

2021

MEMBER INFORMATION
PACKAGE

wfcū
CREDIT UNION

ecū
A Division of WFCU Credit Union

REPORT OF THE TREASURER ON THE CREDIT UNION'S FINANCIAL POSITION



REPORT OF THE TREASURER ON THE CREDIT UNION'S FINANCIAL POSITION

Fiscal 2020/2021 represented a time of planned and continued growth for WFCU in the midst of a worldwide pandemic. The fiscal and operational results of this past year surpassed expectations and highlighted the credit union's strategic focus on organizational evolution and long-term sustainability. During fiscal 2021 WFCU generated strong and respectable results, with net income after taxes of almost \$13 million. This represents a 154% increase in profitability over the prior year and could not be accomplished without the credit union's unrelenting investment in our workforce, and the communities that we serve.

Approximately 300 dedicated and professional staff members across Southwestern Ontario responsibly manage current total credit union assets of over \$3.56 billion, rendering Windsor Family Credit Union the 6th largest credit union in Ontario. On a national level, WFCU is proud to be the 20th largest credit union in the country, in an industry of over 230 Canadian credit unions.

WFCU management and Board members identified fiscal 2020/2021 as a year of changing consumer expectations and maintained a proactive, growth-oriented outlook in meeting today's new business realities. The credit union expanded its physical footprint with the acquisition of Education Credit Union in the fall of 2020; and it continues to pursue opportunities to diversify its portfolio, achieve further market growth in existing communities, expand membership, and develop new consumer-driven products that build upon WFCU's steadfast investment in technology and products.

The credit union achieved unparalleled financial outcomes in fiscal 2020/2021 and remained focused in its purpose when pursuing new strategic initiatives in areas such as payments, and wealth management. This is evidenced by the 20% increase in non-interest income over fiscal 2020, and in the credit union's ability to generate record profits during a pandemic-driven outlook of economic uncertainty.

The initiatives and related financial results that were realized in fiscal 2020/2021 include the following:

Education Credit Union (ECU) Acquisition

On October 1, 2020, WFCU acquired ECU and the results of its operations have been included in the consolidated financial statements since that date. As at October 1, 2020 WFCU acquired total assets with a carrying value of \$218 million and a fair value of \$219 million; along with corresponding liabilities of \$204 million (valued at \$205 million).

Liquidity increased \$49 million resulting from the acquisition. This increased liquidity is composed of \$30 million in cash, \$18 million in liquidity reserve deposits, and investments of \$1 million.

Investment shares amounting to \$7.2 million were added to WFCU's total regulatory capital as a result of the acquisition. Regulatory capital increased further by \$7.5 million resulting from ECU's equity acquired, and is reflected in contributed surplus.

Mandatory Liquidity Pool Segregation

Prior to December 31, 2020, the Credit Union was required to maintain on deposit an amount equal to 6% of its assets as a condition of maintaining membership in good standing with Central 1. These deposits were reported as liquidity reserve deposits and accounted for at amortized cost. Effective January 1, 2021, Central 1 and FSRA eliminated this requirement as part of the terms of membership.

During fiscal 2021, WFCU entered into an arrangement with Central 1 to liquidate its liquidity reserve deposits. The price was established on December 31, 2020 at fair market value, and consideration was provided by Central 1 in the form of marketable fixed income securities of equivalent value on January 4, 2021. As a result of the adjustments in cash receipts, WFCU recorded a gain of \$731,677. This gain reflects the difference between the carrying cost of liquidity reserve deposits and the price determined on December 31, 2020, and has been recognized under other comprehensive income. The marketable securities are held under a segregated portfolio of High-Quality Liquid Asset (HQLA) securities and are reflected in the statement of financial position. These securities are classified as Fair Value to Other Comprehensive Income (FVOCI), with WFCU having full discretion over the management of the portfolio.

Profitability

Total comprehensive income increased to \$13.37 million as at May 31, 2021 compared to \$5.15 million in the prior year. The increased income is due in part to a record year in asset growth combined with lower expenses and increased non-interest income. The credit union experienced lower costs in some areas due to the inability to undertake certain branch or community activities as a result of COVID-19 restrictions. The positive impact of continued non-interest income was more meaningful in fiscal 2021 and is outlined further below.

Other Non-Interest Income

WFCU's strategic plan includes growing other sources of income outside of traditional loans and mortgages. This year, total other non-interest income has increased \$2.2 million over last year primarily due to commissions and charges, foreign exchange, and wealth management. The combination of these initiatives and others resulted in a 20% increase in non-interest income over the prior year.

Asset Growth

Total on book assets have increased \$564 million or 18.8% from \$3.0 billion to \$3.6 billion as at May 31, 2021. Assets include cash and cash equivalents, investments and member loans (including ECU acquired assets).

Lending

WFCU continues to provide excellent lending opportunities to our members despite the continued impacts of the COVID-19 pandemic. Commercial lending activities have increased \$177 million or 18% over the prior year compared to \$95 million of growth in fiscal 2020. Retail mortgages and personal loans have increased \$303 million or 16% compared to \$205 million or 19% in Fiscal 2020.

Estimated Credit Loss Allowance

In Fiscal 2020, the uncertainties of COVID-19 led management, together with the Board, to adopt a very conservative and responsible approach to allocating a higher than normal, yet reasonable, Estimated Credit Loss (ECL) Provision. This approach remained consistent during fiscal 2020/2021 as the uncertainties of COVID-19 and its impact on the economy remain difficult to predict.

