

ANNUAL REPORT- COMPENSATION EMPLOYEES CREDIT UNION 2022

BOARD OF DIRECTOR'S REPORT

The Compensation Employees Credit Union (CECU) staff and Board of Directors welcome you to the 69th Annual General Meeting of Compensation Employees Credit Union.

Our priority continues to focus on our members by improving service, products, convenience and profitability. We are pleased to report another successful year of operations, and to announce dividends/interest of 5% on Equity Shares and .50% on Regular Savings.

We are proud of the patronage interest rates we continued to offer, and is only done through the continued commitment to give as much back to our members, while ensuring the financial stability and security of what is ultimately, our members', and your money.

In 2022, the CECU, continued to prioritize financial access and quality service for our members. We are looking forward to 2023 and are excited to look forward with new tools that will to improve our offering of products and services, and the experience of our members.

In closing, the Board of Directors would like to express our gratitude to WorkSafeBC for the continued support of the Credit Union. We also would like to thank our General Manager, Carol de Haas, and the rest of the staff for their excellent service and efforts throughout the year.

A final thanks to you, our members. Your continued business and support is what makes us profitable, and keeps us relevant.

Respectfully Submitted,

Board of Directors,
Compensation Employees Credit Union

GENERAL MANAGER'S REPORT

The year ending December 31, 2022 was another financially successful year for Compensation Employee's Credit Union. It was not a year of growth but profitability again resulted in a healthy return for members.

In 2022, the Credit Union experienced a 10% decline in assets. This was due to an expected decrease in deposits (\$3.7M). Total Loans increased by 30% (\$6.1M) which was mostly due to mortgage demand. Investments in Central1 remained constant. This change in the asset mix supported the Credit Union earning a healthy profit for members with an interest margin of 1.88% and net earnings at \$12.2K.

The Board of Directors declared Patronage Allocations (div/int) of 5% on Equity Shares and .50% on Regular Savings. This resulted in a payment of \$126K back to members. The Credit Union is committed to building a strong capital base, to ensure future profitability for members and also protect against the risks involved with interest rate changes.

We have been busy this year with many projects making our CU stronger, more secure and efficient. These included online password enhancements; investigating paperless & digital options; system wide payments modernization; marketing. We also communicated to members regarding the renaming of our Regular Shares account to Regular Savings, ensuring member deposits continue to carry unlimited deposit insurance protection.

Our website offers accessibility and online services including online banking as well as information about other services including mortgages, loans, & registered plans. Members also have online e-transfers, calculators, loan & membership applications, and more areas to contact us.

Management and Directors have been busy strategically planning for the future of the Credit Union. It is important to ensure that dealing with CECU continues to be convenient for all members. We continue to work on better access to funds and information for all members across BC.

I would like to thank the Credit Union Board of Directors for their commitment and support. As a team, they develop policies and strategic objectives to ensure the profitability and strength of the Credit Union. The Directors are very responsive to member's needs and concerns, and encourage input. And, we are very grateful to WorkSafeBC for the many services provided.

2022 was another challenging year with Covid, staff changes, computer & security enhancements etc. I would like to thank our amazing CU staff. They are a strong team, who are committed to serving members and have worked very hard this past year. Thank you!!

A final THANKS to the members. As members, you are owners, and it's your business and support that makes the credit union prosper. We look forward to another profitable and successful year in 2023.

Respectfully Submitted,
Carol de Haas
General Manager

Report of the Independent Auditor on the Summarized Financial Statements

To the Members of Compensation Employees Credit Union:

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2022, and the summary statements of comprehensive income and changes in members' equity and cash flows for the year then ended are derived from the audited financial statements of Compensation Employees Credit Union (the "Credit Union") for the year ended December 31, 2022.

In our opinion, the accompanying summary financial statements are a fair summary of the audited 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 audited financial statements and the auditor's report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 28, 2023.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, Engagements to Report on Summary Financial Statements.

Abbotsford, BC
February 28, 2023

MNP LLP

Chartered Professional Accountants

Compensation Employees Credit Union Summarized Statement of Financial Position December 31, 2022

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | 2,197,922 | 11,751,498 |
| Investments | 2,180,283 | 2,473,492 |
| Member loans receivable | 28,876,879 | 22,751,994 |
| Income taxes receivable | 3,872 | 7,991 |
| Prepaid expenses and deposits | 70,027 | 83,000 |
| Intangible assets | 127,982 | 148,786 |
| | 33,456,965 | 37,216,761 |
| Liabilities | | |
| Member deposits | 30,948,025 | 34,653,006 |
| Accounts payable and accrued liabilities | 34,462 | 30,440 |
| Deferred tax liabilities | 11,000 | 15,000 |
| | 30,993,487 | 34,698,446 |
| Members' equity | | |
| Equity shares | 573,173 | 611,787 |
| Retained earnings | 1,950,472 | 1,906,528 |
| Accumulated other comprehensive loss | (60,167) | - |
| | 2,463,478 | 2,463,477 |
| | 33,456,965 | 37,216,761 |

Approved on behalf of the Board of Directors

"Farhad Mistry"

Director

"Ashleigh Zhang"

Director

MNP
LLP

Compensation Employees Credit Union
Summarized Statements of Comprehensive Income and Changes in Members' Equity
December 31, 2022

| | 2022 | 2021 |
|--|-----------|-----------|
| Interest income | 975,335 | 796,368 |
| Interest expense | 278,012 | 274,260 |
| Financial margin | 697,323 | 522,108 |
| Other income | 26,310 | 30,738 |
| Financial margin and other income | 723,633 | 552,846 |
| Operating expenses | 602,178 | 508,498 |
| Income before provision for impaired loans | 121,455 | 44,348 |
| Provision for impaired loans | 46,451 | 1,000 |
| Income before income tax expense | 75,004 | 43,348 |
| Income tax expense | 2,564 | 4,009 |
| Net income | 72,440 | 39,339 |
| Other comprehensive loss | (60,167) | - |
| Comprehensive Income | 12,273 | 39,339 |
| Members' equity, beginning of year | 2,518,315 | 2,499,877 |
| Equity share dividends | (28,496) | (6,681) |
| Net redemption of equity shares | (38,614) | (14,220) |
| Members' equity, end of year | 2,463,478 | 2,518,315 |

Compensation Employees Credit Union
Summarized Statement of Cash Flows
December 31, 2022

| | 2022 | 2021 |
|---|-------------|-------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | 192,337 | (162,675) |
| Financing activities | (3,813,728) | 3,008,973 |
| Investing activities | (5,932,185) | (3,520,120) |
| Decrease in cash and cash equivalents | (9,553,576) | (673,822) |
| Cash and cash equivalents, beginning of year | 11,751,498 | 12,425,320 |
| Cash and cash equivalents, end of year | 2,197,922 | 11,751,498 |

Note: Readers are cautioned that these summarized financial statements do not include all the disclosures required for complete and fair presentation.

Compensation Employees Credit Union

2022 Disclosure KMP

Directors Remuneration, Expenses & GM Compensation

Director Remuneration (there are 7 Directors):

- Each Board member receives \$100 per regular board meeting attended (max 10/year).
- In addition to the above, once per year the Board Chair receives \$600; Vice Chair receives \$300; Secretary receives \$200.
- Chairs of Statutory Committees receive \$100 once per year.
- The Statutory Committee members also receive \$50 per meeting (to a max of 1 to 4 meetings per year depending on the committee).

General Manager Compensation:

- Base pay \$85,000 with up to 10% variable pay.

In 2022 the total of the above paid to the Directors & General Manager was \$99,550.

Other Board Expenses:

Board meeting and training expenses: \$2014.00