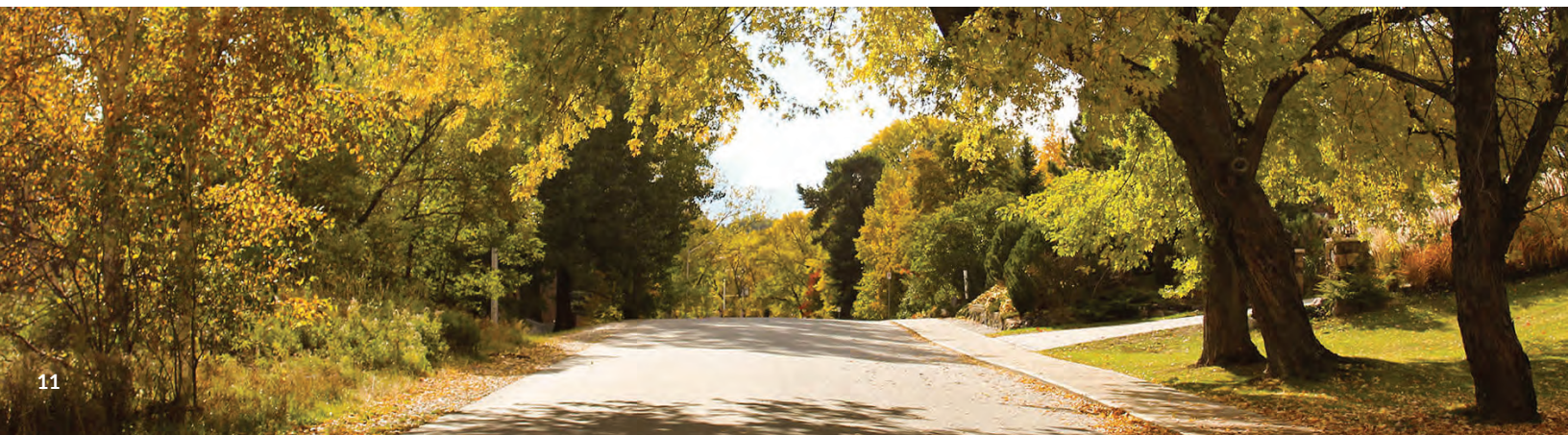
These activities were performed to ensure the proper safeguarding of the Credit Union. Based on its reviews and findings, the Audit Committee made recommendations to the Board of Directors and Management, and followed up to ensure that the recommendations were considered and implemented, as appropriate.

The Audit Committee is pleased to report to the members that the committee is functioning in accordance with the Act. Through the full co-operation and support of management, it continues to play an effective role in assuring the quality of financial reporting, risk management, ethics and compliance requirements, thus, enhancing overall operational control of the Credit Union.

There are no significant recommendations made by the Audit Committee that have not been either implemented or are in the process of being implemented. There are no issues the committee believes should be reported and no matters that would require disclosure pursuant to the Act or the Regulations.

Respectfully submitted on behalf of the Audit Committee,

Jamie Conroy, Committee Chair
Lindsay Liske
Leo Racette
Pat Marcuccio
David Vares, Ex-Officio





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REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARY FINANCIAL STATEMENTS

To the Members of Sudbury Credit Union Limited

Opinion

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

- the summary statement of financial position as at December 31, 2022;
- the summary statement of income and comprehensive income for the year then ended;
- the summary statement of changes in members' equity for the year then ended;
- and related notes to the summary financial statements

are derived from the audited financial statements of the Sudbury Credit Union Limited as at and for the year ended December 31, 2022 (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 2 in the summary financial statements.

Summary Financial Statements

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

The summary financial statements and the audited financial statements do not reflect the effects of events that 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 27, 2023:

- We expressed an unqualified opinion on the audited financial statements.



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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 2 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, the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards 810, Engagements to Report on Summary Financial Statements.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Ontario

March 10, 2023

SADBURY CREDIT UNION LIMITED

Summary Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021 (recast)
Assets		
Cash and cash equivalents	\$ 21,549,739	\$ 56,394,857
Loans to members	417,781,630	382,979,908
Investments	94,566,893	81,746,884
Other assets	2,195,866	1,937,599
Deferred income taxes	110,554	56,131
Property, equipment and intangibles	5,224,252	4,893,177
	\$ 541,428,934	\$ 528,008,556
Liabilities and Members' Equity		
Members' deposits	\$ 488,246,104	\$ 478,499,588
Accounts payable and accrued liabilities	1,857,731	1,545,323
Lease liabilities	1,227,070	697,169
Liabilities qualifying as regulatory capital	6,133,039	5,956,440
	497,463,944	486,698,520
Members' equity:		
Contributed surplus	5,484,655	5,484,655
Retained earnings	38,107,947	35,348,845
Accumulated other comprehensive income	372,388	476,536
	43,964,990	41,310,036
	\$ 541,428,934	\$ 528,008,556

See accompanying notes to the summary financial statements.