During the fourth quarter of fiscal 2021, the potential economic impacts resulting from the COVID-19 pandemic began to soften, and were reflected in the ECL model assumptions and forward-looking information in areas such as projected unemployment rate, gross domestic product and interest rates. Monthly reviews of the loan portfolio revealed that overall delinquencies and impaired loans remained low considering the economic environment. As there are still uncertainties surrounding the future economic conditions caused by the COVID-19 pandemic, management and the Board agreed to maintain a prudent and conservative allowance for credit losses during fiscal 2021.

As a result of the above, and the adopted key assumptions determined by management and the Board, the allowance for ECL increased to \$9.3 million from \$7.3 million with a provision expense of \$1.7 million.

Funding

WFCU's membership continues to entrust WFCU with their deposits, with an increase of \$611 million over the prior year, or 27%, compared to \$161 million or 7.8% in fiscal 2020. To complement the lending activity above, WFCU further securitized \$113.5 million in mortgages to attain a total securitized portfolio of \$493 million. Total funding increased \$537 million over the prior year or 19%.

WFCU continues to focus on expanding market share through both organic growth and strategic partnerships, in a sustainable and fiscally responsible manner. Continuing to build non-interest income streams while simultaneously pursuing prudent, stable investment opportunities, will yield long-term benefits for both WFCU Credit Union and its members for years to come.

Sincerely,



Eddie Francis
President, CEO and Treasurer
WFCU Credit Union



2021

MEMBER INFORMATION
PACKAGE

MANAGEMENT REPORT



2020/2021

Management Report

Management is responsible for the preparation, presentation and consistency of the accompanying consolidated financial statements and other information contained in this Annual Report.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and have been audited by KPMG LLP Chartered Professional Accountants.

Management maintains the necessary system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained. This system of internal controls provides reasonable assurance that financial records are reliable and are a proper basis for preparation of the financial statements.

The Audit Committee and the Board of Directors, in carrying out their responsibility, have reviewed and approved the consolidated financial statements.

Sincerely,

A handwritten signature in black ink, appearing to read "Eddie Francis".

Eddie Francis
President & CEO

2021

MEMBER INFORMATION
PACKAGE

wfcū
CREDIT UNION

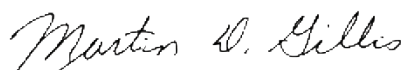
ecū
A Division of WFCU Credit Union

SUMMARY FINANCIAL STATEMENTS

SUMMARY: CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(In thousands of dollars)</i>	2021	2020
Assets		
Cash and Short-Term Deposits	274,475	235,691
Investments	302,602	260,829
Loans To Members	2,935,733	2,459,685
Derivative Financial Instruments	171	-
Property and Equipment	42,877	36,640
Intangible Assets	1,947	1,327
Other Assets	7,494	5,902
Deferred Income Taxes	-	909
	3,565,299	3,000,983
Liabilities and Members' Equity		
Members' Deposits	2,853,376	2,243,423
Borrowings	492,740	566,435
Other Liabilities	25,944	23,932
Deferred Income Taxes	33	-
Derivative Financial Instruments	171	-
Member Shares	97,913	92,151
	3,470,177	2,925,941
Members' Equity		
Retained Earning	87,498	74,516
Contributed Surplus	7,703	989
Comprehensive Loss	(79)	(463)
	95,122	75,042
	3,565,299	3,000,983

ON BEHALF OF THE BOARD:

Martin D. Gillis
Chair, Board of DirectorsRick Martinello
1st Vice Chair

SUMMARY: CONSOLIDATED STATEMENT OF INCOME

(In thousands of dollars)

	2021	2020
Interest Income		
Interest on Loans	95,000	87,672
Investment Income	6,587	6,245
	101,587	93,917
Interest Expense		
Interest on Members' Deposits	41,244	45,431
Interest on Borrowings	13,215	10,187
Dividends	2,188	2,509
	56,647	58,127
Net Interest Income After Dividends	44,940	35,790
Other Non-Interest Income	13,126	10,934
Provision for Impaired Loans	1,684	3,808
	56,382	42,916
Non-Interest Expense		
Employee Salaries and Benefits	22,150	19,886
Administrative	10,204	9,541
Occupancy	3,956	3,434
Data Processing	2,350	1,936
Member Deposit Insurance	1,553	1,270
Governance	297	311
	40,510	36,378
Income Before Income Taxes	15,872	6,538
Provision (Recovery) For Income Taxes		
Current	2,788	1,567
Deferred	102	(144)
	2,890	1,423
Net Income for the Year	12,982	5,115

SUMMARY: CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME & CHANGES IN MEMBERS' EQUITY

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of dollars)

	2021	2020
Net Income	12,982	5,115
Other Comprehensive Income, Net of Tax		
Gain on Fair Market Value of Liquidity Portfolio, Net of Tax	698	-
Actuarial (Loss) Gain on Employee Benefits, Net of Tax	(314)	39
Comprehensive Income	13,366	5,154

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(In thousands of dollars)

Retained Earnings

	2021	2020
Balance, Beginning of Year	74,516	69,401
Net Income	12,982	5,115
Balance, End of Year	87,498	74,516

Contributed Surplus

Balance, Beginning & End of Year	989	823
Acquisition of Education Credit Union	7,470	-
Deferred Income Tax Adjustments	(756)	-
Fintech Reorganization Adjustments	-	166
	7,703	989

Accumulated Other Comprehensive Loss, Net of Tax

Balance, Beginning of Year	(463)	(502)
Other Comprehensive Income	384	39
Balance, End of Year	(79)	(463)
Members' Equity End of Year	95,122	75,042

NOTE 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 May 31, 2021 and for the year 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:

- the summary financial statement include a statement for each statement included in the audited financial statements;
- information in the summary financial statements agrees with the related information in the audited financial statements;
- major subtotals, totals and comparative information from the audited financial statements are included; and
- 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 Windsor Family Credit Union Limited are available upon request by contacting the Credit Union.