SADBURY CREDIT UNION LIMITED

Summary Statement of Income

Year ended December 31, 2022, with comparative information for 2021

	2022	2021 (recast)
Revenue:		
Interest - non-mortgage loans	\$ 1,854,924	\$ 1,684,388
Interest - mortgage loans	12,055,743	11,440,070
Investment income	2,063,033	820,587
	<u>15,973,700</u>	<u>13,945,045</u>
Cost of financing:		
Interest - demand deposits	389,887	377,566
Interest - term deposits	1,707,543	1,476,788
Interest - registered accounts	1,828,366	1,638,626
Interest on external borrowings	37,450	26,229
Dividends on investment shares	283,740	127,894
	<u>4,246,986</u>	<u>3,647,103</u>
Net interest income	11,726,714	10,297,942
Provision (recovery) for impaired loans	65,288	(734,751)
Net interest income after provision for impaired loans	11,661,426	11,032,693
Non-interest revenue	2,185,393	2,370,017
	<u>13,846,819</u>	<u>13,402,710</u>
Operating expenses:		
Personnel	5,947,968	5,536,651
General	2,830,316	2,794,589
Occupancy	705,989	690,474
Organization	209,776	186,903
Insurance	530,983	504,274
	<u>10,225,032</u>	<u>9,712,891</u>
Income before income taxes	3,621,787	3,689,819
Income taxes	862,685	748,848
Net income for the year	<u>\$ 2,759,102</u>	<u>\$ 2,940,971</u>

See accompanying notes to the summary financial statements.

SUDBURY CREDIT UNION LIMITED

Summary Statement of Comprehensive Income

Year ended December 31, 2022, with comparative information for 2021

	2022	2021 (recast)
Net income for the year	\$ 2,759,102	\$ 2,940,971
Other comprehensive income (loss):		
Items that may be subsequently reclassified to net income:		
Net losses on financial assets measured at FVOCI:		
Unrealized gains (losses) in fair value of investments	(578,787)	(226,205)
Income tax recovery	153,379	59,945
	<u>(425,408)</u>	<u>(166,260)</u>
Reclassification of realized losses to the statement of income	1,569	1,686
Income tax expense	(416)	(447)
	<u>1,153</u>	<u>1,239</u>
	<u>(424,255)</u>	<u>(165,021)</u>
Items that will not be reclassified subsequently to net income:		
Actuarial gain related to defined benefit pension plan	435,400	1,034,900
Income tax recovery	(115,293)	(274,285)
	<u>320,107</u>	<u>760,615</u>
Total other comprehensive income (loss) for the year	(104,148)	595,594
Total comprehensive income for the year	<u>\$ 2,654,954</u>	<u>\$ 3,536,565</u>

See accompanying notes to the summary financial statements.

SUDBURY CREDIT UNION LIMITED

Summary Statement of Changes in Members' Equity

Year ended December 31, 2022, with comparative information for 2021

	2022	2021 (recast)
Contributed surplus:		
Balance, as at January 1 and December 31	\$ 5,484,655	\$ 5,484,655
Retained earnings:		
As at January 1	35,348,845	32,407,874
Net income	2,759,102	2,940,971
Balance, end of year	38,107,947	35,348,845
Accumulated other comprehensive income (loss):		
As at January 1 (recast)	476,536	(119,058)
Other comprehensive income (loss)	(104,148)	595,594
As at December 31	372,388	476,536
Members' equity, end of year	\$ 43,964,990	\$ 41,310,036

See accompanying notes to the summary financial statements.

SUDBURY CREDIT UNION LIMITED

Notes to Summary Financial Statements

Year ended December 31, 2022

1. Reporting entity:

Sudbury Credit Union Limited (the "Credit Union"), was incorporated on October 9, 1951 and operates in compliance with the Credit Union and Caisses Populaires Act of Ontario (the "Act"). The Credit Union is a member of the Central 1 Credit Union ("Central 1"). The Credit Union provides financial services and products to its members through six branches in the Greater Sudbury area. The Credit Union's head office is located at 1 Gribble Street, Copper Cliff, Ontario.

2. Summary financial Statements:

The summary financial statements are derived from the complete audited financial statements, prepared in accordance with International Financial Reporting Standards, as at and for the year ended December 31, 2022.

The preparation of these summary financial statements required management to determine the information that needs to be reflected in the summary financial statements so that they are consistent, in all material respects, with or represent a fair summary of the financial statements.

These summarized financial statements have been prepared by management using the following criteria:

- (a) whether information in the summary financial statements is in agreement with the related information in the complete audited financial statements; and
- (b) whether, in all material respects, the summary financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete audited financial statements, including the notes thereto.

Management determined that the statement of cash flows does not provide additional useful information and as such has not included them as part of the summary financial statements.

The complete audited financial statements of Sudbury Credit Union Limited as at and for the year ended December 31, 2022 are available upon request by contacting the Credit Union.

3. Comparative information:

The summary financial statements have been reclassified, where applicable, to conform to the presentation used in the current period. The changes do not affect the prior year net income and total comprehensive income for the year.

